



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO  
DEPARTMENT OF  
CULTURAL AFFAIRS

FINANCIAL STATEMENTS

For The Year Ended June 30, 2013



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
TABLE OF CONTENTS  
For the Year Ended June 30, 2013**

**Introductory Section**

Official Roster	1
-----------------	---

**Financial Section**

Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-9

**Basic Financial Statements**

Statement of Net Position	10
Statement of Activities	11

**Fund Financial Statements**

Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds to the Statement of Activities—Governmental Funds	15
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General Fund	16
Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – 15% State Museum Admissions	17
Statement of Net Position - Enterprise Funds	18
Statement of Revenues, Expenses, and Changes in Net Positions - Enterprise Funds	19
Statement of Cash Flows - Enterprise Funds	20
Statement of Fiduciary Net Position – Agency Funds	21

Statement of Changes in Fiduciary Net Position - Bartlett Trust Fund	22
Notes to Financial Statements	23-46

**Supplementary Information**

Combining Balance Sheet – Nonmajor Funds	47
Combining Statement of Revenues, Expenditures in Fund Balances - Non-Major Governmental Funds	48
Statement of Revenues and Expenditures – Budget and Actual – Combined General Fund - Museum Services (P536)	49
Statement of Revenues and Expenditures – Budget and Actual – Combined General Fund – Preservation (P537)	50

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
TABLE OF CONTENTS  
For the Year Ended June 30, 2013**

Statement of Revenues and Expenditures — Budget and Actual — Combined General Fund – Library Services (P539)	51
Statement of Revenues and Expenditures — Budget and Actual — Combined General Fund - Program Support (P540)	52
Statement of Revenues and Expenditures — Budget and Actual — Combined General Fund – Arts Program (P761)	53
Statement of Revenues and Expenditures — Budget and Actual — Combined General Fund – Special Appropriation	54
<b><u>Major Governmental Funds</u></b>	
Statement of Revenues and Expenditures — Major Governmental Funds- Budget and Actual – Fund 26300 – Capital Projects, Laws of 2007, 2008, and 2009	55
Statement of Revenues and Expenditures —Major Governmental Funds- Budget and Actual – Budget and Actual – Fund 69800 – 1% Art in Public Places	56
Statement of Revenues and Expenditures — Major Governmental Funds- Budget and Actual –Budget and Actual – Fund 47800 Capital Projects, Laws of 2010	57
<b><u>Non-Major Governmental Funds</u></b>	
Statement of Revenues and Expenditures — Budget and Actual – Fund 69100 – Capital Projects, Laws of 2003	58
Statement of Revenues and Expenditures — Budget and Actual – Fund 89000 – ARRA of 2009	59
Statement of Revenues and Expenditures — Budget and Actual Fund 25600 – Museum Collections Fund	60
Statement of Revenues and Expenditures — Budget and Actual Fund 89200 – Capital Projects, Laws of 2010, 2011, and 2012	61
<b><u>Other Supplementary Information</u></b>	
Schedule of Interest in State Treasurer General Fund Investment Pool	62
Schedule of Capital Project Funds – Special Appropriations, Severance Tax and General Obligation Bonds	63
Schedule of Changes in Assets and Liabilities - Agency Funds	64
Schedule of Joint Powers Agreements, Memorandum of Understanding, and Other Governmental Agreements	65-67
Schedule of Expenditures of Federal Awards	68

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**TABLE OF CONTENTS**  
**For the Year Ended June 30, 2013**

**Compliance Information**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	71-73
Schedule of Findings and Questioned Costs	74-95
Exit Conference	96

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**OFFICIAL ROSTER**  
**For the Year Ended June 30, 2013**

<b>Administrative Officials</b>	<b>Title</b>
Veronica N. Gonzales	Cultural Affairs Cabinet Secretary
Michael Dellelo	Cultural Affairs Deputy Cabinet Secretary
Therese L. Trujillo	Director - Administrative Services Division
Julian Ortiz	Director - Information Technology (Acting)
Gary Romero	Director - National Hispanic Cultural Center (Acting)
Vacant	Director - Museum Services Division
Eric Blinman	Director - Office of Archaeological Studies
Mary Kershaw	Director - Museum of Art
Della Warrior	Director - Museum of Indian Arts and Culture
Frances Levine	Director - New Mexico History Museum
Charles Walter	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 Skeel	Director - New Mexico State Library
Jeff Pappas	Director - Historic Preservation Division
Chris Orwoll	Director - New Mexico Space History Museum
Mark Santiago	Director - New Mexico Farm & Ranch Heritage Museum



**INDEPENDENT AUDITOR’S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Department of Cultural Affairs (DCA), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the DCA’s basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the DCA’s nonmajor governmental, nonmajor enterprise, each fiduciary, and the budgetary comparisons for the major capital project funds, all nonmajor funds, and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the DCA as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, and fiduciary fund of the DCA as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable thereof and the respective budgetary comparisons for the major capital project funds, all nonmajor funds, and fiduciary funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, 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 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.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the DCA's financial statements, the combining and individual fund financial statements, the schedule of changes in assets and liabilities – agency funds, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules listed as “other supplemental information” in the table of contents, required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of federal awards and other schedules listed as “other supplemental information” in the table of contents, required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules listed as “other supplemental information” in the table of contents required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014 on our consideration of the DCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering the DCA's internal control over financial reporting and compliance.

*Hinkle & Landers, P.C.*

Hinkle + Landers  
Albuquerque, NM  
May 15, 2014

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2013**

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, 2013.

## **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.

The *Statement of Net Position* (Unrestricted Net Position) 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. The business-type activities of the DCA include the Enterprise Fund.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DCA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the DCA can be divided into two categories: governmental funds and proprietary funds.

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. DCA has four major funds: the General Fund (19300), 15% Museum Admission Funds (19400), Art in Public Places (Fund 68900) and Laws of 2007, 2008, and 2009 Capital Projects (26300).

Non-major funds (by category) or fund type are summarized into a single column.

### **Governmental Funds**

*Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the DCA's near-term financing requirements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2013**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements as identified per the table of contents of this report.

