



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

FINANCIAL STATEMENTS

JUNE 30, 2012

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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

Official Roster

Year Ended June 30, 2012

Administrative Officials	Title
Veronica N. Gonzales	Cultural Affairs Cabinet Secretary
Vacant	Cultural Affairs Deputy Cabinet Secretary
Therese Trujillo	Director - Administrative Services Division
Joe Valdez	Director - Information Technology
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
Charles Walters	Director - New Mexico Museum of Natural History and Science
Marsha Bol	Director - Museum of International Folk Art
Richard Sims	Director - New Mexico State Monuments
Loie Fecteau	Director - New Mexico Arts Division
Devon Skeeel	Director - New Mexico State Library
Jan Biella	Director - Historic Preservation Division (Acting)
Chris Orwoll	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 aggregate remaining fund information and the budgetary comparison for the general fund of the State of New Mexico Department of Cultural Affairs (DCA) as of and for the year ended June 30, 2012, which collectively comprise DCA's basic financial statements as listed in the accompanying table of contents. We have also audited the financial statements of each of the DCA's non-major governmental funds and the budgetary comparisons for the major capital projects funds, nonmajor governmental funds and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of DCA'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 DCA'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.

As discussed in Note 2, the financial statements of DCA 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 DCA. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2012, 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.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of DCA as of June 30, 2012, and the respective changes in financial position, and the budgetary comparison 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 previously present fairly, in all material respects, the respective financial position of each non major governmental funds and fiduciary funds of the Department as of June 30, 2012, and the respective changes in the financial position thereof and the budgetary comparisons of the major capital projects funds and non major governmental funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, certain errors resulting in an overstatement of previously reported capital assets as of June 30, 2011, were discovered by management of DCA during the current year. Accordingly, an adjustment has been made to net assets as of July 1, 2011 to correct the error.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2012, on our consideration of the DCA'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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

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

financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department of Cultural Affairs' financial statements and the combining and individual fund financial statements and budgetary comparisons. 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 Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards, and additional schedules listed as other supplementary information are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2012

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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, 2012.

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, 2012**

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, 2012**

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, 2012. Total DCA net assets for fiscal year 2012 were \$106,538,439. Unrestricted net assets in governmental activities were \$71,242,215 at the end of the fiscal year. Restricted net assets, which include capital projects, were \$1,289,230. Net assets decreased due to less spending in the current year on capital outlay along with a reversion to the State General Fund \$6,850,679, most of which was from prior year fund balances.

The Capital and net assets for DCA were restated as of June 30, 2011 and decreased by \$24,197,529 as of errors corrected by DCA in its capital assets.

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

	2012	2011 (As Restated)
ASSETS		
Current and other assets	\$ 14,933,867	14,907,349
Capital assets	<u>109,494,264</u>	115,199,045
Total assets	<u>\$124,428,131</u>	<u>130,106,394</u>
LIABILITIES		
Current liabilities	\$ 12,812,712	6,800,447
Long-term liabilities	<u>5,076,979</u>	5,218,456
Total liabilities	<u>\$ 17,889,691</u>	<u>12,018,903</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$104,007,994	109,351,795
Restricted	1,289,230	1,798,162
Unrestricted	<u>1,241,216</u>	6,937,534
Total net assets	<u>\$106,538,440</u>	<u>118,087,491</u>

Changes in Net Assets: DCA's change in net assets for fiscal year 2012 was a decrease of \$11,549,052 (Table A-2). A significant portion, \$26,991,300 of DCA's revenue comes from State General Fund appropriations. State General Fund appropriations decreased from 2011 and DCA received less in State General Fund capital project appropriations. In addition, the reversion noted above had an impact.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2012**

As a result of the correction to capital assets noted above, the program expenses have been restated and increased by \$825,303.

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

	2012	2011 (As Restated)
Revenue		
General appropriation and operating grants and transfers	\$ 28,313,269	43,186,860
Other	<u>6,625,098</u>	<u>5,457,707</u>
Total revenue	34,938,367	48,645,567
Expenses		
Program expenses	<u>46,487,419</u>	<u>41,976,531</u>
(Decrease) increase in net assets	(11,549,052)	6,669,036
Years ended June 30,		
Net assets, beginning of year	<u>118,087,491</u>	<u>111,418,455</u>
Net assets, end of year	<u>\$106,538,440</u>	<u>118,087,491</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, 2012**

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 2012, DCA had invested a total of \$109,494,264 in governmental-type activities in a variety of capital assets. This amount represents a net decrease (including additions and deductions) of \$5,704,781 over last year. The major decrease in capital assets during the fiscal year was due to the reduction in capital outlay relative to depreciation expense and the demolition of one of the museum buildings.

Debt Administration

At June 30, 2012, DCA had total outstanding debt of \$5,486,270. Outstanding debt is backed by the DCA's state tax revenues. The Department's total debt decreased by \$360,980 due to principal repayments. DCA incurred no new debt during fiscal year 2012.

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, 2012**

	Governmental Activities
CURRENT ASSETS:	
Interest in State Treasurer General Fund Investment Pool	\$ 11,096,478
Receivables:	
Other	545,461
Due from federal government	1,852,059
Due from other state agencies	1,008,492
Inventory	431,377
	<hr/>
Total current assets	14,933,867
	<hr/>
NON-CURRENT ASSETS	
Capital assets	176,940,357
Accumulated depreciation	(67,446,093)
	<hr/>
Total non-current assets	109,494,264
	<hr/>
Total assets	\$ 124,428,131
	<hr/> <hr/>
CURRENT LIABILITIES	
Accounts payable	\$ 3,191,540
Accrued payroll	927,961
Deferred revenue	154,196
Due to other state agencies	149,956
Due to State Treasurer General Fund Investment Pool	104,294
Due to State General Fund	6,850,678
Compensated absences payable	1,024,796
Current portion of long-term obligations	409,291
	<hr/>
Total current liabilities	12,812,712
	<hr/>
LONG-TERM OBLIGATIONS	
Non-current portion of long-term obligations	5,076,979
	<hr/>
TOTAL LIABILITIES	17,889,691
	<hr/>
NET ASSETS	
Invested in capital assets net of related debt	104,007,994
Restricted for:	
Capital projects	1,289,230
Unrestricted	1,241,216
	<hr/>
Total net assets	106,538,440
	<hr/>
Total net assets and liabilities	\$ 124,428,131
	<hr/> <hr/>

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Governmental Activities					
Museum Services	\$ (29,744,302)	4,248,993	233,073	118,771	(25,143,465)
Preservation and Library	(9,832,705)	2,371,422	1,828,585	774,068	(4,858,630)
Arts	(3,742,096)	339	778,800	-	(2,962,957)
Program Support	(3,168,315)	4,344	1,043	-	(3,162,928)
Total governmental activities	(46,487,419)	6,625,098	2,841,501	892,839	(36,127,981)
General Revenues					
State General Fund appropriation					26,991,300
Reversion to State General Fund					(6,850,679)
Transfer - Bond Proceeds Appropriation					6,360,242
Interagency transfers in					1,230,860
Loss on disposal of capital assets					(3,152,842)
Interest and investment earnings					49
Total general revenues					24,578,930
Changes in net assets					(11,549,051)
Net assets, beginning of the year, as previously reported					<u>142,285,020</u>
Restatement to capital assets					<u>(24,197,529)</u>
Net assets, beginning of the year, as restated					118,087,491
Net assets, ending of the year					\$ <u>106,538,440</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2012

