



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

FINANCIAL STATEMENTS

JUNE 30, 2011

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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TABLE OF CONTENTS

STATE OF NEW MEXICO DEPARTMENT OF CULTURAL AFFAIRS

Official Roster	1
Report of Independent Auditors.....	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 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 Financial Statements	19
-------------------------------------	----

SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Non-Major Governmental Funds	47
--	----

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds.....	48
--	----

Statement of Revenues and Expenditures - Major Governmental Funds - Budget and Actual Capital Projects, Laws of 2007	49
1% Art in Public Places	50

Combined General Fund Budget Schedules by Program:

Combined General Fund - Museum Services (P536) - Statement of Revenues and Expenditures - Budget and Actual	51
--	----

Combined General Fund - Preservation, Arts and Library Services (P537) - Statement of Revenues and Expenditures - Budget and Actual.....	52
--	----

Combined General Fund - Library Services (P539) - Statement of Revenues and Expenditures - Budget and Actual	53
---	----

Combined General Fund - Program Support (P540) - Statement of Revenues and Expenditures - Budget and Actual	54
--	----

Combined General Fund - Arts Program (P761) - Statement of Revenues and Expenditures - Budget and Actual	55
---	----

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.....	56
---	----

OTHER SUPPLEMENTARY INFORMATION

Supplemental Schedule of Interest in State Treasurer General Fund Investment Pool.....	60
Schedule of Capital Project Funds - Severance Tax and General Obligation Bonds.....	61
Schedule of Changes in Assets and Liabilities - Agency Funds	63

SINGLE AUDIT INFORMATION

Schedule of Expenditures of Federal Awards	64
Report of Independent Auditors 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	65
Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	68
Summary Schedule of Prior Audit Findings.....	71
Schedule of Findings and Questioned Costs	72
Exit Conference.....	89

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

Official Roster

Year Ended June 30, 2011

Administrative Officials	Title
Veronica N. Gonzales	Cultural Affairs Cabinet Secretary
Elena Sweeney	Cultural Affairs Deputy Cabinet Secretary
Therese Trujillo	Director - Administrative Services Division
Gary Romero	Director - National Hispanic Cultural Center (Acting)
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
Elena Sweeney	Director - New Mexico Museum of Natural History and Science (Acting)
Marsha Bol	Director - Museum of International Folk Art
Rudy Acosta	Director - New Mexico State Monuments (Acting)
Loie Fecteau	Director - New Mexico Arts Division
Vacant	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

Report of Independent Auditors

Veronica N. Gonzales, 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, 2011, 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 budgetary comparisons for the major capital projects funds, 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, 2011, 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.

Veronica N. Gonzales, 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, 2011, 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, 2011, and the respective changes in financial position, 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, 2011, and the respective changes in the financial position thereof and the budgetary comparisons of the major capital projects funds and non major funds governmental funds 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 12, 2011, 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.

Veronica N. Gonzales, 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 required supplementary information. 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 fund financial statements and budgetary comparisons. The accompanying schedules listed as other supplementary 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 12, 2011

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 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, 2011.

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, 2011**

Fund Financial Statements (Continued)

The focus is now on Major Funds, rather than fund types. DCA has three such funds: the General Fund (19300), Art in Public Places (Fund 68900) and Laws of 2007, 2008, and 2009 Capital Projects (26300).

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 committed 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, 2011**

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, 2011. Total DCA net assets for fiscal year 2011 were \$142,285,020. Unrestricted net assets in governmental activities were \$6,937,534 at the end of the fiscal year. Restricted net assets, which include capital projects, were \$135,549,324. Net assets increased due to less spending in the current year and increased earned revenues.

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

	2011	2010
ASSETS		
Current and other assets	\$ 14,907,349	17,651,561
Capital assets	<u>139,396,574</u>	133,838,017
Total assets	<u>\$ 154,303,923</u>	151,489,578
LIABILITIES		
Current liabilities	\$ 6,800,447	11,066,003
Long-term liabilities	<u>5,218,456</u>	5,632,894
Total liabilities	<u>\$ 12,018,903</u>	16,698,897
NET ASSETS		
Invested in capital assets, net of related debt	\$133,549,324	127,576,359
Restricted	1,798,162	3,185,094
Unrestricted	<u>6,937,534</u>	4,029,228
Total net assets	<u>\$142,285,020</u>	134,790,681

Changes in Net Assets: DCA's change in net assets for fiscal year 2011 was an increase of \$7,494,339 (Table A-1). A significant portion, \$29,355,800 of DCA's revenue comes from State General Fund appropriations. State General Fund appropriations decreased from 2010 and DCA received less in State General Fund capital project appropriations. The decreases in current and other assets and current liabilities are attributed to less spending as a result of a decrease in General Fund revenue. Additionally, in the prior year DCA experienced budget reduction identified in the liabilities category.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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, 2011. DCA's change in net assets for fiscal year 2011 was an increase of \$7,494,339. Total revenues increased from 2010 to 2011. General appropriations related to State Fiscal Stabilization Funds increased.

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

	2011	2010
Revenue		
General appropriation and operating grants and transfers	\$ 43,186,860	40,426,129
Other	<u>5,457,707</u>	<u>5,939,401</u>
Total revenue	48,645,567	46,365,530
Expenses		
Program expenses	<u>41,151,228</u>	47,272,618
Increase (Decrease) in net assets	7,494,339	(907,088)
Years ended June 30,		
Net assets, beginning of year	<u>134,790,681</u>	<u>135,697,769</u>
Net assets, end of year	<u>\$142,285,020</u>	<u>134,790,681</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, 2011**

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 2011, DCA had invested a total of \$139,396,574 in governmental-type activities in a variety of capital assets. This amount represents a net increase (including additions and deductions) of \$5,558,557 over last year. The major increase in capital assets during the fiscal year was due to the capitalization of completed construction projects.

DCA has numerous ongoing capital projects that include the New Mexico Center of Archeology, and the New Mexico Museum of Natural History and Science Education Building previously mentioned above and ADA compliance throughout the state.

Debt Administration

At June 30, 2011, the Department had total outstanding debt of \$5,847,250. Outstanding debt is backed by the Department's state tax revenues. The Department's total debt decreased by \$414,408 due to principal repayments. The Department incurred no new debt during fiscal year 2011.

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, 2011

	Governmental Activities
CURRENT ASSETS:	
Interest in State Treasurer General Fund Investment Pool	\$ 9,486,422
Receivables:	
Local government	31,230
Other	910,179
Due from federal government	1,565,386
Due from other state agencies	2,547,712
Inventory	365,715
Other assets	705
	<hr/>
Total current assets	14,907,349
	<hr/>
NON-CURRENT ASSETS	
Capital assets	185,766,496
Accumulated depreciation	(46,369,922)
	<hr/>
Total non-current assets	139,396,574
	<hr/>
Total assets	\$ 154,303,923
	<hr/> <hr/>
CURRENT LIABILITIES	
Accounts payable	\$ 2,550,434
Accrued payroll	845,579
Deferred revenue	340,091
Due to other state agencies	342,561
Due to State Treasurer General Fund Investment Pool	1,001,840
Due to State General Fund	5,697
Compensated absences payable	1,085,451
Current portion of long-term obligations	628,794
	<hr/>
Total current liabilities	6,800,447
	<hr/>
LONG-TERM OBLIGATIONS	
Non-current portion of long-term obligations	5,218,456
	<hr/>
TOTAL LIABILITIES	12,018,903
	<hr/>
NET ASSETS	
Invested in capital assets net of related debt	133,549,324
Restricted for:	
Capital projects	1,798,162
Unrestricted	6,937,534
	<hr/>
Total net assets	142,285,020
	<hr/>
Total net assets and liabilities	\$ 154,303,923
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See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Assets Governmental Activities
Governmental Activities					
Museum Services	\$ (24,240,628)	3,645,100	301,690	355,000	(19,938,838)
Preservation and Library	(12,305,640)	1,745,007	3,188,400	1,778,100	(5,594,133)
Arts	(2,331,900)	-	761,900	-	(1,570,000)
Program Support	(3,900,100)	67,600	2,807	-	(3,829,693)
Total governmental activities	(42,778,268)	5,457,707	4,254,797	2,133,100	(30,932,664)
General Revenues					
State General Fund appropriation					29,355,800
Reversion to State General Fund					(8,182)
Transfer - Bond Proceeds Appropriation					8,005,002
Interagency transfers in					1,074,316
Operating transfers in					-
Interest and investment earnings					67
Total general revenues					38,427,003
Changes in net assets					7,494,339
Net assets, beginning of the year					134,790,681
Net assets, ending of the year					\$ 142,285,020