**Proprietary Fund**

*Enterprise funds* are used to report the same function presented as business-type activities in the government-wide financial statements. The DCA maintains one type of proprietary funds. The DCA enterprise fund was created by the legislature in 2013 as a nonreverting fund in the state treasury. The fund consist of appropriations to the fund, revenue generated by the department, proceeds from the disposition of department property, income from investments of the fund, gifts, grants donations and bequests. Prior to the creation of this fund, DCA revenue, primarily museum admissions receipts, was recorded and would carryover in the general operating fund (19300)

The basic proprietary fund financial statements as identified per the table of contents of this report.

**Fiduciary Funds**

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the DCA's own programs.

The basic fiduciary fund financial statements as identified per the table of contents of this report.

**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 DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2013**

**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.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

**Governmental Activities**

The below table summarizes DCA's Net Position for governmental activities for the fiscal year ended June 30, 2013. Total DCA Net Position for fiscal year 2013 was \$101,879,209. The net position reflects \$98,183,572 million in capital assets, \$1,545,330 in assets restricted for capital projects, and \$2,150,307 in unrestricted funds.

**Statement of Net Position - Governmental Activities**

	6/30/2013	6/30/2012
<b>Assets</b>	\$	
Current and other assets	9,559,603	14,933,867
Capital assets	<u>103,509,266</u>	<u>109,494,264</u>
<b>Total Assets</b>	<u><u>113,068,869</u></u>	<u><u>124,428,131</u></u>
<b>Liabilities</b>		
Current liabilities	6,318,574	12,812,712
Long-term liabilities	<u>4,871,086</u>	<u>5,076,979</u>
<b>Total Liabilities</b>	<u><u>11,189,660</u></u>	<u><u>17,889,691</u></u>
<b>Net Position</b>		
Net investment in capital assets	98,183,572	104,007,994
Restricted	1,545,330	1,289,230
Unrestricted	<u>2,150,307</u>	<u>1,241,216</u>
<b>Total Net Position</b>	<u><u>\$ 101,879,209</u></u>	<u><u>106,538,440</u></u>

**Changes in Net Position for Governmental Activities**

DCA's change in Net Position for fiscal year 2013 was a decrease of \$4,659,231. Factors influencing this change include a net decrease of \$2,319,148 in the beginning net position due to audit adjustments including reductions in assets and inventory. These decreases were offset by revenues remaining fairly stable while expenditures declined slightly overall from fiscal year 2012.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2013**

**Business-Type Activities**

The below table summarizes DCA's Net Position for business-type activities for the fiscal year ended June 30, 2013. Total DCA Net Position for fiscal year 2013 was \$5,267,262, reflecting net cash balances in the department's enterprise fund.

**Statement of Net Position - Business-Type Activities**

	6/30/2013	6/30/2012
<b>Assets</b>	\$	
Current and other assets	5,483,262	-
Capital assets	-	-
<b>Total Assets</b>	<u>5,483,262</u>	<u>-</u>
<b>Liabilities</b>		
Current liabilities	216,000	-
Long-term liabilities	-	-
<b>Total Liabilities</b>	<u>216,000</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	-	-
Restricted	-	-
Unrestricted	5,267,262	-
<b>Total Net Position</b>	<u>\$ 5,267,262</u>	<u>-</u>

**Changes in Net Position for Business-Type Activities**

DCA's change in Net Position for fiscal year 2013 was an increase of \$5,267,262. The enterprise fund did not exist in fiscal year 2012. The DCA enterprise fund was created by the legislature in 2013 as a non-reverting fund in the state treasury. In prior years these cash balances from earned agency revenues were carried in the general operating fund of the department (fund 19300).

**General Fund Budgetary Highlights**

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

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

- Supplemental and special appropriations that are reflected in the actual beginning account balances (adjusting 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2013**

During the year, particularly in program area budgets, the department transferred budget authority in the personnel services and benefits area due to lower than projected expenditures on staff into contractual services and other operating costs areas for expenditure. As a result, actual expenditures in the contractual services and other operating costs area were higher than projected in the original budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2013, DCA had invested a total of \$103,509,266 in governmental-type activities in a variety of capital assets. This amount represents a net decrease (including additions and deductions) of \$4,367,888 over fiscal year 2012 fixed assets, as adjusted. The reduction in capital assets reflects depreciation expense for older assets exceeding the addition of new capital assets or improvements to department facilities.

**Debt Administration**

At June 30, 2013, DCA had total outstanding debt of \$5,325,694. Outstanding debt is backed by the DCA's state tax revenues. The Department's total debt decreased by \$160,576 due to principal repayments. See note 17 for additional details.

**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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF NET POSITION  
As of June 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Interest in State Treasurer General Fund Investment Pool	\$ 6,038,323	4,983,262	11,021,585
Restricted cash	999,999	-	999,999
Receivables:			
Other	709,721	-	709,721
Due from federal government	789,328	-	789,328
Due from other state agencies	1,183,173	-	1,183,173
Due from local governments	31,917	-	31,917
Inventory	307,142	-	307,142
Internal balances	(500,000)	500,000	-
<b>Total Current Assets</b>	<u>9,559,603</u>	<u>5,483,262</u>	<u>15,042,865</u>
<b>Non-Current Assets</b>			
Capital assets	173,508,648	-	173,508,648
Accumulated depreciation	(69,999,382)	-	(69,999,382)
<b>Total Non-Current Assets</b>	<u>103,509,266</u>	<u>-</u>	<u>103,509,266</u>
<b>Total Assets</b>	<u>\$ 113,068,869</u>	<u>5,483,262</u>	<u>118,552,131</u>
<b>Current Liabilities</b>			
Accounts payable	\$ 3,031,265	-	3,031,265
Accrued payroll	505,771	-	505,771
Unearned revenue	200,536	-	200,536
Due to other state agencies	157,369	-	157,369
Due to State Treasurer General Fund Investment Pool	-	-	-
Due to State General Fund	48,047	-	48,047
Compensated absences payable	1,104,978	-	1,104,978
Current portion of long-term obligations	454,608	-	454,608
AFSCME Settlement	816,000	216,000	1,032,000
<b>Total Current Liabilities</b>	<u>6,318,574</u>	<u>216,000</u>	<u>6,534,574</u>
<b>Long-Term Liabilities</b>			
Non-current portion of long-term obligations	4,871,086	-	4,871,086
<b>Total Liabilities</b>	<u>11,189,660</u>	<u>216,000</u>	<u>11,405,660</u>
<b>Net Position</b>			
Net investment in capital assets	98,183,572	-	98,183,572
Restricted for:			
Capital projects	1,545,330	-	1,545,330
Unrestricted	2,150,307	5,267,262	7,417,569
<b>Total Net Position</b>	<u>101,879,209</u>	<u>5,267,262</u>	<u>107,146,471</u>
<b>Total Net Position and Liabilities</b>	<u>\$ 113,068,869</u>	<u>5,483,262</u>	<u>118,552,131</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2013**