	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	\$ 7,616,438	-	1,198,666	2,281,374	11,096,478
Receivables, other	398,050	146,636	775	-	545,461
Due from federal government	1,689,877	-	-	162,182	1,852,059
Due from other state agencies	354,397	580,633	-	73,462	1,008,492
Due from other funds	325,600	-	-	44,537	370,137
Inventory	431,377	-	-	-	431,377
TOTAL ASSETS	\$ 10,815,739	727,269	1,199,441	2,561,555	15,304,004
LIABILITIES:					
Accounts payable	\$ 2,403,673	544,720	96,016	147,131	3,191,540
Accrued payroll	927,961	-	-	-	927,961
Due to State Treasurer General Fund Investment Pool	-	33,865	-	70,429	104,294
Deferred revenue	154,196	-	-	-	154,196
Due to other state agencies	3,317	146,639	-	-	149,956
Due to other funds	44,537	-	-	325,600	370,137
Due to State General Fund	6,850,678	-	-	-	6,850,678
TOTAL LIABILITIES	10,384,362	725,224	96,016	543,160	11,748,762
FUND BALANCES:					
Nonspendable:					
Inventories	431,377	-	-	-	431,377
Restricted	-	-	-	35,704	35,704
Committed	-	2,045	1,103,425	1,982,691	3,088,161
TOTAL FUND BALANCES	431,377	2,045	1,103,425	2,018,395	3,555,242
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,815,739	727,269	1,199,441	2,561,555	15,304,004

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 3,555,242
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Capital assets	176,940,357
Accumulated depreciation	<u>(67,446,093)</u>
Total capital assets	109,494,264

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	(5,486,270)
Compensated absences payable	<u>(1,024,796)</u>

Net assets of governmental activities (Statement of Net Assets)	<u>\$ 106,538,440</u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	19300 General Fund	26300 Capital Projects, Laws 2007	69800 Arts in Public Places	Other Governmental Funds	Total
REVENUES:					
Interest	-	-	-	49	49
Fees and services	5,458,401	-	-	73,231	5,531,632
Sales	-	-	-	291,646	291,646
Other state funds	25,424	-	-	805,087	830,511
Federal grants and contracts	3,035,866	-	-	428,934	3,464,800
Private gifts and grants	240,849	-	-	-	240,849
TOTAL REVENUES	8,760,540	-	-	1,598,947	10,359,487
EXPENDITURES:					
Current:					
Personal service and employee benefits	23,947,964	-	-	377,136	24,325,100
In-state travel	148,323	-	-	-	148,323
Maintenance and repairs	1,834,236	123,654	-	292,806	2,250,696
Supplies	984,239	52,976	-	2,320	1,039,535
Contractual services	3,466,194	37,917	79,116	262,460	3,845,687
Operating costs	410,051	-	-	1,994	412,045
Other costs	4,282,631	3,014,617	666,808	250,870	8,214,926
Out-of-state travel	11,699	-	-	1,188	12,887
Capital outlay	341,551	1,021,714	796,873	1,324,329	3,484,467
Debt service principal payment	-	-	-	360,980	360,980
Debt service interest payment	-	-	-	262,469	262,469
TOTAL EXPENDITURES:	35,426,888	4,250,878	1,542,797	3,136,552	44,357,115
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,666,348)	(4,250,878)	(1,542,797)	(1,537,605)	(33,997,628)
OTHER FINANCING SOURCES (USES):					
State General Fund appropriations	26,991,300	-	-	-	26,991,300
Transfers - Reversions to State General Fund	(6,850,679)	-	-	-	(6,850,679)
Transfer of bond proceed appropriations	-	4,245,146	1,432,550	682,546	6,360,242
Transfers from other agencies	155,568	-	-	1,075,292	1,230,860
Transfers to other agencies	-	-	-	-	-
NET OTHER FINANCING SOURCES (USES)	20,296,189	4,245,146	1,432,550	1,757,838	27,731,723
NET CHANGE IN FUND BALANCES	(6,370,159)	(5,732)	(110,247)	220,233	(6,265,905)
FUND BALANCES, June 30, 2011	6,801,536	7,777	1,213,672	1,798,162	9,821,147
FUND BALANCES, June 30, 2012	\$ 431,377	2,045	1,103,425	2,018,395	3,555,242

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, 2012**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (6,265,905)

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

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

Debt principal payments 360,980

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: 60,655

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:

Adjustments and transfers	(10,368)
Loss on the disposal of assets	(3,152,842)
Capital outlay	4,255,752
Depreciation expense	(6,797,323)
Net impact of capital asset activity	<u>(5,704,781)</u>

Change in net assets of governmental activities (Statement of Activities) \$ (11,549,051)

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, 2012

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
State General Fund appropriations	\$ 26,933,000	26,933,000	26,991,300	58,300
Other services	2,594,500	3,883,421	5,458,401	1,574,980
Federal grants	3,164,200	3,853,700	3,035,866	(817,834)
Intra-state transfers	1,591,100	152,003	155,568	3,565
Miscellaneous	14,500	14,818	25,424	10,606
Private gifts and grants	235,700	235,700	240,849	5,149
Other financing sources (uses)	1,713,400	1,713,400	-	(1,713,400)
Reversions	-	-	(6,850,679)	(6,850,679)
TOTAL REVENUES	36,246,400	36,786,042	29,056,729	(7,729,313)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 26,482,700	25,488,255	23,947,964	1,540,291
Contractual services	3,444,900	4,085,693	3,466,194	619,499
Other operating costs	7,833,800	9,040,855	8,012,730	1,028,125
TOTAL EXPENDITURES	37,761,400	38,614,803	35,426,888	3,187,915
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (1,515,000)	(1,828,761)	(6,370,159)	4,541,398
CASH BALANCE CARRYFORWARD	(1,515,000)	(1,828,761)		
	\$ -	-		

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, 2012

	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	\$ 350,398	170,541	149,000	669,939
Loans receivable	87,220	-	-	87,220
TOTAL ASSETS	437,618	170,541	149,000	757,159
LIABILITIES:				
Deposits held in custody for others	437,618	-	149,000	586,618
TOTAL LIABILITIES	437,618	-	149,000	586,618
NET ASSETS	\$ -	170,541	-	170,541

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, 2012**

Interest Income	\$	254
NET ASSETS:		
Balance at June 30, 2011		<u>170,287</u>
Balance at June 30, 2012	\$	<u><u>170,541</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

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, 2012**

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, 2012**

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 Department of Cultural Affairs 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, 2012**

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, 2012**

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, 2012**

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. Effective, July 1, 2011, this became a reverting fund.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

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, 2012:

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 2012.

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, 2012:

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.

47800 - The Department of Cultural Affairs fiscal year 2010 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 2010.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The following capital projects funds had no activity during fiscal year 2012: 08200, 53000, 58700, and 64700 and thus are not presented in these financial statements.

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.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

59300 - Historic Preservation Revolving Fund - The revolving fund is available for loans from the Fund for low-cost restoration to register properties. This is an agency fund. This fund does not receive 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.