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2011

	19300 General Fund	26300 Capital Projects, Laws 2007, 2008, & 2009	69800 Arts in Public Places Fund	Other Governmental Funds	Total
ASSETS:					
Interest in State Treasurer General Fund Investment Pool	\$ 7,291,807	-	752,899	1,441,716	9,486,422
Receivables:					
Local government	31,230	-	-	-	31,230
Other	762,765	146,639	775	-	910,179
Due from federal government	1,462,159	-	-	103,227	1,565,386
Due from other state agencies	-	1,102,334	722,458	722,920	2,547,712
Due from other funds	-	-	-	374,884	374,884
Inventory	365,715	-	-	-	365,715
Other assets	705	-	-	-	705
TOTAL ASSETS	\$ 9,914,381	1,248,973	1,476,132	2,642,747	15,282,233
LIABILITIES:					
Accounts payable	\$ 1,730,665	571,378	75,479	172,912	2,550,434
Accrued payroll	843,332	-	-	2,247	845,579
Due to State Treasurer General Fund Investment Pool	-	357,387	-	644,453	1,001,840
Deferred revenue	153,110	-	186,981	-	340,091
Due to other state agencies	10,854	307,076	-	24,631	342,561
Due to other funds	374,884	-	-	-	374,884
Due to State General Fund	-	5,355	-	342	5,697
TOTAL LIABILITIES	3,112,845	1,241,196	262,460	844,585	5,461,086
FUND BALANCES:					
Nonspendable:					
Inventories	365,715	-	-	-	365,715
Restricted	2,000	-	-	35,655	37,655
Committed	6,433,821	7,777	1,213,672	1,762,507	9,417,777
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	6,801,536	7,777	1,213,672	1,798,162	9,821,147
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,914,381	1,248,973	1,476,132	2,642,747	15,282,233

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, 2011

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet) \$ 9,821,147

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	185,766,496
Accumulated depreciation	<u>(46,369,922)</u>
Total capital assets	139,396,574

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	(5,847,250)
Compensated absences payable	<u>(1,085,451)</u>

Net assets of governmental activities (Statement of Net Assets) \$ 142,285,020

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, 2011

	19300 General Fund	26300 Capital Projects, Laws 2007	69800 Arts in Public Places	Other Governmental Funds	Total
REVENUES:					
Miscellaneous	\$ -	-	-	196,259	196,259
Interest	-	-	-	67	67
Fees and services	5,083,104	-	-	78,019	5,161,123
Sales	-	-	-	296,584	296,584
Other state funds	40,448	-	-	795,228	835,676
Federal grants and contracts	3,413,866	-	-	1,615,814	5,029,680
Private gifts and grants	326,282	-	-	-	326,282
TOTAL REVENUES	8,863,700	-	-	2,981,971	11,845,671
EXPENDITURES:					
Current:					
Personal service and employee benefits	26,129,270	-	-	765,309	26,894,579
In-state travel	166,659	-	-	3,440	170,099
Maintenance and repairs	1,488,931	66,552	-	1,057,109	2,612,592
Supplies	600,227	-	-	9,079	609,306
Contractual services	3,995,997	808,930	101,268	689,862	5,596,057
Operating costs	313,396	-	-	130	313,526
Other costs	3,943,752	1,713,879	446,819	198,876	6,303,326
Out-of-state travel	5,332	-	-	1,755	7,087
Capital outlay	262,591	3,430,325	872,475	1,208,761	5,774,152
Debt service principal payment	-	-	-	414,408	414,408
Debt service interest payment	-	-	-	223,710	223,710
TOTAL EXPENDITURES:	36,906,155	6,019,686	1,420,562	4,572,439	48,918,842
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,042,455)	(6,019,686)	(1,420,562)	(1,590,468)	(37,073,171)
OTHER FINANCING SOURCES (USES):					
State General Fund appropriations	29,355,800	-	-	-	29,355,800
Transfers - Reversions to State General Fund	-	(5,355)	-	(2,827)	(8,182)
Transfer of bond proceed appropriations	-	5,579,302	1,490,453	935,247	8,005,002
Operating transfers in/out	-	900,000	-	(900,000)	-
Transfers from local governments	-	-	-	-	-
Transfers from other agencies	205,903	-	-	868,413	1,074,316
Transfers to other agencies	-	-	-	-	-
NET OTHER FINANCING SOURCES (USES)	29,561,703	6,473,947	1,490,453	900,833	38,426,936
NET CHANGE IN FUND BALANCES	1,519,248	454,261	69,891	(689,635)	1,353,765
FUND BALANCES, June 30, 2010	5,282,288	(446,484)	1,143,781	2,487,797	8,467,382
FUND BALANCES (DEFICIT), June 30, 2011	\$ 6,801,536	7,777	1,213,672	1,798,162	9,821,147

See Notes to Financial Statements.

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, 2011

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 1,353,765

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 414,408

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: 167,609

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:

Adjustment and Transfers 1,730,186
Capital outlay 9,625,021
Depreciation expense (5,796,650)

Change in net assets of governmental activities (Statement of Activities) \$ 7,494,339

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2011

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
State General Fund appropriations	\$ 29,355,800	29,355,800	29,355,800	-
Other services	4,568,300	4,768,340	5,083,104	314,764
Federal grants	3,379,600	4,116,470	3,413,866	(702,604)
Intra-state transfers	-	149,481	246,351	96,870
Miscellaneous	67,600	67,600	-	(67,600)
Private gifts and grants	360,100	360,100	326,282	(33,818)
Other financing sources (uses)	1,763,100	1,763,100	-	(1,763,100)
Reversions	-	-	-	-
TOTAL REVENUES	39,494,500	40,580,891	38,425,403	(2,155,488)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 27,830,300	28,217,510	26,129,270	2,088,240
Contractual services	4,588,100	4,942,562	3,995,997	946,565
Other operating costs	8,086,000	8,930,679	6,780,888	2,149,791
TOTAL EXPENDITURES	40,504,400	42,090,751	36,906,155	5,184,596
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (1,009,900)	(1,509,860)	1,519,248	(3,029,108)
CASH BALANCE CARRYFORWARD	(1,009,900)	(1,509,860)		
	\$ -	-		

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, 2011

	Historic Preservation Revolving Agency Fund (59300)	Bartlett Trust Fund (61200)	Main Street Revolving Loan Agency Fund (20070)	Total
ASSETS:				
Interest in State Treasurer General Fund Investment Pool	\$ 340,175	170,287	149,000	659,462
Loans receivable	93,898	-	-	93,898
TOTAL ASSETS	434,073	170,287	149,000	753,360
LIABILITIES:				
Deposits held in custody for others	434,073	-	149,000	583,073
TOTAL LIABILITIES	434,073	-	149,000	583,073
NET ASSETS	\$ -	170,287	-	170,287

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
BARTLETT TRUST FUND (61200)
Year Ended June 30, 2011

Interest Income	\$	344
NET ASSETS:		
Balance at June 30, 2010		<u>169,943</u>
Balance at June 30, 2011	\$	<u><u>170,287</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. NATURE OF ORGANIZATION

The State of New Mexico Department of Cultural Affairs (DCA) was created to consolidate into one office several cultural affairs divisions of the former Education, Finance and Cultural Affairs departments. The DCA administrative head is the Secretary of Cultural Affairs, 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.

Museum Services Division - This division provides essential museum services to primarily the four museums in Santa Fe and the State Monuments. Museum services include admissions, exhibitions, conservation and the Museum of New Mexico Press.

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.

Museum of New Mexico Division - These divisions are 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 divisions also administer real property acquired for museum use or benefit through purchase, donation or bequest. In cooperation with other agencies, the federal government, private organization and individuals, these divisions establish the programs of and maintain four state museums located in Santa Fe including the New Mexico History Museum, New Mexico Museum of Art, Museum of International Folk Art, Museum of Indian Arts and Culture and state monuments to include Coronado, Jemez, Lincoln, Fort Selden, Fort Sumner and El Camino Real International Heritage Center.

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.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. NATURE OF ORGANIZATION (CONTINUED)

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.

Museum of Natural History and Science Division - This division is responsible for the Museum of Natural History and Science, located in Albuquerque, New Mexico, which was established to collect, preserve, study and interpret material related to the natural history and science 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.

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.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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 Office 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, 2011**

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 Foundation
- 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) Friends of the Farm & Ranch Heritage Museum, 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, 2011**

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 three 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, 2011**

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, 2011**

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, 2011:

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.

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).

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 2011.

89000 - The ARRA for 2009 funds is used for ARRA projects directly awarded to DCA and any pass-through projects. The fund does not receive State General Fund appropriations and therefore is non-reverting.

Capital Projects Funds - The following capital projects funds, established at the direction of the Department of Finance and Administration, existed at June 30, 2011:

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, with reauthorization in the Laws of 2008, and Laws of 2009. 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, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 1986. This is a non-reverting fund per Arts in Public Places Laws of NMSA 13-4A-1 to 13-4A-11.