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Primary government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government</b>							
<b>Governmental Activities</b>							
Museum Services	\$ (28,979,222)	3,228,134	1,143,259	345,242	(24,262,587)	-	(24,262,587)
Preservation and Library	(8,541,797)	1,770,852	42,614	2,316,902	(4,411,429)	-	(4,411,429)
Arts	(2,070,304)	-	12,898	681,000	(1,376,406)	-	(1,376,406)
Program Support	(3,437,978)	-	33,000	-	(3,404,978)	-	(3,404,978)
Total Governmental activities	\$ (43,029,301)	4,998,986	1,231,771	3,343,144	(33,455,400)	-	(33,455,400)
<b>Business-type Activities</b>							
Enterprise services	(1,060,338)	-	-	-	-	(1,060,338)	(1,060,338)
Total business-type activities	(1,060,338)	-	-	-	-	(1,060,338)	(1,060,338)
Total primary government	\$ (44,089,639)	4,998,986	1,231,771	3,343,144	(33,455,400)	(1,060,338)	(34,515,738)
<b>General Revenues</b>							
State General Fund appropriation					27,933,100	-	27,933,100
Reversion to State General Fund					(200,276)	-	(200,276)
Transfer - Bond Proceeds Appropriation					4,032,150	-	4,032,150
Interfund transfers in/(out)					-	6,043,600	6,043,600
Inter-agency transfers in/(out)					53,133	-	53,133
Gain/(loss) on disposal of capital assets					113,075	-	113,075
Interest and investment earnings					135	-	135
Total General Revenues					31,931,317	6,043,600	37,974,917
<b>Special Items</b>							
AFSCME settlement					(816,000)	(216,000)	(1,032,000)
<b>Changes in Net Position</b>							
Net Position, beginning					106,538,440	-	106,538,440
Restatement					(2,319,148)	500,000	(1,819,148)
Net Position, beginning-restated					104,219,292	500,000	104,719,292
Net Position, ending					\$ 101,879,209	5,267,262	107,146,471

The accompanying notes are an integral part of the financial statements.



STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2013

	19300	19400	47800	69100	69800	89200	Other	Total
	General	15% Museum Admission Funds	Capital Projects, Laws 2010	NMFA Projects Fund	Arts in Public Places Fund	Capital Projects, Laws 10,11,12	Governmental Funds	
	<u>Fund</u>	<u>Funds</u>	<u>Laws 2010</u>	<u>Fund</u>	<u>Fund</u>	<u>10,11,12</u>	<u>Funds</u>	<u>Total</u>
<b>Current Assets</b>								
Interest in State Treasurer General Fund Investment Pool	\$ 1,835,783	1,382,578	-	482,712	2,225,260	-	111,990	6,038,323
Restricted cash	-	-	-	999,999	-	-	-	999,999
Receivables, other	587,298	-	-	-	775	-	121,648	709,721
Due from federal government	715,521	-	-	-	-	-	73,807	789,328
Due from other state agencies	301,630	-	402,535	62,107	-	383,736	33,165	1,183,173
Due from local governments	31,917	-	-	-	-	-	-	31,917
Due from other funds	546,390	160	-	-	-	-	25,000	571,550
Inventory	307,142	-	-	-	-	-	-	307,142
<b>Total Current Assets</b>	<u>\$ 4,325,681</u>	<u>1,382,738</u>	<u>402,535</u>	<u>1,544,818</u>	<u>2,226,035</u>	<u>383,736</u>	<u>365,610</u>	<u>10,631,153</u>
<b>Current Liabilities</b>								
Accounts payable	2,405,097	-	294,361	-	-	231,591	100,216	3,031,265
Accrued payroll	505,771	-	-	-	-	-	-	505,771
Due to State Treasurer General Fund Investment Pool	-	-	-	-	-	-	-	-
Unearned revenue	200,338	-	-	198	-	-	-	200,536
Due to other state agencies	10,730	-	-	-	-	-	146,639	157,369
Due to other funds	525,160	281,222	108,174	-	-	151,957	5,037	1,071,550
Due to State General Fund	33,362	-	-	-	14,685	-	-	48,047
<b>Total Current Liabilities</b>	<u>3,680,458</u>	<u>281,222</u>	<u>402,535</u>	<u>198</u>	<u>14,685</u>	<u>383,548</u>	<u>251,892</u>	<u>5,014,538</u>
<b>Deferred Inflow of Resources</b>	<u>54,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,780</u>	<u>119,180</u>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<u>3,734,858</u>	<u>281,222</u>	<u>402,535</u>	<u>198</u>	<u>14,685</u>	<u>383,548</u>	<u>316,672</u>	<u>5,133,718</u>
<b>Fund Balances</b>								
Non-spendable:								
Inventories	307,142	-	-	-	-	-	-	307,142
Restricted	-	-	-	-	-	-	48,416	48,416
Committed	283,681	1,101,516	-	1,544,620	2,211,350	188	522	5,141,877
Unassigned	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>590,823</u>	<u>1,101,516</u>	<u>-</u>	<u>1,544,620</u>	<u>2,211,350</u>	<u>188</u>	<u>48,938</u>	<u>5,497,435</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 4,325,681</u>	<u>1,382,738</u>	<u>402,535</u>	<u>1,544,818</u>	<u>2,226,035</u>	<u>383,736</u>	<u>365,610</u>	<u>10,631,153</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
As of June 30, 2013**

**Total Fund Balance - Governmental Funds  
(Governmental Fund Balance Sheet)**

\$ 5,497,435

Amounts reported for governmental activities in the Statement of Net Position 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	173,508,648
Accumulated depreciation	<u>(69,999,382)</u>
<b>Total Capital Assets</b>	<b>103,509,266</b>

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term and other liabilities at year end consist of:

Long-term debt	(5,325,694)
Compensated absences payable	(1,104,978)
Deferred inflows of resources	119,180
AFSCME settlement	<u>(816,000)</u>
<b>Net position of Governmental Activities (Statement of Net Position)</b>	<b>\$ <u><u>101,879,209</u></u></b>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2013