Accrual Accounting

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

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modified Accrual Accounting

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, 2012**

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, 2012**

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 SHARE funds 26300, 47800, 69800 and 69100, 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, 2012**

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, 2012**

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

In June 2012, an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent third-party verification/confirmation of the DCA's balances at the business unit/fund level is not possible. Reconciliation of the SGFIP is the responsibility of the Department Finance and Administration.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking action to resolve this problem. The management of DCA believes it has adequate controls in place to insure that these balances are materially accurate.

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Investment balances at June 30, 2012, consisted of the following:

Deposits with State Treasurer – governmental activities	\$ 11,096,478
Deposits with State Treasurer – fiduciary balances	669,939
Due to State Treasurer General Fund Investment Pool	<u>(104,294)</u>
Total balance	<u>\$ 11,662,123</u>

Interest Rate Risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

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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

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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.

	Balance 7/1/2011, as Restated	Additions	Deletions	Transfers and Adjustments	Balance 6/30/2012
Land	\$ 6,524,037	140,971	(2,014)	(76,847)	6,586,147
Construction in Process	23,226,352	2,810,222	(181,893)	(18,816,068)	7,038,613
Total non-depreciable assets	<u>29,750,389</u>	<u>2,951,193</u>	<u>(183,907)</u>	<u>(18,892,915)</u>	<u>13,624,760</u>
Improvements	534,800	-	(6,435)	(528,365)	-
Building & structures	132,588,463	1,105,242	(6,138,220)	21,890,680	149,446,165
Furniture & fixtures	2,731,111	50,000	(605,168)	94,746	2,270,689
Livestock	5,000	-	-	-	5,000
Information and technology	2,637,864	-	(1,287,666)	(816,362)	533,836
Machinery & equipment	6,401,862	149,317	(865,501)	703,026	6,388,704
Vehicles	1,334,824	-	(499,662)	175,028	1,010,190
Service	3,100,147	-	(463,941)	(2,636,206)	-
Library & museum	3,862,012	-	(200,999)	-	3,661,013
Total depreciable assets	<u>153,196,083</u>	<u>1,304,559</u>	<u>(10,067,592)</u>	<u>18,882,547</u>	<u>163,315,597</u>
Total assets	<u>182,946,472</u>	<u>4,255,752</u>	<u>(10,251,499)</u>	<u>(10,368)</u>	<u>176,940,357</u>
Accumulated depreciation:					
Improvements	(17,521)	-	-	-	(17,521)
Building & structures	(54,696,717)	(5,120,298)	3,498,103	-	(56,318,912)
Furniture & fixtures	(2,519,900)	(162,329)	603,917	-	(2,078,312)
Livestock	(5,000)	-	-	-	(5,000)
Information and technology	(1,686,579)	(40,141)	1,287,666	-	(439,054)
Machinery & equipment	(4,778,536)	(726,384)	792,587	-	(4,712,333)
Vehicles	(1,314,945)	(125,271)	715,385	-	(724,831)
Library & museum	(2,728,229)	(622,900)	200,999	-	(3,150,130)
Total	<u>(67,747,427)</u>	<u>(6,797,323)</u>	<u>7,098,657</u>	<u>-</u>	<u>(67,446,093)</u>
Capital assets, net	<u>\$ 115,199,045</u>	<u>(2,541,571)</u>	<u>(3,152,842)</u>	<u>(10,368)</u>	<u>109,494,264</u>

Depreciation expense for fiscal year 2012 is \$6,797,323 and primarily in the Museum Services Program.

**STATE OF NEW MEXICO
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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, 2011	Increase	Decrease	Balance June 30, 2012	Current Portion
<u>\$ 1,085,451</u>	<u>1,241,260</u>	<u>1,301,915</u>	<u>1,024,796</u>	<u>1,024,796</u>

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

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of DCA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement 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 10.67% of their gross salary. DCA is required to contribute 13.34% 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, 2012, 2011 and 2010 were \$2,246,566, \$2,785,807, and \$2,950,293, 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. DCA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the

**STATE OF NEW MEXICO
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June 30, 2012**

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

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending 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>
FY13	2.000%	1.000%

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.

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

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, 2012, 2011 and 2010 were \$305,812, \$305,187, and \$248,298, 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 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). Therefore, no liability has been recorded in the financial statements (also see Note 14)

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NOTE 9. DUE FROM AND DUE TO OTHER STATE AGENCIES

	Due to Department of Cultural Affairs			
	19300	26300	89200	47800
Due From				
NM Energy Minerals & Natural Resources 19902	\$ 90,712	-	-	-
Dept. of Transportation 20100	247,141	-	-	-
General Service Department 64105	16,544	-	-	-
NM Finance & Administration 10590	-	73,985	-	-
NM Finance & Administration 10740	-	15,825	-	-
NM Finance & Administration 10910	-	490,823	-	-
NM Finance & Administration 11160	-	-	13,682	-
NM Finance & Administration 11310	-	-	-	38,212
NM Finance & Administration 11350	-	-	21,568	-
Total	<u>\$ 354,397</u>	<u>580,633</u>	<u>35,250</u>	<u>38,212</u>

	Department of Taxation and Revenue 33300	Department of Finance and Admin. 60910
Due to		
Dept. of Cultural Affairs - 19300	\$ 3,317	-
Dept. of Cultural Affairs - 26300	-	146,639
Total	<u>\$ 3,317</u>	<u>146,639</u>

NOTE 10. DUE FROM AND DUE TO OTHER FUNDS

	Due From		
	DCA Operating Fund 19300	DCA 15% Museum Admission Fund 19400	
Due To			Total
DCA Operating - 19300	\$ -	325,600	325,600
DCA 15% Mus Admission - 19400	44,537	-	44,537
Total	<u>\$ 44,537</u>	<u>325,600</u>	<u>370,137</u>

**STATE OF NEW MEXICO
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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.

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.

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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, 2012.

DCA has entered into various leases for land, office equipment and office space as of June 30, 2012. All lease agreements can be cancelled if the budgeted lease payments are not approved. No future liability then exists unless budget payment amounts continue to be approved.

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

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NOTE 15. LONG-TERM DEBT

At June 30, 2012, 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. \$ 4,012,293

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. 1,473,977
\$ 5,486,270

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NOTE 15. LONG-TERM DEBT (CONTINUED)

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

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>	Amounts Due Within <u>One Year</u>
Loan Payable	\$ 5,847,220	-	(360,980)	5,486,270	409,291

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>
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	169,824	459,157	628,981
2018 - 2022	849,326	2,296,343	3,145,669
2023	169,913	486,463	656,376
	1,868,252	5,078,299	6,946,551
Less interest/admin. fee	394,275	1,066,006	1,460,281
	1,473,977	4,012,293	5,486,270
Less current portion	110,508	298,783	409,291
	<u>\$ 1,363,469</u>	<u>3,713,610</u>	<u>5,076,979</u>

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

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NOTE 16. INTER-AGENCY TRANSFERS

Other Financing Sources - Transfers In

From NM Department of Transportation, Fund 20100 to DCA/Intra State Agency, Fund 19304	\$ 120,254
From the NM Energy, Minerals and Natural Resources, Fund 89200 To DCA Fund 89200	350,000
From DFA, Agency 341, Fund 11160 to DCA/General Fund, Fund 19301	35,314
From DFA, Agency 341, Fund 89000 to DCA/ARRA, Fund 89000	<u>725,292</u>
	<u>\$ 1,230,860</u>

NOTE 17. DUE TO STATE GENERAL FUND (REVERSIONS)

Unexpended 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, 2012, were as follows:

	Fund <u>19300</u>
Prior year fund balance reversion	<u>\$ 6,433,821</u>
Budget year 2012 Reversion:	
General fund appropriation	307,068
Other funds	<u>109,790</u>
Subtotal of FY12 fund reversions	<u>416,858</u>
Amount due at year end	<u>\$ 6,850,679</u>

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NOTE 18. FUND BALANCE

DCA'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 are 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. A summary of the nature and purpose of these reserves by fund type at June 30, 2012, is included in the table below.