89200 - The Department of Cultural Affairs fiscal year 2011 Capital Projects Severance Tax Bond Fund is used to account for the acquisition of capital assets as outlined by state law. The fund was established by Laws of 2010 and will be utilized for the FY11 and future Severance Tax Bond Capital Outlay Appropriations. This fund will contain appropriations with staggered reversion dates.

Debt Service Funds - The following debt service fund, established at the direction of the Department of Finance and Administration, existed at June 30, 2011:

69100 - The Department of Cultural Affairs, Laws of 2003, Chapters 371, 372 and 430 (2004 Capital Projects Fund) is used to pay the bonds for the capital projects established by Laws of 2003. This is a reverting fund.

DCA reports the following major governmental funds:

- 19300 - General Fund
- 26300 - Capital Projects, Laws of 2007, 2008, and 2009
- 69800 - Art in Public Places (AIPP) Fund

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, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 State 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 State General Fund appropriations and therefore is a non-reverting fund.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

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

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrual

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

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

DCA defines the term "available" to include funds received within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

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

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

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

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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, 2011**

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. Except for funds 263000, 689000 and 691000, the Capital Projects funds have not been budgeted as all appropriations have expired.

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, 2011**

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

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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 GENERAL FUND INVESTMENT POOL

Investment balances at June 30, 2011, consisted of the following:

Deposits with State Treasurer – governmental activities	\$ 9,486,422
Deposits with State Treasurer – fiduciary balances	659,462
Due to State Treasurer General Fund Investment Pool	<u>(1,001,840)</u>
Total balance	<u>\$ 9,144,044</u>

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 3. INTEREST IN STATE TREASURER GENERAL FUND 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, 2011

NOTE 4. CAPITAL ASSETS (CONTINUED)

DCA utilizes facilities and buildings that are owned by the individual museum governing Boards; as well as it's non-museum staff utilizing facilities owned by the Property Control Division of the State of New Mexico General Services Department.

	<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers and</u> <u>Adjustments</u>	<u>Balance</u> <u>6/30/2011</u>
Land	\$ 6,380,020	-	(12,615)	156,631	6,524,036
Construction in Process	29,836,504	4,249,536	-	(12,600,326)	21,485,714
Total non-depreciable assets	36,216,524	4,249,536	(12,615)	(12,443,695)	28,009,750
Improvements	573,248	-	(86,436)	47,989	534,801
Building & structures	130,622,276	897,512	(750,116)	2,095,146	132,864,818
Furniture & fixtures	2,637,398	17,636	(865,363)	941,440	2,731,111
Livestock	23,025	-	(18,025)	-	5,000
Information and technology	4,951,471	-	(2,344,232)	30,624	2,637,863
Machinery & equipment	3,429,556	1,258,299	(1,001,561)	2,715,568	6,401,862
Vehicles	1,334,824	-	(117,410)	1	1,217,415
Service	1,065,282	274,701	(1,006,503)	3,666,938	4,000,418
Library & museum	3,334,513	-	-	4,028,945	7,363,458
Total depreciable assets	147,971,593	2,448,148	(6,189,646)	13,526,651	157,756,746
Total assets	184,188,117	6,697,684	(6,202,261)	1,082,956	185,766,496
Accumulated depreciation:					
Improvements	-	-	-	-	-
Building & structures	(38,397,927)	(3,709,127)	4,878,740	914,588	(36,313,726)
Furniture & fixtures	(2,348,495)	(313,080)	838,040	(50,824)	(1,874,359)
Livestock	(22,025)	(1,000)	879,604	(861,579)	(5,000)
Information and technology	(4,863,417)	(65,459)	2,295,901	76,669	(2,556,306)
Machinery & equipment	(2,433,283)	(877,852)	101,878	586,402	(2,622,855)
Vehicles	(914,469)	(167,032)	117,410	(1)	(964,092)
Library & museum	(1,370,484)	(663,100)	18,025	(18,025)	(2,033,584)
Total	(50,350,100)	(5,796,650)	9,129,598	647,230	(46,369,922)
Capital assets, net	\$ 133,838,017	901,034	2,927,337	1,730,186	139,396,574

Depreciation expense for fiscal year 2011 is \$5,796,650 and primarily in the Museum Services Program.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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 June 30, 2010	Increase	Decrease	Balance June 30, 2011	Current Portion
<u>\$ 1,253,060</u>	<u>1,241,288</u>	<u>1,408,897</u>	<u>1,085,451</u>	<u>1,085,451</u>

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, 2011**

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, New Mexico 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, 2011, 2010 and 2009 were \$2,785,807, \$2,950,293 and \$3,361,522, 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, 2011**

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 N.E., 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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 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>
FY12	1.834%	.917%
FY13	2.000%	1.000%

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

Also, employers joining the program after 01/01/1998 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, 2011, 2010 and 2009 were \$305,187, \$248,298 and \$252,099, 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. (Also see Note 14.)

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9. DUE FROM AND DUE TO OTHER STATE AGENCIES

	Due to					NM Taxation & Revenue	NM Finance & Admin.
	89000	Department of Cultural Affairs					
Due From		26300	89200	64700	69800		
NM Energy Minerals & Natural Resources	\$ 64,288	-	-	-	-	-	-
NM Finance & Administration	365,241	1,102,334	282,200	11,191	722,458	-	-
Dept of Cultural Affairs - 19300	-	-	-	-	-	10,854	-
Dept of Cultural Affairs - 26300	-	-	-	-	-	-	307,076
Dept of Cultural Affairs - 58700	-	-	-	-	-	-	24,611
Dept of Cultural Affairs - 64700	-	-	-	-	-	-	20
Total	<u>\$429,529</u>	<u>1,102,334</u>	<u>282,200</u>	<u>11,191</u>	<u>722,458</u>	<u>10,854</u>	<u>331,704</u>

NOTE 10. DUE FROM AND DUE TO OTHER FUNDS

	Due to DCA		Total
	15% Museum Admission Fund 19400	Expired CIP Fund 64700	
Due From DCA			
Operating Fund 19300	374,605	279	<u>\$ 374,884</u>

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, 2011**

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, 2011.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

DCA has entered into various leases for land, office equipment and office space as of June 30, 2011. All lease agreements can be cancelled if the budgeted lease payments are not approved. No future liability then exists unless budget payment amounts continue to be approved.

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

NOTE 15. LONG-TERM DEBT

At June 30, 2011, 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 Doña 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.

\$ 4,266,232

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 15. LONG-TERM DEBT (CONTINUED)

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.

1,581,018
\$ 5,847,250

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

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>	Amounts Due Within <u>One Year</u>
Loan Payable	\$6,261,658	-	(414,408)	5,847,250	628,794

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

	<u>NMFA Loan Agreement</u>	<u>NMFA State Museum Tax Revenue Bonds</u>	<u>Total</u>
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	169,813	459,126	628,939
2017 - 2021	849,254	2,296,149	3,145,403
2022 - 2023	339,809	918,748	1,258,557
	<u>2,038,025</u>	<u>5,510,254</u>	<u>7,548,279</u>
Less interest/admin. fee	457,007	1,244,022	1,701,029
	1,581,018	4,266,232	5,847,250
Less current portion	169,773	459,021	628,794
	<u>\$ 1,411,245</u>	<u>3,807,211</u>	<u>5,218,456</u>

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

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 16. INTER-AGENCY TRANSFERS

Other Financing Sources - Transfers In

From NM Department of Transportation, Fund 39401 to DCA/Van of Enchantment, Fund 19304	\$ 111,785
From NM Department of Transportation, Fund 20100 to DCA/Museum of Indian Arts & Culture, Fund 19305	94,118
From Energy Minerals and Natural Resources, Agency 521, Fund 89000 to DCA/MOIFA, R1DOE00001, Fund 89000	272,463
From DFA, Agency 341, Fund 89000 to DCA/MOIFA-Folk Art Market, R1ED000002, Fund 89000	200,000
From DFA, Agency 341, Fund 89000 to DCA/Agency wide furlough prevention, R1ED003002, Fund 89000	352,200
From DFA, Agency 341, Fund 89000 to DCA/MRD-Lensic Performing Theater, R1ED004002, Fund 89000	43,750
	<u>\$ 1,074,316</u>

Inter-fund Transfers

During the year, the Department transferred \$900,000 from Fund 53000 to Fund 26300.

NOTE 17. 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, 2011, were as follows:

	<u>26300</u>	<u>08200</u>	<u>64700</u>	<u>58700</u>
Budget year 2011 Reversion	\$ 5,355	2,807	20	-
Amount due at year end	<u>\$ 5,355</u>	<u>-</u>	<u>-</u>	<u>342</u>

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 18. FUND BALANCE

Governmental Accounting Standards Board (GASB) Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, restricted, committed, assigned, and unassigned. GASB Statement No. 54 was implemented in the current fiscal year.