	19300 General Fund	19400 15% Museum Admissio n Funds	47800 Capital Projects, Laws 2010	69100 NMFA Projects Fund	69800 Arts in Public Places	89200 Capital Projects, Laws 10,11,12	Other Governmental Funds	Total
<b>Revenues</b>								
Interest	\$ -	-	-	-	-	-	135	135
Fees and services	4,843,280	425,020	-	-	-	-	-	5,268,300
Other state funds	-	-	-	936,776	-	-	-	936,776
Federal grants and contracts	2,902,670	-	-	-	-	-	286,245	3,188,915
Private gifts and grants	163,766	-	-	-	-	-	-	163,766
Miscellaneous revenue	34,667	-	-	-	-	-	-	34,667
<b>Total Revenues</b>	<u>7,944,383</u>	<u>425,020</u>	<u>-</u>	<u>936,776</u>	<u>-</u>	<u>-</u>	<u>286,380</u>	<u>9,592,559</u>
<b>Expenditures</b>								
<b>Current</b>								
Personal service and employee benefits	23,593,390	-	-	-	-	-	-	23,593,390
In-state travel	117,712	-	-	-	-	-	-	117,712
Maintenance and repairs	2,257,705	-	-	-	-	145,617	14,079	2,417,401
Supplies	865,295	-	898	-	-	33,123	5,029	904,345
Contractual services	3,282,732	-	-	-	64,498	99,589	324,231	3,771,050
Operating costs	232,057	-	-	-	-	-	-	232,057
Other costs	4,548,506	-	891,620	13,716	324,450	46,169	93,452	5,917,913
Out-of-state travel	15,010	-	-	-	-	-	-	15,010
Capital outlay	558,707	-	-	-	158,349	859,196	77,671	1,653,923
Debt service principal payment	-	-	-	439,151	-	-	-	439,151
Debt service interest payment	-	-	-	225,574	-	-	-	225,574
<b>Total Expenditures</b>	<u>35,471,114</u>	<u>-</u>	<u>892,518</u>	<u>678,441</u>	<u>547,297</u>	<u>1,183,694</u>	<u>514,462</u>	<u>39,287,526</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<u>(27,526,731)</u>	<u>425,020</u>	<u>(892,518)</u>	<u>258,335</u>	<u>(547,297)</u>	<u>(1,183,694)</u>	<u>(228,082)</u>	<u>(29,694,967)</u>
<b>Other Financing Sources (Uses)</b>								
State General Fund appropriations	27,933,100	-	-	-	-	-	-	27,933,100
Transfers - Reversions to State General Fund	-	-	-	-	(200,000)	-	(276)	(200,276)
Transfer of bond proceed appropriations	-	-	892,518	-	1,834,472	1,183,882	121,278	4,032,150
Transfers from other agencies	32,383	-	-	-	20,750	-	-	53,133
Transfers to other agencies	-	-	-	-	-	-	-	-
Interfund transfers in	-	-	-	-	-	-	25,000	25,000
Interfund transfers (out)	(25,000)	-	-	-	-	-	-	(25,000)
Proceeds from sale of capital assets	39,716	-	-	-	-	-	73,359	113,075
<b>Net Other Financing Sources (Uses)</b>	<u>27,980,199</u>	<u>-</u>	<u>892,518</u>	<u>-</u>	<u>1,655,222</u>	<u>1,183,882</u>	<u>219,361</u>	<u>31,931,182</u>
<b>Net Change In Fund Balances</b>	453,468	425,020	-	258,335	1,107,925	188	(8,721)	2,236,215
<b>Fund Balances, beginning</b>	431,377	676,496	-	1,286,285	1,103,425	-	57,659	3,555,242
<b>Restatement</b>	(294,022)	-	-	-	-	-	-	(294,022)
<b>Fund Balances, beginning-restated</b>	<u>137,355</u>	<u>676,496</u>	<u>-</u>	<u>1,286,285</u>	<u>1,103,425</u>	<u>-</u>	<u>57,659</u>	<u>3,261,220</u>
<b>Fund Balances, ending</b>	<u>\$ 590,823</u>	<u>1,101,516</u>	<u>-</u>	<u>1,544,620</u>	<u>2,211,350</u>	<u>188</u>	<u>48,938</u>	<u>5,497,435</u>

The accompanying notes are an integral part of the 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  
For The Year Ended June 30, 2013**

**Net Changes in Fund Balances - Total Governmental Funds  
(Statement of Revenues, Expenditures, and Changes in Fund  
Balances)**

\$ 2,236,215

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 Position:

Debt principal payments 439,151

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).

(80,182)

**The net decrease in the liabilities for the year was:**

Gain on the disposal of assets	113,075
Capital outlay	1,653,923
Depreciation expense	<u>(6,044,407)</u>
Net impact of capital asset activity	<u>(4,277,409)</u>

Some items reported in the Statement of Activities are not sources or uses of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

AFSCME settlement expense (816,000)

Other reclassifications are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting related to revenue recognition of grants.

158,142

**Change in net position of governmental activities (Statement of  
Activities)**

\$ (2,340,083)

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amount</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund appropriations	\$ 27,313,100	27,313,100	27,933,100	620,000
Other Services	4,408,000	4,460,900	4,843,280	382,380
Federal grants	2,939,700	3,621,572	2,902,670	(718,902)
Intra-state transfers	1,601,700	1,601,700	-	(1,601,700)
Miscellaneous	4,800	4,800	34,667	29,867
Private gifts and grants	247,000	247,000	163,766	(83,234)
Other Financing Sources	-	107,678	32,383	(75,295)
Sale of Assets	-	-	39,716	39,716
Reversion	-	-	-	-
<b>Total Revenues</b>	<u>36,514,300</u>	<u>37,356,750</u>	<u>35,949,582</u>	<u>(1,407,168)</u>
<b>Expenditures</b>				
Current:				
Personnel services and benefits	\$ 27,000,600	24,426,708	23,593,393	833,315
Contractual services	3,601,100	4,056,967	3,282,732	774,235
Other operating costs	8,205,100	9,576,975	8,523,629	1,053,346
<b>Total Expenditures</b>	<u>38,806,800</u>	<u>38,060,650</u>	<u>35,399,754</u>	<u>2,660,896</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>(2,292,500)</u>	<u>(703,900)</u>	<u>549,828</u>	<u>(4,068,064)</u>
<b>Cash Balance Carryforward</b>	<u>(2,292,500)</u>	<u>(703,900)</u>		
	<u>\$ -</u>	<u>-</u>		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year 2013:			\$ 35,399,754	
Adjustments:				
Amounts expensed in FY 13 financial statements and paid out of FY14 budget			(128,892)	
Amounts expensed in FY12 financial statements and paid out of FY13 budget			32,531	
Rounding			-	
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013			<u>\$ 35,496,115</u>	