In prior years, Fund 19300 was a non-reverting fund based on language in the annual appropriations bill, House Bill 2. For 2012, that language was not present and Fund 19300 became a reverting fund. This resulted in DCA reverting \$6,433,821 in museum admission fees and revenues that has accumulated through June 30, 2011 and an additional \$416,858 from fiscal year 2012 for a total of \$6,850,679. However, DCA is still doing research on statute and the appropriation act language related to the reversion of this revenue. Further, DCA will be meeting with the Executive Branch to see if legislative intervention to protect DCA's admissions and revenue and re-appropriation of reverted amounts can be accomplished.

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NOTE 18. FUND BALANCE (CONTINUED)

Fund/Program	Laws	Committed Purposes	Restricted Purposes
General Fund:			
DCA General Fund 00193		\$ -	-
Total General Fund:		-	-
Capital Improvements Projects:			
	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	2,045	-
Capital Projects, Laws 2007, 2008, & 2009 Fund Art in Public Places Fund	Laws of 1986 Chapter 11	1,103,425	-
Total Capital Improvements Projects		1,105,470	-
Special Revenue:			
15% Museum Admissions Fund	Laws of 2005, Chapter 277	676,496	-
Museum Collections Fund	Laws of 2005, Chapter 121	-	35,704
Rural Libraries Development Fund	Laws of 2007, Chapter 83	900	-
ARRA	Administratively Created	19,010	-
Total Special Revenue:		696,406	35,704
Debt Service:			
NMFA Projects Fund	Laws of 2003, Chapter 430	1,286,285	-
Total Debt Service:		1,286,285	-
Total Fund Balance		\$ 3,088,161	35,704

STATE OF NEW MEXICO
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NOTE 19. JOINT POWERS AGREEMENT DISCLOSURE

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

Contributor	Scope of Work	Responsible Party	Total Amount of Contract	Beginning Date	Ending Date	Audit Responsibility	Agency Where Revenues/Expenditures 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
MIAC Conservation Department Fort Stanton Inc.	Conservation of historic and prehistoric artifacts at Monuments Support organization for Fort Stanton State Monument To conduct a qualitative analysis of the direct, indirect and induced economic and fiscal impacts of Arts and Cultural Industries in New Mexico.	DCA DCA / Fort Stanton Inc	50,000 NA	7/1/2009	6/30/2013	DCA	DCA No specific revenues or expenditures mentioned
MOL - University of New Mexico- Bureau of Business and Economic Research	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	180,000	5/1/2012	6/30/2013	DCA/UNM	UNM/ DCA
University of New Mexico - Continuing Education	To develop curriculum, obtain input on community needs in relation to curricula, identify local trainers, deliver training, provide training outcomes and assessment on a monthly basis, file quarterly reports to comply with federal requirements for the Fast Forward New Mexico project	DCA / UNM CE	57,471	4/29/2010	11/30/2012	DCA / UNM CE	DCA
University of New Mexico - Lee Altmeo	To provide formal assessments of albas 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 State Protection Act on behalf of BLM.	DCA	80,000	4/19/2011	After final inspection by HPD, OAS & BLM	DCA	DCA
MOU - DCA / Historic Preservation Division	To provide archaeological services including excavation, lab analysis, report writing, production, education, outreach and collections curation in FY 11, 12, & 13	DCA	10,000	4/19/2011	After final inspection by HPD, OAS & BLM	DCA	DCA
MOU - NM Spaceport Authority	To pay DCAMNMOAS for all costs incurred under this agreement for archeological services	DCA / NM Spaceport Authority	1,200,000	10/24/2010	After final inspection by NMSA & OAS. Final payment to OAS.	DCA / NM Spaceport Authority	DCA
JPA # 000...1612 between EMMRD and DCAMNMOAS	Shared of parking lot between properties	DCA / EMMRD	1,500,000	7/1/2004	Term of agreement are contingent upon agreement being granted by NM State Legislature and OSM	DCA / EMMRD	DCA
City of Albuquerque-Spokane	To support Santa Fe International Folk Art Market	DCA / City of Abq	NA	12/29/2000	Indefinite	DCA / City of Abq	DCA / MNMF
US Department of Transportation	Preservation & curation for the IMDOT Archeological collections	DCA / MNMF	NA	10/6/2010	10/31/2014	DCA / MNMF	No specific revenues or expenditures mentioned
Bureau of Reclamation	Annual Collections Maintenance Fees for BOR collections	DCA / US DOT	242,280	1/14/2010		DCA / US DOT	DCA
Historic Preservation Division	Annual rental fee for ARMA between Museum & HPD	DCA / BOR	133,016	4/12/2010		DCA / BOR	DCA
NM Department of Transportation	NMCRIS-ARMS Data Base	DCA	10,000	6/8/2010	3/1/2015	DCA	DCA
NM Department of Transportation	Compliance	DCA / NMDOT	100,000	11/19/2009	6/30/2013	DCA / NMDOT	DCA
NM Game and Fish	NMCRIS-ARMS Data Base	DCA / NMDOT	200,000	1/29/2010	6/30/2013	DCA / NMDOT	DCA
NM State Army Board	Lease of the Barrain, Art Complex, 50% of annual revenues from two property tenants	DCA / NMGSF	3,000	7/1/2010	7/1/2013	DCA / NMGSF	DCA
		DCA / DMA	15,840	1/1/2006	1/1/2105	DCA / DMA	DCA

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 20. PRIOR PERIOD RESTATEMENT

The Statement of Activities includes a net prior period asset restatement of \$24,197,529. Of this amount, \$2,820,024 is a restatement to decrease capital asset cost and \$21,377,505 is a restatement to increase capital asset accumulated depreciation as of June 30, 2011. This restatement was caused by duplications in costs capitalized for the library museums and construction in progress and other errors. Secondly, this restatement was made to adjust for capital assets that were not being properly depreciated. The errors in calculating depreciation appear to date back to 2004.

Below is a schedule of the changes of capital assets, and the effect of the correction of error.

	June 30, 2011		June 30, 2011
	As Previously		As Restated
	Reported	Restatement	
Capital assets			
Cost	\$185,766,496	(2,820,024)	182,946,472
Accumulated depreciation	<u>(46,369,922)</u>	<u>(21,377,505)</u>	<u>(67,747,427)</u>
Net capital assets	<u>139,396,574</u>	<u>(24,197,529)</u>	<u>115,199,045</u>

The impact of the restatement for the change in net assets for the fiscal year ended June 30, 2011 was to increase program expenses by \$825,303.