The department's fund balances represent: 1) Nonspendable, which includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact; 2) Restricted Purposes, which include balances that area legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 3) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 4) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed; and 5) Unassigned, which include the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The Department did not have any assigned or unassigned fund balances at June 30, 2011. A summary of the nature and purpose of these reserves by fund type at June 30, 2011, follows:

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 18. FUND BALANCE (CONTINUED)

Fund/Program	Laws	Committed Purposes	Restricted Purposes
General Fund:			
DCA General Fund	Administratively Created	\$ 6,433,821	2,000
Total General Fund:		6,433,821	2,000
Capital Improvements Projects:			
Capital Projects, Laws 2007, 2008, & 2009 Fund	Laws of 2007, Chapter 2 Section 5, Chapter 43, Section 9 and 41; the Laws of 2008, Chapter 6 Section 16 and Chapter 92 Sections 7 and 37; and the Laws of 2009, Chapter 7, Section 3 and Chapter 125, Section 9	7,777	-
Art in Public Places Fund	Laws of 1986 Chapter 11	1,213,672	-
Total Capital Improvements Projects		<u>1,221,449</u>	<u>-</u>
Special Revenue:			
15% Museum Admissions Fund	Laws of 2005, Chapter 277	637,220	-
Museum Collections Fund	Laws of 2005, Chapter 121	-	35,655
Rural Libraries Development Fund	Laws of 2007, Chapter 83	900	-
ARRA	Administratively Created	19,010	-
Total Special Revenue:		<u>657,130</u>	<u>35,655</u>
Debt Service:			
NMFA Projects Fund	Laws of 2003, Chapter 430	1,105,377	-
Total Debt Service:		<u>1,105,377</u>	<u>-</u>
Total Fund Balance		<u>\$ 9,417,777</u>	<u>37,655</u>

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
Pueblo of Jemez	Stabilization of the San Jose de los Jemez Mission Church	DCA / Pueblo of Jemez	30,000	7/1/2009	6/30/2013	DCA / Pueblo of Jemez	DCA
MAC Conservation Department	Conservation of historic and prehistoric artifacts at Monuments	DCA	50,000	7/1/2009	6/30/2013	DCA	DCA
Fort Stanton Inc.	Support organization for Fort Stanton State Monument	DCA / Fort Stanton Inc	NA				No specific revenues or expenditures mentioned
Eastern New Mexico University	Statewide access to web-accessible full text databases for car repair (Chilton's) and current topics (Opposing Viewpoints)	DCA / ENMU	59,500	12/30/2011	6/30/2011	DCA / ENMU	DCA
State of Utah, Utah State Library	To provide digital services to patrons of NMSL Library for the Blind and Physically Handicapped	DCA / Utah St. Library	5,000	7/1/2010	6/30/2011	DCA / Utah St. Library	DCA
Eastern New Mexico University	To provide statewide access to a web-accessible full text database of periodicals, newspapers and electronic reference books	DCA / ENMU	145,000	7/1/2010	6/30/2011	DCA / ENMU	DCA
Eastern New Mexico University	To provide statewide access to a web-accessible full text newspaper database	DCA / ENMU	121,300	7/1/2010	6/30/2011	DCA / ENMU	DCA
University of New Mexico - Continuing Education	To develop curriculum, obtain input on community needs in relation to curricula, create and maintain online catalog of educational resources, host, design and develop website, provide web support, and provide quarterly reports for the Fast Forward New Mexico project	DCA / UNM CE	57,471	4/26/2010	11/30/2012	DCA / UNM CE	DCA
University of New Mexico - Los Alamos	To provide formal assessments of sites that have been proposed for inclusion in the Galisteo Basin Archaeological Protection Act that is being implemented by BLM.	DCA / UNM LA	300,250	4/23/2010	11/30/2012	DCA / UNM LA	DCA
MOU - DCA / Historic Preservation Division	To provide web site architecture, content and maintenance for the Galisteo Basin Archaeological Sites Protection Act on behalf of BLM.	DCA	80,000	4/18/2011	Alter final inspection by HPD-OAS & BLM	DCA	DCA
MOU - DCA / Historic Preservation Division	To provide archaeological services including excavations, monitoring, lab analysis, report writing, production, education outreach and collections curation in FY 11, 12, & 13	DCA	10,000	4/18/2011	Alter final inspection by HPD-OAS & BLM	DCA	DCA
MOU - NM Spaceport Authority	To pay DCA/MNMOAS for all costs incurred under this agreement for archaeological services	DCA / NM Spaceport Authority	1,200,000	10/24/2010	Alter final inspection by NMSA & OAS. Final payment to OAS.	DCA / NM Spaceport Authority	DCA
JPA # 000...1612 between EMNRD and DCA/MNMOAS	Agreement for archaeological services	DCA / EMNRD	1,500,000	7/1/2004	Term of agreement are contingent upon appropriations being granted by NM State Legislature and OSM	DCA / EMNRD	DCA
The Santa Fe Community College	SFCC Class Offerings in NMHM	NMHM / SFCC	NA	8/19/2010	7/30/2011	NMHM / SFCC	No specific revenues or expenditures mentioned
City of Albuquerque-Explora	Shared of parking lot between properties	DCA / City of Abq	NA	12/6/2000	Indefinite	DCA / City of Abq	DCA / MNMF
Museum of NM Foundation-Folk Art Market	To support Santa Fe International Folk Art Market	DCA / MNMF	NA	10/6/2010	10/31/2014	DCA / MNMF	No specific revenues or expenditures mentioned
US Department of Transportation	Preservation & curation for the NMDOT Archeological collections	DCA / US DOT	242,250	1/14/2010		DCA / US DOT	DCA
Bureau of Indian Affairs	Preservation & curation for the BIA controlled Archeological collections	DCA / BIA	53,250	5/1/2010	6/30/2011	DCA / BIA	DCA
Bureau of Reclamation	Annual Collections Maintenance Fees for BOR collections	DCA / BOR	133,016	4/12/2010	3/15/2015	DCA / BOR	DCA
US Department of the Army (COE)	Annual Collections Maintenance Fees for Corp of Engineers	DCA / COE	19,688	9/17/2010	6/30/2011	DCA / COE	DCA
Historic Preservation Divisions	Annual rental fee for ARMs between Museum & HPD	DCA	10,000	6/6/2010	6/6/2015	DCA	DCA
NM Department of Transportation	NMCRIS-ARMS Data Base	DCA / NMDOT	100,000	11/19/2009	6/30/2013	DCA / NMDOT	DCA
NM Department of Transportation	Compliance	DCA / NMDOT	200,000	1/29/2010	6/30/2013	DCA / NMDOT	DCA
NM Game and Fish	NMCRIS-ARMS Data Base	DCA / NMGF	3,000	7/1/2010	7/1/2013	DCA / NMGF	DCA
NM State Armory Board	Lease of the Bataan Art Complex, 50% of annual revenues from two property tenants	DCA / DMA	15,840	1/1/2006	1/1/2105	DCA / DMA	DCA

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2011

	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 NMFA Projects Fund	89000 ARRA 2009	25600 Museum Collections Fund	64700 Capital Projects, Laws 2005	89200 Capital Projects, Laws 2010	Total Nonmajor Funds
ASSETS:											
Interest in State Treasurer General Fund Investment Pool	\$ -	262,615	-	24,953	900	1,117,593	-	35,655	-	-	1,441,716
Receivables:											
Local government	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Due from federal government	-	-	-	-	-	-	103,227	-	-	-	103,227
Due from other agencies	-	-	-	-	-	-	429,529	-	11,191	282,200	722,920
Due from other funds	-	374,605	-	-	-	-	-	-	279	-	374,884
Inventory	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	637,220	-	24,953	900	1,117,593	532,756	35,655	11,470	282,200	2,642,747
LIABILITIES:											
Accounts payable	-	-	-	-	-	12,216	43,560	-	-	117,136	172,912
Accrued payroll	-	-	-	-	-	-	2,247	-	-	-	2,247
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Due to other state agencies	-	-	-	24,611	-	-	-	-	20	-	24,631
Due to State Treasurer-General Fund Investment Pool	-	-	-	-	-	-	467,939	-	11,450	165,064	644,453
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Due to state general fund	-	-	-	342	-	-	-	-	-	-	342
Due to local governments	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	24,953	-	12,216	513,746	-	11,470	282,200	844,585
FUND BALANCES:											
Nonspendable:											
Inventories	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	35,655	-	-	35,655
Committed	-	637,220	-	-	900	1,105,377	19,010	-	-	-	1,762,507
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	637,220	-	24,953	900	1,105,377	19,010	35,655	-	-	1,798,162
TOTAL LIABILITIES AND FUND BALANCES	\$ -	637,220	-	24,953	900	1,117,593	532,756	35,655	11,470	282,200	2,642,747