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES -  
MAJOR GOVERNMENTAL FUNDS -BUDGET AND ACTUAL  
FUND 19400 - 15% STATE MUSEUM ADMISSIONS  
For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Admissions	\$ 264,600	264,600	346,629	82,029
Building Rental or lease	72,900	72,900	78,391	5,491
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<u>337,500</u>	<u>337,500</u>	<u>425,020</u>	<u>87,520</u>
<b>Expenditures</b>				
Personnel services and benefits	337,500	337,500	-	337,500
Contractual services	-	-	-	-
Other costs	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>337,500</u>	<u>337,500</u>	<u>-</u>	<u>337,500</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>-</u>	<u>-</u>	<u>425,020</u>	<u>(249,980)</u>
<b>Cash Balance Carryforward</b>	<u>-</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year 2013:			\$ -	
Adjustments:				
Amounts expensed in FY 13 financial statements and paid out of FY14 budget			-	
Amounts expensed in FY12 financial statements and paid out of FY13 budget			-	
Rounding			<u>-</u>	
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
As of June 30, 2013**

	<u>Enterprise Activities</u>
<b>Current Assets</b>	
Interest in State Treasurer General Fund Investment Pool	\$ 4,983,262
Due from other funds	<u>500,000</u>
<b>Total Current Assets</b>	<u>5,483,262</u>
<b>Total Assets</b>	<u>\$ 5,483,262</u>
<b>Current Liabilities</b>	
AFSCME Settlement	\$ <u>216,000</u>
<b>Total Current Liabilities</b>	<u>216,000</u>
<b>Total Liabilities</b>	<u>216,000</u>
<b>Net Position</b>	
Net investment in capital assets	-
Restricted for:	
Capital projects	-
Unrestricted	<u>5,267,262</u>
<b>Total Net Position</b>	<u>5,267,262</u>
<b>Total Net Position and Liabilities</b>	<u>\$ 5,483,262</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
For The Year Ended June 30, 2013**

	<b>Enterprise Fund</b>
<b>Operating Revenues</b>	
Fees and services	\$ -
<i>Total Operating Revenues</i>	-
<b>Operating Expenses</b>	
Personal service and employee benefits	1,060,338
<b>Operating Income (Loss)</b>	(1,060,338)
<b>Non-operating revenues (expenses):</b>	
Transfer in	6,043,600
<b>Special Item:</b>	
AFSCME settlement	216,000
<i>Change in net position</i>	4,767,262
Net position, June 30, 2012, as previously stated	-
Restatement	500,000
Net position, June 30, 2012, restated	500,000
Net position, June 30, 2013	\$ 5,267,262

The accompanying notes are an integral part of the financial statements.



**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
**For The Year Ended June 30, 2013**

	<b>Enterprise Funds</b>
Cash flows from operating activities	
Receipts from customers and users	\$ -
Payments to suppliers and employees	<u>(1,060,338)</u>
Net cash provided (used) by operating activities	<u>(1,060,338)</u>
 Cash flows from noncapital financing activities:	
Transfers from other funds	<u>6,043,600</u>
Net cash provided (used) by noncapital financing activities	<u>6,043,600</u>
 Cash flows from capital and related financing activities:	
None	<u>-</u>
Net cash provided (used) by capital and related financing activities	-
 Cash flows from investing activities:	
None	<u>-</u>
Net cash provided by investing activities	-
 Net increase/(decrease) in cash and temporary investments	\$ <u>4,983,262</u>
Cash and investments, June 30, 2012	<u>-</u>
Cash and investments, June 30, 2013	<u>\$ 4,983,262</u>
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ (1,060,338)
Restatement	(500,000)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>	
Depreciation expense	
(Increase) decrease in:	
Accounts receivable	-
Due from other funds	500,000
(Decrease) increase in:	
Accounts payable	-
Due to other funds	-
Net cash provided (used) by operating activities	<u>\$ (1,060,338)</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF FIDUCIARY NET POSITION  
As of June 30, 2013**

	<b>59300</b>	<b>612200</b>	<b>20070</b>	
	<b>Historic Preservation Revolving Agency Fund</b>	<b>Bartlett Trust Fund</b>	<b>Main Street Revolving Loan Agency Fund</b>	<b>Total</b>
<b>Assets</b>				
Interest in State Treasurer General Fund Investment Pool \$	359,650	157,799	149,000	666,449
Due from other State Agencies	-	14	-	14
Loans receivable, net of allowance for uncollectibles	80,503	-	-	80,503
<b>Total Assets</b>	<b>\$ 440,153</b>	<b>157,813</b>	<b>149,000</b>	<b>746,966</b>
<b>Liabilities</b>				
Deposits held in custody for others	\$ 440,153	-	149,000	589,153
<b>Total Liabilities</b>	<b>440,153</b>	<b>-</b>	<b>149,000</b>	<b>589,153</b>
<b>Net Position</b>	<b>\$ -</b>	<b>157,813</b>	<b>-</b>	<b>157,813</b>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
BARTLETT TRUST FUND (61200)  
For The Year Ended June 30, 2013**

**Revenue**

Interest Income	\$	378
-----------------	----	-----

**Expense**

Professional services		8,446
-----------------------	--	-------

Other services		<u>4,660</u>
----------------	--	--------------

		13,106
--	--	--------

Excess (Deficiency) of revenues over expenditures over expenditures		<u>(12,728)</u>
---	--	-----------------

**Net Position:**

Balance at June 30, 2012		<u>170,541</u>
--------------------------	--	----------------

Balance at June 30, 2013	\$	<u><u>157,813</u></u>
--------------------------	----	-----------------------

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**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.

In FY2013, the DCA was comprised of the following:

**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 Resources 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.

**New Mexico 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/Palace of the Governors, 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.