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2012

	47800 Capital Projects, Laws 2010	19400 15% Museum Admission Funds	59100 Rural Libraries Development	69100 NMFA Projects Fund	89000 ARRA 2009	25600 Museum Collections Fund	89200 Capital Projects, Laws 2010	Total Nonmajor Funds
ASSETS:								
Interest in State Treasurer General Fund Investment Pool	\$ -	957,559	900	1,287,211	-	35,704	-	2,281,374
Receivables:								
Other	-	-	-	-	-	-	-	-
Due from federal government	-	-	-	-	162,182	-	-	162,182
Due from other agencies	38,212	-	-	-	-	-	35,250	73,462
Due from other funds	-	44,537	-	-	-	-	-	44,537
Inventory	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 38,212	1,002,096	900	1,287,211	162,182	35,704	35,250	2,561,555
LIABILITIES:								
Accounts payable	-	-	-	926	75,056	-	32,937	147,131
Accrued payroll	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Due to other state agencies	-	-	-	-	-	-	-	-
Due to State Treasurer General Fund Investment Pool	-	-	-	-	68,116	-	2,313	70,429
Due to other funds	-	325,600	-	-	-	-	-	325,600
Due to State General Fund	-	-	-	-	-	-	-	-
Due to local governments	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	38,212	325,600	-	926	143,172	-	35,250	543,160
FUND BALANCES:								
Nonspendable:								
Inventories	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	35,704	-	35,704
Committed	-	676,496	900	1,286,285	19,010	-	-	1,982,691
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	676,496	900	1,286,285	19,010	35,704	-	2,018,395
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,212	1,002,096	900	1,287,211	162,182	35,704	35,250	2,561,555

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, 2012

	47800 Capital Projects, Laws 2010	19400 15% Museum Admissions Fund	59100 Rural Libraries Development	69100 NMFA Projects Fund	89000 ARRA 2009	25600 Museum Collections Fund	89200 Capital Projects, Laws 2010	Total Nonmajor Funds
REVENUES:								
Grants from other governments	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	49	-	49
Fees and Services	-	73,231	-	-	-	-	-	73,231
Sales	-	291,646	-	-	-	-	-	291,646
Other state funds	-	-	-	805,087	-	-	-	805,087
Federal grants	-	-	-	-	428,934	-	-	428,934
Private gifts and grants	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	364,877	-	805,087	428,934	49	-	1,598,947
EXPENDITURES:								
Current								
Personnel services and employee benefits	-	325,601	-	-	51,535	-	-	377,136
In-state travel	-	-	-	-	-	-	-	-
Maintenance and repairs	-	-	-	5,092	144,901	-	142,813	292,806
Supplies	-	-	-	-	1,320	-	1,000	2,320
Contractual services	-	-	-	-	226,894	-	35,566	262,460
Operating costs	-	-	-	730	225	-	1,039	1,994
Other costs	70,493	-	-	-	180,377	-	-	250,870
Out-of-state travel	-	-	-	-	1,188	-	-	1,188
Capital outlay	-	-	-	-	547,786	-	776,543	1,324,329
Debt service principal payment	-	-	-	360,980	-	-	-	360,980
Debt service interest payment	-	-	-	262,469	-	-	-	262,469
TOTAL EXPENDITURES:	70,493	325,601	-	629,271	1,154,226	-	956,961	3,136,552
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(70,493)	39,276	-	175,816	(725,292)	49	(956,961)	(1,537,605)
OTHER FINANCING SOURCES (USES):								
State General Fund appropriations	-	-	-	-	-	-	-	-
Reversions	-	-	-	-	-	-	-	-
Bond Proceeds	70,493	-	-	5,092	-	-	606,961	682,546
Interagency transfers in	-	-	-	-	725,292	-	350,000	1,075,292
Interagency transfers out	-	-	-	-	-	-	-	-
NET OTHER FINANCING SOURCES (USES)	70,493	-	-	5,092	725,292	-	956,961	1,757,838
NET CHANGE IN FUND BALANCES	-	39,276	-	180,908	-	49	-	220,233
FUND BALANCES, June 30, 2011	-	637,220	900	1,105,377	19,010	35,655	-	1,798,162
FUND BALANCES, June 30, 2012	-	676,496	900	1,286,285	19,010	35,704	-	2,018,395

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMBINED GENERAL FUND - MUSEUM SERVICES (P536)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 18,371,100	18,371,100	18,371,100	-
Other Services	2,526,900	2,526,900	3,079,029	552,129
Federal grants	91,900	114,200	118,771	4,571
Intra-state transfers	-	152,003	120,254	(31,749)
Miscellaneous	14,500	14,500	23,730	9,230
Private gifts and grants	200,700	200,700	209,342	8,642
Other financing sources	205,000	205,000	-	(205,000)
Reversions	-	-	(6,543,611)	(6,543,611)
TOTAL REVENUES	21,410,100	21,584,403	15,378,615	(6,205,788)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 16,505,400	15,880,955	15,205,770	675,185
Contractual services	975,400	1,173,367	785,733	387,634
Other operating costs	5,169,300	5,770,081	5,330,991	439,090
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	22,650,100	22,824,403	21,322,494	1,501,909
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (1,240,000)	(1,240,000)	<u>\$(5,943,879)</u>	<u>(7,707,697)</u>
CASH BALANCE CARRYFORWARD	(1,240,000)	(1,240,000)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMBINED GENERAL FUND - PRESERVATION (P537)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 600,700	600,700	600,700	-
Other Services	-	1,288,900	2,338,268	1,049,368
Federal grants	1,143,900	1,591,100	774,068	(817,032)
Intra-state transfers	1,591,100	-	35,314	35,314
Miscellaneous	-	-	110	110
Private gifts and grants	-	-	-	-
Other financing sources	1,508,400	1,508,400	-	(1,508,400)
Reversions	-	-	-	-
TOTAL REVENUES	4,844,100	4,989,100	3,748,460	(1,240,640)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 3,614,500	3,619,500	3,189,411	430,089
Contractual services	518,600	518,600	388,818	129,782
Other operating costs	711,000	851,000	514,621	336,379
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	4,844,100	4,989,100	4,092,850	896,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	-	\$ (344,390)	(2,136,890)
CASH BALANCE CARRYFORWARD	-	-	-	-
	\$ -	-	-	-