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, 2011

	08200 Capital Projects, Laws 2002	19400 15% Museum Admissions Fund	53000 Capital Projects, Laws 2006	58700 Capital Projects	59100 Rural Libraries Development	69100 NMFA Projects Fund	89000 ARRA 2009	25600 Museum Collections Fund	64700 Capital Projects, Laws 2005	89200 Capital Projects, Laws 2010	Total Nonmajor Funds
REVENUES:											
Grants from other governments	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	2,807	-	193,452	-	-	-	-	-	-	-	196,259
Interest revenue	-	-	-	-	-	-	-	67	-	-	67
Fees and Services	-	78,019	-	-	-	-	-	-	-	-	78,019
Sales	-	296,584	-	-	-	-	-	-	-	-	296,584
Other state funds	-	-	-	-	-	795,228	-	-	-	-	795,228
Federal grants	-	-	-	-	-	-	1,615,814	-	-	-	1,615,814
Private gifts and grants	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	2,807	374,603	193,452	-	-	795,228	1,615,814	67	-	-	2,981,971
EXPENDITURES:											
Current:											
Personnel services and employee benefits	-	361,498	-	-	-	-	403,811	-	-	-	765,309
In-state travel	-	-	-	-	-	-	3,440	-	-	-	3,440
Maintenance and repairs	-	-	-	-	-	336,980	466,653	-	-	253,476	1,057,109
Supplies	-	-	-	37	-	-	299	-	-	8,743	9,079
Contractual services	-	-	-	-	-	-	674,840	-	-	15,022	689,862
Operating costs	-	-	-	-	-	-	130	-	-	-	130
Other costs	-	-	-	-	-	-	177,318	-	-	21,558	198,876
Out-of-state travel	-	-	-	-	-	-	1,755	-	-	-	1,755
Capital outlay	-	-	-	-	-	21,313	908,306	-	-	279,142	1,208,761
Debt service principal payment	-	-	-	-	-	414,408	-	-	-	-	414,408
Debt service interest payment	-	-	-	-	-	223,710	-	-	-	-	223,710
TOTAL EXPENDITURES:	-	361,498	-	37	-	996,411	2,636,552	-	-	577,941	4,572,439
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,807	13,105	193,452	(37)	-	(201,183)	(1,020,738)	67	-	(577,941)	(1,590,468)
OTHER FINANCING SOURCES (USES):											
State General Fund appropriations	-	-	0	-	-	-	-	-	-	-	-
Reversions	(2,807)	-	-	-	-	-	-	-	-	-	(2,827)
Bond Proceeds	-	-	30,324	(24,954)	-	358,062	-	-	(20)	577,941	935,247
Transfers from local governments	-	-	(900,000)	-	-	-	-	-	-	-	(900,000)
Operating transfers in/out	-	-	-	-	-	-	-	-	-	-	-
Interagency transfers in	-	-	-	-	-	-	868,413	-	-	-	868,413
Interagency transfers out	-	-	-	-	-	-	-	-	-	-	-
NET OTHER FINANCING SOURCES (USES)	(2,807)	-	(869,676)	(24,954)	-	358,062	868,413	-	(6,146)	577,941	900,833
NET CHANGE IN FUND BALANCES	-	13,105	(676,224)	(24,991)	-	156,879	(152,325)	67	(6,146)	-	(689,635)
FUND BALANCES, June 30, 2010	-	624,115	676,224	24,991	900	948,498	171,335	35,588	6,146	-	2,487,797
FUND BALANCES, June 30, 2011	\$ -	637,220	-	-	900	1,105,377	19,010	35,655	-	-	1,798,162

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, 2008, and 2009
Year Ended June 30, 2011

	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	-	-	900,000	900,000
Bond proceeds	5,579,302	5,579,302	5,579,302	-
Reversion	(5,355)	(5,355)	(5,355)	-
TOTAL REVENUES	5,573,947	5,573,947	6,473,947	900,000
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	808,930	808,930	808,930	-
Other operating costs	3,583,716	5,210,756	5,210,756	-
Other financing uses	-	-	-	-
Operating transfers	-	-	-	-
TOTAL EXPENDITURES	4,392,646	6,019,686	6,019,686	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ 1,181,301	(445,739)	454,261	900,000
CASH BALANCE CARRYFORWARD	1,181,301	(445,739)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
FUND 68900 - 1% ART IN PUBLIC PLACES
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	1,490,453	1,490,453
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources (uses)	-	-	-	-
Cash balance rebudgeted	-	-	-	-
TOTAL REVENUES	\$ -	-	1,490,453	1,490,453
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	2,119,001	3,692,600	101,268	3,591,332
Other costs	3,900,049	5,651,752	1,319,294	4,332,458
Capital outlay	-	-	-	-
Other financing sources (uses)	-	-	-	-
TOTAL EXPENDITURES	\$ 6,019,050	9,344,352	1,420,562	7,923,790
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (6,019,050)	(9,344,352)	69,891	9,414,243
CASH BALANCE CARRYFORWARD	(6,019,050)	(9,344,352)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINED GENERAL FUND - MUSEUM SERVICES (P536)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 19,303,300	19,303,300	19,303,300	-
Other Services	2,943,500	2,943,500	2,729,344	(214,156)
Federal grants	91,900	149,270	152,508	3,238
Intra-state transfers	-	149,481	246,351	96,870
Miscellaneous	-	-	-	-
Private gifts and grants	325,100	325,100	293,590	(31,510)
Other financing sources	205,000	205,000	-	(205,000)
Reversions	-	-	-	-
TOTAL REVENUES	22,868,800	23,075,651	22,725,093	(350,558)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 16,970,500	17,140,660	16,447,107	693,553
Contractual services	1,227,400	1,279,600	732,534	547,066
Other operating costs	5,395,900	5,455,391	4,313,633	1,141,758
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	23,593,800	23,875,651	21,493,274	2,382,377
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (725,000)	(800,000)	\$ 1,231,819	(2,732,935)
CASH BALANCE CARRYFORWARD	(725,000)	(800,000)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINED GENERAL FUND - PRESERVATION (P537)
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 815,800	815,800	815,800	-
Other Services	1,624,800	1,824,800	2,295,774	470,974
Federal grants	952,600	1,282,100	1,249,500	(32,600)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	1,558,100	1,558,100	-	(1,558,100)
Reversions	-	-	-	-
TOTAL REVENUES	4,951,300	5,480,800	4,361,074	(1,119,726)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 4,212,700	4,215,200	3,376,331	838,869
Contractual services	269,300	536,300	283,845	252,455
Other operating costs	518,500	778,500	457,824	320,676
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	5,000,500	5,530,000	4,118,000	1,412,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (49,200)	(49,200)	\$ 243,074	(2,531,726)
CASH BALANCE CARRYFORWARD	(49,200)	(49,200)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINED GENERAL FUND - LIBRARY SERVICES (P539)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 3,814,300	3,814,300	3,814,300	-
Other Services	-	-	1,767	1,767
Federal grants	1,782,000	1,782,000	1,249,958	(532,042)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	35,000	35,000	32,692	(2,308)
Other financing sources	-	-	-	-
Reversions	-	-	-	-
TOTAL REVENUES	5,631,300	5,631,300	5,098,717	(532,583)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 2,709,700	2,709,700	2,368,635	341,065
Contractual services	1,194,100	1,131,926	1,028,692	103,234
Other operating costs	1,774,300	1,836,474	1,452,979	383,495
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	5,678,100	5,678,100	4,850,306	827,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (46,800)	(46,800)	\$ 248,411	(1,360,377)
CASH BALANCE CARRYFORWARD	(46,800)	(46,800)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINED GENERAL FUND - PROGRAM SUPPORT (P540)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 3,643,600	3,643,600	3,643,600	-
Other Services	-	-	56,179	56,179
Federal grants	-	-	-	-
Intra-state transfers	-	-	-	-
Miscellaneous	67,600	67,600	-	(67,600)
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	-	-
TOTAL REVENUES	3,711,200	3,711,200	3,699,779	(11,421)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 2,965,100	3,110,650	3,019,617	91,033
Contractual services	662,600	586,236	576,361	9,875
Other operating costs	272,400	540,414	386,161	154,253
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	3,900,100	4,237,300	3,982,139	255,161
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (188,900)	(526,100)	\$ (282,360)	(266,582)
CASH BALANCE CARRYFORWARD	(188,900)	(526,100)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINED GENERAL FUND - ARTS PROGRAM (P761)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 1,778,800	1,778,800	1,778,800	-
Other Services	-	-	40	40
Federal grants	553,100	903,100	761,900	(141,200)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	-	-
TOTAL REVENUES	2,331,900	2,681,900	2,540,740	(141,160)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 972,300	1,041,300	917,580	123,720
Contractual services	1,234,700	1,408,500	1,374,565	33,935
Other operating costs	124,900	319,900	170,291	149,609
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	2,331,900	2,769,700	2,462,436	307,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	-	(87,800)	<u>\$ 78,304</u>	<u>(448,424)</u>
CASH BALANCE CARRYFORWARD	-	(87,800)		
	<u>\$ -</u>	<u>-</u>		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
Year Ended June 30, 2011