**New Mexico State 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.

**Office of 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.

**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

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

government to ensure that cultural resources are considered at all steps of project planning, and provides technical assistance to the public regarding preservation.

**NM 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.

**National 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 Museum of Space History 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.

**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.

**A. 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

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

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.

- International Folk Art Foundation
- New Mexico Museum of Natural History Foundation
- Museum of New Mexico Foundation
- National Hispanic Cultural Center Foundation
- International Space Hall of Fame Foundation, Inc.
- 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.

**B. Basic Financial Statements – Government-Wide Statements**

The basic financial statements include both government-wide (based on the DCA as a whole) and fund financial statements. The new reporting model focus is on either the DCA 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.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected on a full accrual, economic resources basis measurement focus, which incorporates long-term assets and deferred outflows of resources as well as long-term obligations and deferred inflows of resources. Additionally, internal activity has been eliminated at this level of presentation.

*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.

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 on the next page, neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**C. Basic Financial Statements – Fund Financial Statements**

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

The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how DCA's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column on the governmental-wide presentation.

When an expense is incurred for purposes for which both restricted and unrestricted Net Position 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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

**Governmental Funds**

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets, deferred outflows, current liabilities, and deferred inflows 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.

General Fund - The general fund is the general operating fund of the DCA and is used to account for all financial resources except those required to be accounted for in

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

another fund. The general fund is reported by a generic fund type classification within the financial statements known as governmental funds.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds are also reported by a generic fund type classification known as governmental funds. All special revenue funds are non-reverting.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and water rights. The capital projects fund is reported by a generic fund type classification known as governmental funds.

### **Enterprise Fund**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

### **Fiduciary Funds**

The DCA's fiduciary funds (agency funds) are presented in the fund financial statements and use the *economic resources* measurement focus and the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Agency, these funds are not incorporated in the government-wide financial statements. Department funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### **Major Funds**

Funds are classified as major or non-major, with emphasis placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the General fund of the Agency, deemed as major by the Agency due to its importance, or meets the following criteria: total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

19300 - General Fund – see previous description for “General Fund”

### Special Revenue Funds

*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.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

Capital Projects Funds

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.

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

Debt Service Funds

The following debt service fund, established at the direction of the Department of Finance and Administration, existed at 2013:

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.

Enterprise Funds

53000 - *Enterprise Fund* was created as a non-reverting fund in the state treasury in House Bill 0417, 51<sup>st</sup> Legislature, Section 1. The fund consists of appropriations to the fund. Revenue generated by the DCA, proceeds from the disposition of the DCA property, income from investment of the fund, gifts, grants, donations and bequests. The fund shall be administered by the DCA, and money in the fund is subject to appropriation by the legislature to the DCA to carry out the provisions of the Cultural Affairs Department Act and other laws administered by the DCA or any of its divisions. Disbursements from the fund shall be by warrant of the secretary of finance and administration pursuant to vouchers signed by the secretary of cultural affairs or the secretary's authorized representative."

**Non-Major Funds**

Special Revenue Funds

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 2013.

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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

Capital Projects Funds

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.

The following capital projects funds had no activity during fiscal year 2013: 08200, 58700, and 64700 and thus are not presented in these financial statements.

**Fiduciary Funds**

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

59300 - Historic Preservation Revolving Fund - The revolving fund is available for loans from the Fund for low-cost restoration to register properties. This is an agency fund. This fund does not receive State General Fund appropriations and therefore is a non-reverting fund.

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

**D. 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 Position, 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.

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

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

accrual (i.e., both measurable and available). “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

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

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

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

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

**E. 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:

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

- No later than September 1, DCA submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriations Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, DCA submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.

All subsequent budgetary adjustments must be approved by the Director of the DFA-Budget Division and LFC.

- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Capital Projects funds. The Trust Funds are not budgeted, as they have no expenditure activity.

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.

**F. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance**

Cash Equivalents

For the purpose of the Statement of Net Position, "Cash and investments" includes investments in the State Treasurer General Fund Investment Pool. In accordance with Sections 6-10-10 I through O, NMSA 1978 as amended, the State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government. Please see the State Treasurer's annual audit report for the GASB 40 disclosure of the investments, which may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608.

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 THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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.

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, 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

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

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 appropriations revenue is recognized in the year appropriated as it is measurable, available and has no eligibility requirements. Severance tax and general

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

obligation bond proceed appropriations are recognized as revenue when the funds are expended as this is when the applicable eligibility requirements are met.

Net Position

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

*Net Investment in Capital Assets* - is intended to reflect the portion of Net Position 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

The DCA has the following deferred outflows of resources during fiscal year 2013 on the government wide financials:

<u>Deferred Inflows of Resources</u>	
General Fund - Receivables recorded/revenue is not available	\$ 54,400
Fund 890 - Receivables recorded/revenue is not available	<u>64,780</u>
	<u>\$ 119,180</u>

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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 3 – CASH ACCOUNTS AND INVESTMENT POLICY**

**Investments in the State Treasurer General Fund Investment Pool**

State law (Section 8-6-3 NMSA 1978) requires the DCA’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.

Investments in the State Treasurer General Fund Investment Pool (SGFIP) and bank account balances are reported at carrying amount which reasonably estimates fair value. At year end, the carrying amounts of State Treasurer accounts and bank accounts were as follows:

<u>Fund Type</u>	<u>Amount</u>
Cash and cash equivalents	
Governmental funds	\$ 7,038,322
Enterprise fund	4,983,262
Fiduciary funds	<u>666,449</u>
Total cash and cash equivalents	<u>\$ 12,688,033</u>

**Interest Rate Risk for Investments** – 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 for Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

**Custodial Credit Risk-Deposits**

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the DCA. Therefore, collateralization of the DCA’s accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the DCA is not permitted to have any investments other than what is held at the State Treasurer’s Office and the DCA did not have any other investments during the year ended June 30, 2013. There is no custodial risk at the DCA’s level since the DCA’s investments are under the contract of the Office of the State Treasurer.