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMBINED GENERAL FUND - LIBRARY SERVICES (P539)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 3,332,400	3,332,400	3,332,400	-
Other Services	-	-	1,425	1,425
Federal grants	1,384,700	1,604,700	1,364,227	(240,473)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	223	223
Private gifts and grants	35,000	35,000	31,506	(3,494)
Other financing sources	-	-	-	-
Reversions	-	-	(212,863)	(212,863)
TOTAL REVENUES	4,752,100	4,972,100	4,516,918	(455,182)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 2,533,900	2,158,900	1,946,331	212,569
Contractual services	753,100	970,926	910,496	60,430
Other operating costs	1,560,600	1,937,774	1,728,804	208,970
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	4,847,600	5,067,600	4,585,630	481,970
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (95,500)	(95,500)	\$ (68,712)	(937,152)
CASH BALANCE CARRYFORWARD	(95,500)	(95,500)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMBINED GENERAL FUND - PROGRAM SUPPORT (P540)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 3,206,300	3,206,300	3,206,300	-
Other Services	67,600	67,600	39,658	(27,942)
Federal grants	-	-	-	-
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	1,043	1,043
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	(90,737)	(90,737)
TOTAL REVENUES	3,273,900	3,273,900	3,156,264	(117,636)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 2,955,900	2,955,900	2,800,227	155,673
Contractual services	173,800	173,800	171,877	1,923
Other operating costs	268,500	268,500	196,211	72,289
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	3,398,200	3,398,200	3,168,315	229,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (124,300)	(124,300)	\$ (12,051)	(347,521)
CASH BALANCE CARRYFORWARD	(124,300)	(124,300)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMBINED GENERAL FUND - ARTS PROGRAM (P761)
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 1,422,500	1,422,500	1,422,500	-
Other Services	-	-	21	21
Federal grants	543,700	543,700	778,800	235,100
Intra-state transfers	-	314,100	-	(314,100)
Miscellaneous	-	-	318	318
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	(3,468)	(3,468)
TOTAL REVENUES	1,966,200	2,280,300	2,198,171	(82,129)
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ 873,000	873,000	806,227	66,773
Contractual services	1,024,000	1,249,000	1,209,270	39,730
Other operating costs	124,400	213,500	183,802	29,698
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	2,021,400	2,335,500	2,199,299	136,201
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	(55,200)	(55,200)	\$ (1,128)	(218,330)
CASH BALANCE CARRYFORWARD	(55,200)	(55,200)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
COMBINED GENERAL FUND -SPECIAL APPROPRIATION
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
General Fund appropriations	\$ 58,300	58,300	58,300	-
Other Services	-	-	-	-
Federal grants	-	-	-	-
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
Other financing sources	-	-	-	-
Reversions	-	-	-	-
TOTAL REVENUES	58,300	58,300	58,300	-
EXPENDITURES:				
Current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	58,300	58,300	58,300	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	58,300	58,300	58,300	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	-	-	<u>\$ -</u>	-
CASH BALANCE CARRYFORWARD	-	-		
	<u>\$ -</u>	<u>-</u>		

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fund balance	\$ 4,250,878	4,250,878	4,245,146	5,732
TOTAL REVENUES	<u>4,250,878</u>	<u>4,250,878</u>	<u>4,245,146</u>	<u>5,732</u>
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	37,917	37,917	37,917	-
Other operating costs	4,212,961	4,212,961	4,212,961	-
Other financing uses	-	-	-	-
Operating transfers	-	-	-	-
TOTAL EXPENDITURES	<u>4,250,878</u>	<u>4,250,878</u>	<u>4,250,878</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	-	<u>(5,732)</u>	<u>5,732</u>
CASH BALANCE CARRYFORWARD	<u>-</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
FUND 69800 - 1% ART IN PUBLIC PLACES
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	1,432,550	1,432,550
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources (uses)	-	-	-	-
Cash balance rebudgeted	-	-	-	-
TOTAL REVENUES	\$ -	-	1,432,550	1,432,550
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	2,119,001	3,692,600	79,116	3,613,484
Other costs	3,900,049	5,651,752	1,463,681	4,188,071
Capital outlay	-	-	-	-
Other financing sources (uses)	-	-	-	-
TOTAL EXPENDITURES	\$ 6,019,050	9,344,352	1,542,797	7,801,555
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (6,019,050)	(9,344,352)	(110,247)	9,234,105
CASH BALANCE CARRYFORWARD	(6,019,050)	(9,344,352)		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
NON-MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
FUND 47800 - CAPITAL PROJECTS, LAWS OF 2010
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fund balance	\$ -	-	-	-
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Other financing sources	-	-	-	-
Bond proceeds	3,000,000	3,000,000	70,493	(2,929,507)
Reversion	-	-	-	-
TOTAL REVENUES	3,000,000	3,000,000	70,493	(2,929,507)
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	3,000,000	3,000,000	70,493	2,929,507
Other financing uses	-	-	-	-
Operating transfers	-	-	-	-
TOTAL EXPENDITURES	3,000,000	3,000,000	70,493	2,929,507
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	-	-	-
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL
FUND 19400 - 15% STATE MUSEUM ADMISSIONS
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State General Fund appropriations	\$ -	-	-	-
Admissions	254,900	254,900	291,646	36,746
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Building rental or lease	70,700	70,700	73,230	2,530
TOTAL REVENUES	\$ 325,600	325,600	364,876	39,276
EXPENDITURES - current:				
Personnel services and benefits	\$ 325,600	325,600	325,600	-
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 325,600	325,600	325,600	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	-	39,276	39,276
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (CONTINUED)
FUND 69100 - CAPITAL PROJECTS, LAWS OF 2003
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fund balance	\$ -	-	5,092	5,092
Other state funds	629,271	629,271	805,087	175,816
Operating Transfers	-	-	-	-
Other financing sources	-	-	-	-
TOTAL REVENUES	\$ 629,271	629,271	810,179	180,908
EXPENDITURES - current:				
Contractual services	\$ -	-	-	-
Other costs	5,822	5,822	5,822	-
Capital outlay	-	-	-	-
Debt service payments	623,449	623,449	623,449	-
TOTAL EXPENDITURES	\$ 629,271	629,271	629,271	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	-	180,908	180,908
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
NON-MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (CONTINUED)
FUND 89000 - ARRA of 2009
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	1,750,000	428,934	(1,321,066)
Other financing sources (uses)	-	-	725,292	725,292
Reversions	-	-	-	-
TOTAL REVENUES	\$ -	1,750,000	1,154,226	(595,774)
EXPENDITURES - current:				
Personal services	-	114,244	51,535	62,709
Contractual services	-	294,296	226,894	67,402
Other costs	\$ -	1,341,460	875,797	465,663
Other financing sources (uses)	-	-	-	-
TOTAL EXPENDITURES	\$ -	1,750,000	1,154,226	595,774
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ (2,254,488)	(606,688)	-	606,688
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)
FUND 25600 - MUSEUM COLLECTIONS FUND
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund Balance	\$ -	-	-	-
Other state funds	-	-	49	49
Federal grants	-	-	-	-
Private gifts and grants	-	-	-	-
Bond proceeds	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	\$ -	-	49	49
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)	\$ -	-	49	49
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES -
NON-MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
FUND 89200 - CAPITAL PROJECTS, LAWS OF 2010, 2011, and 2012
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fund balance	\$ 606,961	606,961	606,961	-
TOTAL REVENUES	606,961	606,961	606,961	-
EXPENDITURES - current:				
Personnel services and benefits	\$ -	-	-	-
Contractual services	35,566	35,566	35,566	-
Other operating costs	571,395	921,395	921,395	-
Other financing uses	-	-	-	-
Operating transfers	-	-	-	-
TOTAL EXPENDITURES	606,961	956,961	956,961	-
OTHER FINANCING SOURCES				
Transfers In		350,000	350,000	-
TOTAL OTHER FINANCING SOURCES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (PRIOR YEAR CASH BALANCE REQUIRED TO BALANCE BUDGET)	\$ -	-	-	-
CASH BALANCE CARRYFORWARD	-	-		
	\$ -	-		

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SUPPLEMENTAL SCHEDULE OF INTEREST IN STATE TREASURER
GENERAL FUND INVESTMENT POOL
As of June 30, 2012