FUND 19400 - 15% STATE MUSEUM ADMISSIONS				
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State General Fund appropriations	\$ -	-	-	-
Admissions	307,600	307,600	374,603	67,003
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Building rental or lease	53,900	53,900	-	(53,900)
TOTAL REVENUES	\$ 361,500	361,500	374,603	13,103
EXPENDITURES - current:				
Personnel services and benefits	\$ 361,500	361,500	361,498	2
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 361,500	361,500	361,498	2
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	-	13,105	13,105
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, 2011

	FUND 69100 - CAPITAL PROJECTS, LAWS OF 2003			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ -	-	-	-
Other state funds	1,001,469	1,001,469	795,228	(206,241)
Operating Transfers	-	358,062	358,062	-
Other financing sources	-	-	-	-
TOTAL REVENUES	\$ 1,001,469	1,359,531	1,153,290	(206,241)
EXPENDITURES - current:				
Contractual services	\$ 70,000	-	-	-
Other costs	293,351	342,038	336,980	5,058
Capital outlay	-	21,313	21,313	-
Debt service payments	638,118	638,118	638,118	-
TOTAL EXPENDITURES	\$ 1,001,469	1,001,469	996,411	5,058
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	358,062	156,879	(211,299)
CASH BALANCE CARRYFORWARD	-	358,062		
	\$ -	-		

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, 2011

	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	-	2,000,000	1,615,814	(384,186)
Other financing sources (uses)	-	-	868,413	868,413
Reversions	-	-	-	-
TOTAL REVENUES	\$ -	2,000,000	2,484,227	484,227
EXPENDITURES - current:				
Personal services	202,050	554,250	403,811	150,439
Contractual services	1,401,929	1,401,929	674,840	727,089
Other costs	\$ 650,509	650,509	1,557,901	(907,392)
Other financing sources (uses)	-	-	-	-
TOTAL EXPENDITURES	\$ 2,254,488	2,606,688	2,636,552	(29,864)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (2,254,488)	(606,688)	(152,325)	454,363
CASH BALANCE CARRYFORWARD	2,254,488	606,688		
	\$ -	-		

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, 2011

	FUND 25600 - MUSEUM COLLECTIONS FUND			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ -	-	-	-
Other state funds	-	-	67	67
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	\$ -	-	67	67
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)	\$ -	-	67	67
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SUPPLEMENTAL SCHEDULE OF INTEREST IN STATE TREASURER INVESTMENT POOL
As of June 30, 2011

<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, 2011</u>
<u>General Fund</u>					
State Treasurer	General Operating Account (Fund 19300)	General	State Treasurer	No	\$ 7,291,807
<u>Special Revenue</u>					
State Treasurer	Museum Admissions Fund (Fund 19400)	Special Revenue	State Treasurer	No	262,615
State Treasurer	Museum Collections Fund (Fund 25600)	Special Revenue	State Treasurer	No	35,655
					298,270
<u>Capital Projects Fund</u>					
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	752,899
State Treasurer	Capital Projects, Laws 2006 (Fund 53000)	Capital Projects	State Treasurer	No	-
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	1,117,593
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	24,953
State Treasurer	Capital Projects, Laws 2002 (Fund 08200)	Capital Projects	State Treasurer	No	-
					1,896,345
					9,486,422
<u>Fiduciary Funds</u>					
State Treasurer	Bartlett Trust Fund (Fund 61200)	Nonexpend. Trust	State Treasurer	Yes	170,287
State Treasurer	Historic Preservation Revolving Loan Fund (Fund 59300)	Agency	State Treasurer	No	340,175
State Treasurer	Main Street Revolving Loan Fund (Fund 20070)	Agency	State Treasurer	No	149,000
					659,462
Total Interest in State Treasurer General Fund Investment Pool					\$ 10,145,884
<u>Due to State Treasurer General Fund Investment Pool</u>					
State Treasurer	Capital Projects, Laws 2007 (Fund 26300)	Capital Projects	State Treasurer	No	\$ 357,387
State Treasurer	Capital Projects, Laws 2005 (Fund 64700)	Capital Projects	State Treasurer	No	11,450
State Treasurer	Capital Projects, Laws 2010 (Fund 89200)	Capital Projects	State Treasurer	No	165,064
State Treasurer	ARRA (Fund 89000)	Special Revenue	State Treasurer	No	467,939
					\$ 1,001,840

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS
As of June 30, 2011

General Fund	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Laws of 2007, Chapter 42/Expires June 30, 2011 - Fund 263 Appropriation Period FY08-FY11									
Fresco Painting NHCC	100,000	100,000	-	-	-	-	-	100,000	-
St. Monuments Renovations	96,000	93,891	-	-	-	2,109	-	96,000	-
MOIPA Renovations	100,000	100,000	-	-	-	-	-	100,000	-
OAS Construction	50,000	48,214	1,786	-	-	-	-	50,000	-
State Monuments Construction	50,000	49,267	-	-	733	-	-	50,000	-
St. Monuments Plan & Design	25,000	1,410	-	-	-	23,590	-	25,000	-
Fine Art Plan & Design	75,000	63,062	11,500	-	438	-	-	75,000	-
State Library	434,000	431,446	-	-	-	2,554	-	434,000	-
Arts Restoration	25,000	25,000	-	-	-	-	-	25,000	-
National Hispanic Campus Improvements	25,000	-	-	-	-	25,000	-	25,000	-
Albuquerque Bilingual Equipment	25,000	-	-	-	-	25,000	-	25,000	-
Museum of Natural History Construction	399,285	399,285	-	-	-	-	-	399,285	-
NM Farm & Ranch Construction	125,000	-	-	-	-	125,000	-	125,000	-
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	-
Opera Rehearsal Construction	745,000	107,450	-	-	-	637,550	-	745,000	-
MOIPA Construction	50,000	48,033	-	-	-	1,967	-	50,000	-
SF Bataan Art Complex Renovation	50,000	-	50,000	-	-	-	-	50,000	-
SF Children's Museum Construction	150,000	105,065	43,810	1,125	-	25,000	-	150,000	-
Taos County Construction	25,000	-	-	-	-	-	-	25,000	-
State Library Improvements	25,000	13,202	-	-	-	11,798	-	25,000	-
Ribera School House	600,000	193,584	408,416	1,000	-	5,000	-	600,000	-
Total	3,354,285	1,945,462	507,512	2,125	2,908	896,278	-	3,354,285	-

Laws of 2009, Chapter 92/Expires June 30, 2012 - Fund 263 Appropriation Period FY09-FY12	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
NM Farm & Ranch Renovate	50,000	50,000	42,500	-	-	-	-	50,000	-
NM Farm & Ranch Renovate	95,000	94,474	-	-	-	526	-	95,000	-
State Monuments Acquisitions	50,000	-	-	-	-	50,000	-	50,000	-
Ideia Pueblo Acquisitions	10,000	-	-	-	-	10,000	-	10,000	-
NM St. Library Improve Building	45,000	-	-	-	-	45,000	-	45,000	-
St Opera Construction	680,000	-	-	-	-	680,000	-	680,000	-
Children's Museum Expansion	243,000	115,718	94,310	-	-	-	127,282	243,000	-
DCA Digital Archive Project	35,000	-	-	-	-	35,000	-	35,000	-
Total	1,208,000	260,192	136,810	-	-	830,526	127,282	1,208,000	-
Total General Fund	4,562,285	2,205,654	644,322	2,125	2,908	1,716,804	127,282	4,562,285	-

Severance Tax Bonds	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Laws of 2007, Chapter 42/Expires June 30, 2012 - Fund 263 Appropriation Period FY08-FY11									
National Hispanic Cultural Center Ed Bldg Construction	250,000	247,144	-	-	-	2,856	193	250,000	-
MOIPA Grand Wing	50,000	40,544	7,489	-	-	1,967	-	50,000	-
Farm & Ranch Outdoor Exhibits Construction	1,000,000	999,511	-	-	-	489	-	1,000,000	-
SF Bataan Memorial Improv. & Renovations	50,000	-	50,000	-	-	-	-	50,000	-
SF Children's Museum Improve/Expand	150,000	148,875	-	1,125	-	-	-	150,000	-
Statewide renovations and repairs	2,200,000	2,153,060	24,940	-	-	-	22,000	2,200,000	-
Veterans & Military Museum in Las Cruces	1,210,000	197,461	568,129	-	-	-	444,410	1,210,000	-
Total	4,910,000	3,786,595	650,558	1,125	-	5,119	466,603	4,910,000	-

Laws of 2008, Chapter 92/Expires June 30, 2012 - Fund 263 Appropriation Period FY09-FY12	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Natural History & Science Construction	1,730,000	753,681	950,018	-	-	17,301	-	1,730,000	-
National Hispanic Cultural Center Construction	370,000	361,115	-	-	-	5,185	3,700	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	260,000	-	-	-	-	-	260,000	-