For further information regarding the GFIP, please see the State Treasurer’s annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

**General Fund Investment Pool Not Reconciled**

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

The Agency was unable to provide copies of the referenced diagnostic reports to the IPA and the Department does not perform timely reconciliation amounts held at the State Treasury Office (STO) Please see finding referenced as 2013-15 in the Findings and Responses section of this report.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30 is as follows:

	Restated	Additions	Deletions	Transfers and Adjustments	
Land & improvements	\$ 6,585,216	-	-	276,101	6,861,317
Construction in Process	5,568,276	-	-	(5,568,276)	-
Total non-depreciable assets	<u>12,153,492</u>	<u>-</u>	<u>-</u>	<u>(5,292,175)</u>	<u>6,861,317</u>
Improvements	-	-	-	-	-
Building & structures	149,047,458	1,035,764	-	4,675,178	154,758,400
Furniture & fixtures	2,249,036	119,935	-	-	2,368,971
Livestock	5,000	-	-	-	5,000
Information and technology	493,841	31,552	-	127,405	652,798
Machinery & equipment	6,345,612	489,268	-	46,750	6,881,630
Vehicles	1,010,190	-	-	-	1,010,190
Service	-	-	-	-	-
Library & museum	527,500	-	-	442,842	970,342
Total depreciable assets	<u>159,678,637</u>	<u>1,676,519</u>	<u>-</u>	<u>5,292,175</u>	<u>166,647,331</u>
Total assets	<u>171,832,129</u>	<u>1,676,519</u>	<u>-</u>	<u>-</u>	<u>173,508,648</u>
Accumulated depreciation:					
Land improvements	(17,521)	(228,711)	-	-	(246,232)
Building & structures	(56,032,131)	(4,719,275)	-	-	(60,751,406)
Furniture & fixtures	(2,067,535)	(87,952)	-	-	(2,155,487)
Livestock	(5,000)	-	-	-	(5,000)
Information and technology	(399,059)	(97,960)	-	-	(497,019)
Machinery & equipment	(4,688,050)	(591,170)	-	-	(5,279,220)
Vehicles	(724,831)	(125,271)	-	-	(850,102)
Library & museum	(20,848)	(194,068)	-	-	(214,916)
Total	<u>(63,954,975)</u>	<u>(6,044,407)</u>	<u>-</u>	<u>-</u>	<u>(69,999,382)</u>
Capital assets, net	<u>\$ 107,877,154</u>	<u>(4,367,888)</u>	<u>-</u>	<u>-</u>	<u>103,509,266</u>

Depreciation expense for fiscal year 2013 is was charged to the following functions:

Governmental Activities:	
Arts	3,262
Museum services	5,609,451
Preservation & library	341,548
Program support	90,146
Total	<u>6,044,407</u>

**NOTE 5 – COMPENSATED ABSENCES PAYABLE**

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

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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.

A summary of changes in compensated absences payable for the year ended June 30 for government type activities is as follows:

	<u>2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>2013</u>	<u>Current Portion</u>
Compensated Absences    \$	<u>1,024,796</u>	<u>2,217,746</u>	<u>(2,137,565)</u>	<u>1,104,978</u>	<u>1,104,978</u>

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

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

**Plan Description**

Substantially all of the DCA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

**Funding Policy**

Plan members are required to contribute 8.92% of their gross salary. The Agency is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Agency are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the Legislature. The Agency's contributions to PERA for the years ending June 30, 2013, 2012 and 2011 were \$2,541,581, \$2,246,566 and \$2,785,807, respectively, and equal to the amount of the required contributions for each year.

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

**Plan Description**

The 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

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

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 time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

**Funding Policy**

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The DCA's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$336,662, \$305,812, and \$305,187, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**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 by insurance (through Risk Management Division). Therefore, no liability has been recorded in the financial statements (see Note 15)

**NOTE 9 – DUE FROM AND DUE TO OTHER STATE AGENCIES**

The following amounts are due to/from other agencies:

<u>Agency Nº</u>	<u>Due From Other Agency</u>	<u>Due to DCA Fund Nº</u>					<u>Total</u>
		<u>19300</u>	<u>26300</u>	<u>69100</u>	<u>89200</u>	<u>47800</u>	
20100	Dept. of Transportation \$	270,033	-	-	-	-	270,033
64105	New Mexico General Services Department	31,597	-	-	-	-	31,597
33300	New Mexico Taxation and Revenue	-	-	62,107	-	-	62,107
10590	NM Finance & Administration	-	33,165	-	383,736	402,535	819,436
	<b>Total</b>	<b>\$ 301,630</b>	<b>33,165</b>	<b>62,107</b>	<b>383,736</b>	<b>402,535</b>	<b>1,183,173</b>

<u>Fund Nº</u>	<u>Due To Other Agency</u>	<u>Agency</u>		<u>Total</u>
		<u>33300</u>	<u>60910</u>	
		<u>Department of Taxation and Revenue</u>	<u>Department of Finance and Admin</u>	
19300	Dept. of Cultural Affairs-19400	\$ 10,730	-	10,730
26300	Dept. of Cultural Affairs -19300	-	146,639	146,639
	<b>Total</b>	<b>\$ 10,730</b>	<b>146,639</b>	<b>157,369</b>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 10 – DUE FROM AND DUE TO OTHER FUNDS**

Interfund receivables /payables for fiscal year 2013 are as follows:

<b>DCA- Due To</b>	<b>DCA-Due From</b>						<b>Total</b>
	19300 Operating Fund	19400 15% Museum Admission Fund	25600 Museum Collection Fund	47800 Capital Projects, Laws of 2010	89000 ARRA of 2009	89200 Capital Projects, Laws of 10, 11, 12	
DCA Operating	\$ -	281,222	8	108,174	5,029	151,957	546,390
DCA 15% Mus Admission	160	-	-	-	-	-	160
DCA Cap. Projects, 07,08,09	25,000	-	-	-	-	-	25,000
Enterprise Fund	500,000	-	-	-	-	-	500,000
	<u>\$ 525,160</u>	<u>281,222</u>	<u>8</u>	<u>108,174</u>	<u>5,029</u>	<u>151,957</u>	<u>1,071,550</u>

**NOTE 11 – OTHER RECEIVABLES**

Other receivables not due from state or federal sources for the fiscal year 2013 were as follows:

	<b>Fund No</b>				<b>Total</b>
	<b>19300</b>	<b>19400</b>	<b>26300</b>	<b>69800</b>	
Other receivables	\$ <u>587,298</u>	<u>9</u>	<u>121,639</u>	<u>775</u>	<u>709,721</u>

The DCA considered all amounts fully collectible and no allowance for doubtful accounts was deemed necessary.