<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, 2012</u>
General Fund					
State Treasurer	General Operating Account (Fund 19300)	General	State Treasurer	No	\$ 7,616,438
Special Revenue					
State Treasurer	Museum Admissions Fund (Fund 19400)	Special Revenue	State Treasurer	No	957,559
State Treasurer	Museum Collections Fund (Fund 25600)	Special Revenue	State Treasurer	No	35,704
					<u>993,263</u>
Capital Projects Fund					
State Treasurer	Capital Projects, Laws 2006 (Fund 64700)	Capital Projects	State Treasurer	No	-
State Treasurer	Arts in Public Places Fund (Fund 69800)	Capital Projects	State Treasurer	No	1,198,666
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	1,287,211
State Treasurer	Capital Projects, Laws 2003 (Fund 89900)	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2004 (Fund 58700)	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2002 (Fund 08200)	Capital Projects	State Treasurer	No	-
					<u>2,486,777</u>
					Total Governmental Funds <u>11,096,478</u>
Fiduciary Funds					
State Treasurer	Bartlett Trust Fund (Fund 61200)	Nonexpend. Trust	State Treasurer	Yes	170,541
State Treasurer	Historic Preservation Revolving Loan Fund (Fund 59300)	Agency	State Treasurer	No	350,398
State Treasurer	Main Street Revolving Loan Fund (Fund 20070)	Agency	State Treasurer	No	149,000
					<u>669,939</u>
					Total Interest in State Treasurer General Fund Investment Pool <u>\$ 11,766,417</u>
Due to State Treasurer General Fund Investment Pool					
State Treasurer	Capital Projects, Laws 2007 (Fund 26300)	Capital Projects	State Treasurer	No	\$ 33,865
State Treasurer	Capital Projects, Laws 2005 (Fund 64700)	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2010 (Fund 89200)	Capital Projects	State Treasurer	No	2,313
State Treasurer	ARRA (Fund 89000)	Special Revenue	State Treasurer	No	68,116
					<u>\$ 104,294</u>

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CAPITAL PROJECT FUNDS - SPECIAL APPROPRIATIONS, SEVERANCE TAX AND GENERAL OBLIGATION BONDS
As of June 30, 2012

General Fund- Special Appropriations

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
NM Farm & Ranch Renovate	50,000	50,000	-	-	-	-	-	50,000	-
NM Farm & Ranch Renovate	95,000	94,474	-	-	-	526	-	95,000	-
State Monuments Acquisitions	50,000	-	-	-	-	50,000	-	50,000	-
Isleta Pueblo Acquisitions	10,000	-	-	-	-	10,000	-	10,000	-
NM St. Library Improve Building	45,000	-	-	-	-	45,000	-	45,000	-
St Opera Construction	680,000	-	-	-	-	680,000	-	680,000	-
Children's Museum Expansion	243,000	-	124,576	-	-	-	2,706	243,000	-
DCA Digital Archive Project	35,000	240,294	-	-	-	35,000	-	35,000	-
Total	1,208,000	384,768	124,576	-	-	820,526	2,706	1,208,000	-
Total General Fund Special Appropriations	1,208,000	384,768	124,576	-	-	820,526	2,706	1,208,000	-

Severance Tax Bonds

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

Natural History & Science Construction	1,730,000	1,692,013	-	20,686	-	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	-
Farm & Ranch Construction	1,500,000	1,473,228	1,478	-	-	10,265	15,029	1,500,000	-
OAS Plan, Design Construct	600,000	1,484,069	931	-	-	-	15,000	1,500,000	-
NM History Museum Furnish Equip	600,000	592,879	-	-	7,121	-	-	600,000	-
Renovate Girard Wing	2,000,000	594,000	49,440	-	-	-	6,000	600,000	-
DCA/Mus-Monuments Renovations & Repairs	179,000	1,950,560	-	-	-	-	-	2,000,000	-
Van of Enchantment Purchase	179,000	179,000	-	-	-	-	-	2,000,000	-
Total	9,224,000	9,071,864	51,849	20,686	7,121	32,751	39,729	9,224,000	-
Subtotal Severance Tax Bonds	9,224,000	9,071,864	51,849	20,686	7,121	32,751	39,729	9,224,000	-

General Obligation Bonds

Laws of 2008, Chapter 80/Expires June 30, 2012 - Fund 263
Appropriation Period FY09-FY12

Statewide Library books, equipment & library resources acquisitions	3,000,000	1,055,667	1,157,388	-	-	-	786,945	3,000,000	-
Statewide Tribal Library books, equipment & library resources acquisitions	2,000,000	340,127	469,651	-	-	-	1,190,222	2,000,000	-
Total	5,000,000	1,395,794	1,627,039	-	-	-	1,977,167	5,000,000	-

Laws of 2010, Chapter 3/Expires June 30, 2014 - Fund 478
Appropriation Period FY11-FY14

Statewide Library books, equipment & library resources acquisitions	2,000,000	-	70,493	1,929,507	-	-	-	2,000,000	-
Statewide Tribal Library books, equipment & library resources acquisitions	1,000,000	-	-	998,000	-	-	2,000	1,000,000	-
Total	3,000,000	-	70,493	2,927,507	-	-	2,000	3,000,000	-

Severance Tax Bonds

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CAPITAL PROJECT FUNDS - SPECIAL APPROPRIATIONS, SEVERANCE TAX AND GENERAL OBLIGATION BONDS
As of June 30, 2012

	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									
Museum of Natural History Construction	500,000	380,727	114,273	-	-	-	5,000	500,000	-
State Monuments Exhibits	563,000	193,079	215,276	-	-	-	154,645	563,000	-
Farm & Ranch Construction	1,800,000	942,373	417,835	421,756	-	-	18,036	1,800,000	-
OAS Infrastructure	500,000	390,685	47,593	61,722	-	-	-	500,000	-
NM History Museum FFE	375,000	374,343	-	472	-	-	185	375,000	-
DCA/Mus-Mon Statewide renovations	1,000,000	922,396	7,106	498	-	-	-	1,000,000	-
Total	4,738,000	3,273,603	802,083	484,448	-	-	177,866	4,738,000	-
Laws of 2009, Ch. 7 Sec. 3 #10,11 & 12/Expires June 30, 2013 - Fund 892									
Appropriation Period FY10-FY13									
NM Archaeology Center	900,000	849,059	17,779	-	-	-	33,162	900,000	-
NM Archaeology Center Repository	1,500,000	1,456,086	18,132	-	-	-	25,782	1,500,000	-
NM Farm & Ranch Courtyard Cover	125,000	-	-	-	-	-	125,000	125,000	-
Total	2,525,000	2,305,145	35,911	-	-	-	183,944	2,525,000	-
Laws of 2010, Ch. 4, Sec 5/Expires June 30, 2014 - Fund 892									
Appropriation Period FY11-FY14									
DCA/Mus-Mon Statewide Renovations	1,100,000	577,941	423,721	97,018	-	-	1,320	1,100,000	-
Laws 2011, Ch. 5, Sec 6 /Expires June 30, 2016 - Fund 892									
Appropriation Period FY12-FY16									
DCA/Mus-Mon Statewide Renovations	1,000,000	81,906	-	169,972	-	-	748,122	1,000,000	-
Subtotal Severance Tax Bonds									
	9,363,000	6,238,595	1,261,715	751,438	-	-	1,111,252	9,363,000	-
Total Severance Tax									
	18,587,000	15,310,459	1,313,564	772,124	7,121	32,751	1,150,981	18,587,000	-
Total General Obligations Bonds									
	8,000,000	1,395,794	1,697,532	2,927,507	-	-	1,979,167	8,000,000	-

STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
As of June 30, 2012

Agency Fund 59300

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2012</u>
ASSETS:				
Interest in State Treasurer General Fund Investment Pool	\$ 340,175	10,223	-	350,398
Loans receivable	93,898	-	(6,678)	87,220
TOTAL ASSETS	<u>\$ 434,073</u>	<u>10,223</u>	<u>(6,678)</u>	<u>437,618</u>
LIABILITIES:				
Deposits held in custody for others	\$ 434,073	10,223	(6,678)	437,618
TOTAL LIABILITIES	<u>\$ 434,073</u>	<u>10,223</u>	<u>(6,678)</u>	<u>437,618</u>

Agency Fund 20070

ASSETS:				
Interest in State Treasurer General Fund Investment Pool	\$ 149,000	-	-	149,000
TOTAL ASSETS	<u>\$ 149,000</u>	<u>-</u>	<u>-</u>	<u>149,000</u>
LIABILITIES:				
Deposits held in custody for others	\$ 149,000	-	-	149,000
TOTAL LIABILITIES	<u>\$ 149,000</u>	<u>-</u>	<u>-</u>	<u>149,000</u>

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
U.S. Department of the Interior:		
National Park Service		
Historic Preservation Fund Grant #35-11-31938	15.904	\$ 504,974
Historic Preservation Fund Grant #35-10-21938	15.904	<u>36,300</u>
Total U.S. Department of the Interior		<u>541,274</u>
U.S. Department of Commerce:		
ARRA-SBA Fast Forward New Mexico #35-43-B10002	11.557	428,935
Institute of Museum and Library Services		
Library Services and Technology Act (LSTA) #LS-00-11-0032-11	45.310	926,729
Library Services and Technology Act (LSTA) #LS-00-10-0032-10	45.310	<u>437,497</u>
Total Institute of Museum and Library Services		<u>1,364,226</u>
National Endowment for the Arts		
NEA Partnership Grant #11-6100-2031	45.025	637,567
NEA Partnership Grant #10-6100-2004	45.025	<u>141,200</u>
Total National Endowment for the Arts		<u>778,767</u>
Total Federal Expenditures		<u>\$ 3,113,202</u>
Notes:		
The above schedule was prepared on the modified accrual basis of accounting.		
Reconciliation to financial statements:		
Federal revenue		\$ 3,464,800
Service agreements included in federal revenue		<u>(351,598)</u>
		<u>\$ 3,113,202</u>

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

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the State of New Mexico Department of Cultural Affairs (DCA) under program of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of DCA, it is not intended to and does not present the financial position or changes in net assets of DCA.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. NON-CASH ASSISTANCE

DCA did not receive any federal non-cash assistance during the year ended June 30, 2012.

**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 and the combining and individual funds and related budgetary comparisons presented as supplementary information of the State of New Mexico Department of Cultural Affairs (DCA) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. 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 DCA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered DCA'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 DCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DCA's internal control over financial reporting.

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

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

financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined previously. However, we identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting identified as 2012-01. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *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 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 12-02.

DCA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit DCA'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 entity and, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2012

**Report of Independent Auditors on Compliance With
Requirements that Could Have a Direct and Material Effect 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 (DCA) compliance 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, 2012. DCA'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 DCA's management. Our responsibility is to express an opinion on DCA'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 DCA'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 DCA'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

In our opinion, DCA complied in all material respects, with the requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of DCA 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 DCA'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 DCA's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

The purpose of this report is solely to 1) describe the scope of our testing of internal control over compliance and the results of that testing; and 2) express an opinion on compliance based on our audit. This report is an integral part of an audit performed in accordance with OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
December 14, 2012

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2012**

04-02 Capital Assets Additions and Deletions	Resolved
08-02 Financial Close & Reporting	Resolved
08-09 Internal Controls Payroll	Resolved
09-04 SEFA Preparation	Resolved
10-04 Failed to Submit Notification of Property Disposition to State Auditor	Resolved
11-01 Construction in Process	Resolved
11-02 Accounting for Capital Projects and Fund Reconciliation For the Art in Public Places Fund (69800)	Resolved
11-03 Reporting for Historic Preservation Division	Resolved

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ie) identified? X Yes _____ None reported

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ie) identified? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X 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
45.310	LSCA Title II - Library
11.557	Broadband Technology Opportunities Program - 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, 2012**

B. FINANCIAL STATEMENT AUDIT - FINDINGS

12-01 Preparation of the Adjusted Trial Balance (Significant Deficiency)

CONDITION

DCA did not meet the New Mexico Department of Finance and Administration deadline of 5:00 p.m. on July 31, 2012 with its revenue accrual entry. As a result, a post closing adjusting journal entry in the amount of approximately \$3 million was posted to the trial balance. In addition, the agency readiness letter indicating the adjusted trial balances were ready for audit was signed October 23, 2012.

CRITERIA

The Manual of Model Accounting Practices requires that all state agencies should accrue revenues "to ensure that revenues are properly recognized" FIN 11.2 Pursuant to NMAC 2.2.2.12.A (1) agencies books and records should be ready for audit no later than 60 days before December 15th of each year.

EFFECT

DCA was not in compliance with the Department of Finance and Administration closing deadline.

CAUSE

The newly centralized financial staffing was not able to meet the deadline for the readiness letter.

RECOMMENDATION

We recommend DCA continue to work toward better coordination on closing entries to ensure they are processed by the Department of Finance and Administration.

MANAGEMENT RESPONSE

DCA accepts auditor's recommendations; further, DCA will ensure it adheres timely to the Department of Finance and Administration's closing deadlines. DCA staff did submit the closing entries to the Department of Finance and Administration on time, but due to a miscommunication, the closing entries were not posted.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

C. FEDERAL PROGRAM AUDIT FINDINGS

None

D. OTHER MATTERS

12-02 Research and Resolution of Other Liabilities (Other Matter)

CONDITION

During our testwork, we noted a balance of \$201,365 in the other liabilities account of DCA's operating fund (19300). This balance is a carryover from prior years.

CRITERIA

The Manual of Model Accounting Practices requires that all state agencies "perform monthly reconciliations". 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

Liabilities may be overstated and adjustments may be required to properly state other liabilities at year end.

CAUSE

The balance is a rollforward from the conversion of SHARE in 2006 and 2007 and DCA has not been able to determine the nature and cause of this liability.

RECOMMENDATION

We recommend DCA staff work with the Department of Finance and Administration to determine the cause and the nature of this other liability. With this information, the proper disposition can be determined and any necessary adjustments made.

MANAGEMENT RESPONSE

DCA accepts auditor's recommendation.

**STATE OF NEW MEXICO
DEPARTMENT OF CULTURAL AFFAIRS
EXIT CONFERENCE
Year Ended June 30, 2012**

An exit conference was held on December 11, 2012, with the following individuals in attendance:

Department of Cultural Affairs:

Veronica N. Gonzales, Cultural Affairs Secretary
Michael Delello, Cultural Affairs Deputy Cabinet Secretary
Therese Trujillo, CFO and Director, Administrative Services Division
Danette Trujillo, Administrative Services Division Deputy Director
David Soveranez, Administrative Services Division Fiscal Manager

Moss Adams LLP:

Larry Carmony, Partner
Angela Murdock, Senior

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