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CAPITAL PROJECT FUNDS - SEVERANCE TAX AND GENERAL OBLIGATION BONDS
As of June 30, 2011

	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Farm & Ranch Construction	1,500,000	1,240,189	233,039	1,504	-	10,265	15,003	1,500,000	-
OAS Plan, Design Construct	1,500,000	1,446,147	37,922	931	-	-	15,000	1,500,000	-
NM History Museum Furnish Equip	600,000	-	-	6,970	-	-	151	600,000	-
Renovate Girard Wing	600,000	592,920	1,080	-	-	-	6,000	600,000	-
DCA/Mus-Monuments Renovations & Repairs	2,000,000	1,932,162	18,398	29,439	-	-	20,001	2,000,000	-
Van of Enhancement Purchase	179,000	179,000	-	-	-	-	-	179,000	-
Total	9,224,000	7,843,093	1,249,457	38,844	-	32,751	59,855	9,224,000	-
Subtotal Severance Tax Bonds	14,134,000	11,629,688	1,900,015	39,969	-	37,870	526,458	14,134,000	-

General Obligation Bonds

	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Laws of 2008, Chapter 80/Expires June 30, 2012 - Fund 263 Appropriation Period FY09-FY12	3,000,000	1,055,667	1,157,388	-	-	-	786,945	3,000,000	-
Statewide Library books, equipment & library resources acquisitions	2,000,000	340,127	469,651	-	-	-	1,190,222	2,000,000	-
Statewide Tribal Library books, equipment & library resources acquisitions	5,000,000	1,395,794	1,627,039	-	-	-	1,977,167	5,000,000	-
Total General Obligation Bonds	3,000,000	1,055,667	1,157,388	-	-	-	786,945	3,000,000	-

Severance Tax Bonds

	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
Laws of 2009, Chapter 125/Expires June 30, 2012 & 2013 - Fund 263 Appropriation Period FY10-FY13	500,000	280,623	100,104	114,273	-	-	5,000	500,000	-
Museum of Natural History Construction	563,000	193,079	269,055	100,866	-	-	-	563,000	-
State Monuments Exhibits	1,800,000	8,837	933,536	839,626	-	-	18,001	1,800,000	-
Farm & Ranch Construction	500,000	162,844	227,841	109,315	-	-	-	500,000	-
OAS Infrastructure	375,000	374,343	-	-	-	-	657	375,000	-
NM History Museum EFE	1,000,000	784,937	207,459	7,604	-	-	-	1,000,000	-
DCA/Mus-Mon Statewide renovations	4,738,000	1,804,663	1,737,995	1,171,684	-	-	23,658	4,738,000	-
Total	5,000,000	3,430,043	3,276,994	2,293,467	-	-	23,658	5,000,000	-

Laws of 2009, Ch. 7 Sec. 3 #10.11 & 12/Expires June 30, 2013 - Fund 892
Appropriation Period FY10-FY13

	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
NM Archaeology Center	900,000	849,059	-	50,941	-	-	-	900,000	-
NM Archaeology Center Repository	1,500,000	1,302,887	153,199	43,914	-	-	-	1,500,000	-
NM Farm & Ranch Courtyard Cover	125,000	-	-	-	-	-	125,000	125,000	-
Total	2,525,000	2,151,946	153,199	94,855	-	-	125,000	2,525,000	-

Laws of 2010, Ch. 4/Expires June 30, 2014 - Fund 892
Appropriation Period FY11-FY14

	Amount Appropriated	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrances	Reversions	Legislative Reversions SB182	Unexpended Portion	Subtotal	Difference
DCA/Mus-Mon Statewide Renovations	1,100,000	577,941	-	216,417	-	-	305,642	1,100,000	-
Total	1,100,000	577,941	-	216,417	-	-	305,642	1,100,000	-

Subtotal Severance Tax Bonds

Subtotal Severance Tax Bonds	8,363,000	4,534,550	1,891,194	1,386,101	-	-	454,300	8,363,000	-
Total Severance Tax	22,497,000	16,164,238	3,791,209	1,428,070	-	37,870	980,759	22,497,000	-

Total General Obligations Bonds

Total General Obligations Bonds	5,000,000	1,395,794	1,627,039	-	-	-	1,977,167	5,000,000	-
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STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
As of June 30, 2011

Agency Fund 59300

	<u>Balance</u> <u>6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2011</u>
ASSETS:				
Interest in State Treasurer General Fund Investment Pool	\$ 253,140	87,035	-	340,175
Loans receivable	236,408	-	(142,510)	93,898
TOTAL ASSETS	\$ 489,548	87,035	(142,510)	434,073
LIABILITIES:				
Deposits held in custody for others	\$ 489,548	19,779	(75,254)	434,073
TOTAL LIABILITIES	\$ 489,548	19,779	(75,254)	434,073

Agency Fund 20070

ASSETS:				
Interest in State Treasurer General Fund Investment Pool	\$ 50,000	99,000	-	149,000
TOTAL ASSETS	\$ 50,000	99,000	-	149,000
LIABILITIES:				
Deposits held in custody for others	\$ 50,000	99,000	-	149,000
TOTAL LIABILITIES	\$ 50,000	99,000	-	149,000

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. Department of the Interior:		
National Park Service		
Historic Preservation Fund Grant #35-11-31938	15.904	\$ 86,100
Historic Preservation Fund Grant #35-10-21938	15.904	305,371
Historic Preservation Fund Grant #35-09-21837	15.904	233,573
Bureau of Reclamation #R10A040006	15.511	92,840
Total U.S. Department of the Interior		<u>717,884</u>
U.S. Department of Commerce:		
ARRA-SBA Fast Forward New Mexico #35-43-B10002	11.557	459,365
U.S. Department of Energy:		
Pass-through the State of New Mexico, EMNRD		
ARRA-Energy Upgrade Project #DE-EE0000108	81.041	463,309
U.S. Department of Education		
Pass-through the State of New Mexico		
ARRA - State Fiscal Stabilization Fund (SFSF) #S397A090032	84.397A	1,646,692
Institute of Museum and Library Services		
Library Services and Technology Act (LSTA) #LS-00-11-0032-11	45.310	620,168
Library Services and Technology Act (LSTA) #LS-00-10-0032-10	45.310	602,991
Total Institute of Museum and Library Services		<u>1,223,159</u>
National Endowment for the Arts		
NEA Partnership Grant #10-6100-2004	45.025	673,831
NEA Partnership Grant #09-6100-2012	45.025	86,005
ARRA-Preserve Jobs #09-6188-2071	45.025	85,849
Total National Endowment for the Arts		<u>845,685</u>
Total Federal Expenditures		<u>\$ 5,356,094</u>
Notes:		
The above schedule was prepared on the accrual basis of accounting.		
Reconciliation to financial statements:		
Federal revenue		\$ 5,029,680
Federal revenue included in transfers		326,414
		<u>\$ 5,356,094</u>

**Report of Independent Auditors 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***

Veronica N. Gonzales, 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, 2011, and have issued our report thereon dated December 12, 2011. 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, 2011. 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

Management of the Department is responsible for establishing and maintaining effective 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

Veronica N. Gonzales, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

deficiencies or material 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 and 08-02.

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 11-01 and 11-02.

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

Veronica N. Gonzales, Cabinet Secretary
State of New Mexico
Department of Cultural Affairs
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 04-02.

We also noted an additional matter that is required to be reported under Section 12-6-5, NMSA 1978 that is described in the accompanying schedule of findings and questioned costs as item 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 12, 2011

**Report of Independent Auditors 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**

Veronica N. Gonzales, 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, 2011. 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.

Veronica N. Gonzales, 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 08-09, 09-04, and 11-03 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding allowable costs and reporting that are applicable to its Historic Preservation Fund Grants In-Aid program. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied in all material respects, with the requirements referred to above that could have a direct material effect on each of its major programs for the year ended June 30, 2011.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiencies, 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.

Veronica N. Gonzales, 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 deficiency in internal control over compliance described in accompanying schedule of findings and questioned costs as item 08-09 to be material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of 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 09-04 and 11-03 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 responses and, accordingly, we express no opinion on the responses.

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 12, 2011

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

04-02 Capital Assets Additions and Deletions	Updated and Included
07-06 Cash Management	Resolved
08-01 Cash Receipts Internal Controls	Resolved
08-02 Financial Close & Reporting	Updated and Included
08-03 Annual Leave Tracking	Resolved
08-05 Allowable Costs – HPD	Resolved
08-06 Matching Requirement – HPD	Resolved
08-07 Period of Availability – HPD	Resolved
08-09 Internal Controls Payroll	Updated and Included
08-13 Period of Availability – ARTS	Resolved
09-03 Reporting-ARTS	Resolved
09-04 SEFA Preparation	Updated and Included
10-01 Period of Availability – Library	Resolved
10-02 Reporting – Library	Resolved
10-03 Public Notice Request for Proposal (RFP) – Lack of Supporting Documentation	Resolved
10-04 Failed to Submit Notification of Property Disposition to State Auditor	Updated and Included

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

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? 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? X Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified for all major programs except for Historical Preservation Fund Grants-In Aid, which was 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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.904	Historical Preservation Fund Grants-In-Aid
45.025	Promotion of Arts Partnership Agreements - ARRA
45.310	LSCA Title II – Library
11.557	Broadband Technology Opportunities Program - ARRA
81.041	State Energy Program - ARRA
84.397	State Fiscal Stabilization Fund Cluster - ARRA

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

Auditee qualified as low-risk auditee? Yes X No

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT AUDIT - FINDINGS

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

CONDITION

Department of Cultural Affairs conducted a physical inventory of capital assets however based on our review of the physical count documents, the Department did not reflect all changes in the capital asset system. A number of material corrections needed to be made to the capital asset rollforward balances provided by the Department 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 auditors 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

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 capital asset coordinator position was vacant the entire fiscal year and was filled in July 2011. The fixed asset coordinator is still getting familiar with accounting software and accounting standards. Entering and reconciliations of capital assets was performed five months after year end.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**04-02 Capital Assets - Lack of Adequate Policies and Procedures
Material Weakness and Noncompliance (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 reconciled to the capital assets module.

AGENCY RESPONSE

DCA accepts recommendations and will implement procedures in order to address auditor's recommendations.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

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 18 journal entries 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

The Manual of Model Accounting Practices requires that all state agencies “perform monthly reconciliations” and “Maintain accounts and information as necessary to show the sources of state revenues and the purpose for which expenditures are made and provide proper accounting control to protect state finances. Additionally, Section 6-5-2 NMSA 1978 states that “State agencies shall comply with the model accounting practices established by the Financial Control Division and the administrative head of each agency shall ensure that the model accounting practices are followed”.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**08-02 Financial Close & Reporting
Material Weakness (Continued)**

RECOMMENDATION

We recommend that the Department develop policies and procedures to outline the requirements, timelines and responsibilities over the financial control and reporting process. In addition, we recommend that all balance sheet accounts in the trial balance be reconciled to the supporting detail each month.

AGENCY RESPONSE

DCA accepts auditor's recommendations. During FY11, DCA implemented corrective action procedures to address this finding and will continue corrective actions in FY12 and in the future by providing greater oversight of all DCA funds.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**11-01 Construction in Process
Significant Deficiency**

CONDITION

During our testwork, it was noted that the Department is not properly tracking construction in process. As a result, completed projects were not transferred to Capital Assets.

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. State agencies that construct capital assets should make a determination of the cost of construction work in progress at year-end. The amount determined should be recorded as “Construction in Progress” in the state agencies’ year-end Financial Statements, in either a proprietary or permanent or a fiduciary funds or in the GWFS, whichever is appropriate. When construction is completed, the amount recorded in “Construction in Progress” should be reduced and the appropriate capital asset classification increased.

EFFECT

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 capital asset coordinator position was vacant the entire fiscal year and was filled in July 2011. The fixed asset coordinator is still getting familiar with accounting software and accounting standards. Entering and reconciliations of capital assets was performed five months after year end.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT AUDIT - FINDINGS (CONTINUED)

**11-01 Construction in Process
Significant Deficiency (continued)**

RECOMMENDATION

We recommend that existing policies and procedures surrounding tracking and managing of capital assets be implemented and followed. Expenditures related to construction in process should be tracked and reviewed on a monthly basis for all transactions including acquisitions, depreciation, and disposition, and for items that need to be transferred to capital assets.

AGENCY RESPONSE

DCA will implement a policy to track Construction in Process actual expenses, then transfer the completed Construction in Process project into a capitalized project and record properly into DCA's Capital Assets database.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**11-02 Accounting for Capital Projects and Fund Reconciliations for the Art in Public Places Fund (69800)
Significant Deficiency**

CONDITION

During our testwork, we noted that the reconciliations for Fund 69800 are not being completed. As a result, the capital projects are not being tracked in a timely manner, which has lead to poor cash management as drawdowns are not being completed timely.

CRITERIA

The Manual of Model Accounting Practices requires that all state agencies “perform monthly reconciliations” and “Maintain accounts and information as necessary to show the sources of state revenues and the purpose for which expenditures are made and provide proper accounting control to protect state finances. Additionally, Section 6-5-2 NMSA 1978 states that “State agencies shall comply with the model accounting practices established by the Financial Control Division and the administrative head of each agency shall ensure that the model accounting practices are followed”.

EFFECT

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

CAUSE

The Department 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 the Department develop a process to reconcile the activity in the Arts in Public Places Fund each month. This should include expenditures, drawdowns and the related payables and receivables.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

**11-02 Accounting for Capital Projects and Fund Reconciliations for the Art in
Public Places Fund (69800)
Significant Deficiency (Continued)**

AGENCY RESPONSE

During FY11 and the subsequent year, DCA has taken necessary steps to ensure relevant AIPP staff received proper training and access to the state accounting system. DCA will perform more oversight over AIPP in the future.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. MAJOR FEDERAL AWARDS AND PROGRAMS

**08-09 Internal Control Payroll - Historic Preservation Division
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, 2008 through September 30, 2010 and October 1, 2009 through September 30, 2011.

CONDITION

During our testwork for allowable cost we noted that 4 of 16 employees tested were not correctly reported in the personnel Activity Reports. As a result, their time was charged to the HPD-HPF grant without adequate documentation.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**08-09 Internal Control Payroll - Historic Preservation Division
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

Unknown

EFFECT

DCA in is not in compliance with federal requirements and may be required to pay funds back to the federal government if they are not adequately supported.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**08-09 Internal Control Payroll - Historic Preservation Division
Material Weakness and Compliance (Continued)**

AGENCY RESPONSE

During FY11, significant improvements occurred in SEFA preparation; in the future, DCA will perform more oversight of all federal grants.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**09-04 Preparation of SEFA – Historic Preservation Division
Significant Deficiency and non-compliance**

CONDITION

The Department was unable to determine required adjustments to the Schedule of Expenditures of Federal awards for the Historic Preservation Division. The Department needed the assistance of the auditors to determine the correct amount of expenditures.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**09-04 Preparation of SEFA – Historic Preservation Division
Significant Deficiency (Continued)**

CAUSE

The Department does not have a process in place to ensure the amounts provided by each division with federal grants is consistent with the requirements and supported by the expenditures recorded in the general ledger.

EFFECT

The Department may not have the ability to prevent and detect material misstatements on its Schedule of Expenditures of Federal Awards.

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.

AGENCY RESPONSE

During FY11 significant improvements occurred in SEFA preparation; in the future, DCA will perform more oversight of all federal grants.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**11-03 Reporting for Historic Preservation Division
(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, 2008 through September 30, 2010 and October 1, 2009 through September 30, 2011.

CONDITION

The annual report for Historic Preservation Fund Grants-in-Aid did not agree to the general ledger detail of expenditures.

CRITERIA

The grant agreements set out the reporting requirements. OMB Circular A-102, Section 2c requires the grant recipient to follow those requirements, including that reports be supported by adequate documentation such as the expenditures recorded in the general ledger.

QUESTIONED COSTS

Unknown

CAUSE

The Department 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

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. MAJOR FEDERAL AWARDS AND PROGRAMS (CONTINUED)

**11-03 Reporting for Historic Preservation Division
(Significant Deficiency and Compliance) (Continued)**

RECOMMENDATION

We recommend that Department 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, Department should develop a monitoring system to ensure compliance with federal requirements throughout the year.

AGENCY RESPONSE

DCA accepts auditor's recommendations and will implement procedures to address the recommendations to include more oversight of all federal grants.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

D. OTHER FINDINGS

**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. The Department did not notify the State Auditor for 7 of 9 assets tested.

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

The capital asset coordinator position was vacant the entire fiscal year and was filled in July 2011. The fixed asset coordinator is still getting familiar with accounting software and accounting standards. Entering and reconciliations of capital assets was performed five months after year end.

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.

AGENCY RESPONSE

DCA will allocate resources for a more dedicated staff, review of possible re-installation of Capital Assets database system, and obtain additional software training from vendor to rectify this finding.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
EXIT CONFERENCE
Year Ended June 30, 2011**

An exit conference was held on December 9, 2011, with the following individuals in attendance:

Department of Cultural Affairs:

Veronica N. Gonzales, Cultural Affairs Secretary
Therese Trujillo, CFO and Director, Administrative Services Division
Isabel B. Lopez-Duran, Audit Coordinator
Danette Trujillo, Administrative Services Division Deputy Director
David Soveranez, Administrative Services Division Fiscal Manager

Moss Adams LLP:

Larry Carmony, Partner
Molly Saiz, Supervisor
Sandy Schwank, Senior

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