**NOTE 12 – REVOLVING LOAN FUND**

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

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

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

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.

**NOTE 13 – CAPITAL PROJECTS LIFE TO DATE ACTIVITY**

Details of capital projects financed by special appropriations are shown in a supplementary schedule. Details of capital projects financed by severance tax bonds are shown in another supplementary

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

schedule. These schedules show life to date budgetary data (appropriations and actual expenditures).

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

**NOTE 14 – AFFILIATED FOUNDATIONS**

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

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

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

DCA receives funds from federal and state agencies and re-grants certain portions of these funds to sub-grantees. These funds are subject to audit and adjustment by the granting agencies. Any disallowed amounts resulting from the audits would be required to be refunded. DCA believes that the amounts, if any, that would be refunded by it would not have a material effect on the DCA's financial position at June 30, 2013.

DCA has entered into various leases for land, office equipment and office space as of June 30, 2013. All lease agreements can be cancelled if the budgeted lease payments are not approved.

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

**NOTE 16 – OPERATING LEASES**

The reporting entity has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

<u>FY Ending June 30,</u>	<u>Amount</u>
2014	\$ 46,929
2015	36,227
2016	29,360
2017	19,800
2018	<u>566</u>
Total	<u>\$ 132,882</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 17 – LONG-TERM DEBT**

At June 30, 2013, 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.

**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.

**Energy Efficiency Assessment Revolving Fund Loan.**

Loan issued by the NMFA, original amount (\$368,780), to the Department of Cultural Affairs in order to install energy efficiency measures in certain State buildings (Museum of Natural History, Museum of Space History, and the New Mexico Museum of Fine Arts). . The loan is secured by a pledge of governmental gross receipts revenue during the annual budget process by withholding 90% of the annual estimated savings from the requesting entity's budget. The interest rate ranges from 3.43% the first year up to 5.74% in 2020, the year of maturity. Proceeds in the amount of \$5,450 will be deducted and paid directly to the NMFA as the processing fee for the costs of issuing the bonds.

<b><u>Fund No</u></b>	<b><u>Long-Term Debt</u></b>	<b><u>Amount</u></b>
69100	State Museum Tax Revenue Bonds	\$ 3,715,375
69100	Public Project Revolving Fund Loan	1,363,469
69100	Energy Efficiency Revolving Fund Loan	<u>246,850</u>
	Total Obligation	<u>\$ 5,325,694</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

DCA has the following long-term debt as of June 30, 2013:

		<u>Increase</u>	<u>Decrease</u>	<u>Adjustment</u>	<u>Current Portion</u>
Loan Payable	\$ <u>5,486,270</u>	<u>-</u>	<u>(439,151)</u>	<u>278,575</u>	<u>5,325,694</u> <u>454,608</u>

Long-term debt maturities are as follows for fiscal years ending June 30, 2013:

<u>Years</u>	<u>NMFA Loan Agreement (Public Project)</u>	<u>NMFA State Museum Tax Revenue Bonds</u>	<u>NMFA Loan Agreement (Energy Efficiency)</u>	<u>Total</u>
2014	169,791	459,070	46,166	675,027
2015	169,802	459,096	46,166	675,064
2016	169,813	459,126	46,165	675,104
2017	169,824	459,157	46,166	675,147
2018	169,837	459,191	46,166	675,194
2019-2023	<u>849,402</u>	<u>2,325,479</u>	<u>79,911</u>	<u>3,254,792</u>
Less:	1,698,469	4,621,119	310,739	6,630,327
Interest/administrative fee	<u>335,000</u>	<u>905,744</u>	<u>63,889</u>	<u>1,304,633</u>
	1,363,469	3,715,375	246,850	5,325,694
Current Portion	<u>114,230</u>	<u>308,847</u>	<u>31,531</u>	<u>454,608</u>
	<u>1,249,239</u>	<u>3,406,528</u>	<u>215,319</u>	<u>4,871,086</u>

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

**NOTE 18 – INTER-AGENCY TRANSFERS**

<u>From:</u>	<u>Other Agency</u>	<u>To:</u>	<u>DCA</u>
<u>Fund No</u>	<u>Agency Name</u>	<u>Fund No</u>	<u>Amount</u>
33300	NM Taxation and Revenue	19300	\$ 32,383
34103	NM Department of Finance	69800	<u>20,750</u>
			<u>\$ 53,133</u>

**NOTE 19 – 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, 2013, were as follows:



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

<u>Governmental Fund Description</u>	<u>Fund</u>	<u>Reversion</u>	<u>Balance Due State General Fund</u>
General Fund	19300	\$ -	33,362
Capital Projects, Laws 2007	26300	276	-
Arts in Public Places	69800	<u>200,000</u>	<u>14,685</u>
		<u>\$ 200,276</u>	<u>48,047</u>

The reversion expense in fund 69800 consisted of funds returned to the Spaceport Authority Bond Office.

**NOTE 20 – FUND BALANCE**

DCA's fund balances represent:

- *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;
- *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;
- *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;
- *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
- *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, 2013, is included in the table below.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

<u>Fund/Program</u>	<u>Laws</u>	<u>Committed</u>	<u>Restricted</u>
<b>General Fund:</b>			
DCA General Fund		\$ 283,681	-
<b>Total General Fund:</b>		<u>283,681</u>	<u>-</u>
<b>Capital Improvements Projects:</b>			
Capital Projects Funds, Laws 2007, 2008, & 2009 Fund	Laws of 2007, Chapter 2 Sect 5 & Chapter 43, Sect 9 and 41; Laws of 2008, Chapter 6 Sect 16 & Chapter 92 Sect 7 and 37; Laws of 2009, Chapter 7, Sect 3 & Chapter 125, Sect 9	(378)	-
Capital Projects Funds, Laws 2009, 2010 & 2011 Fund	Laws of 2009, Chapter 7 Sect 3; Laws of 2010, Chapter 4 Sect 5; Chapter 5 Sect 6		188
Art in Public Places Fund	Laws of 1986 Chapter 11	<u>2,211,350</u>	<u>-</u>
<b>Total Capital Projects</b>		<u>2,210,972</u>	<u>188</u>
<b>Special Revenue:</b>			
15% Museum Admissions Fund	Laws of 2005, Chapter 277	1,101,516	-
Museum Collections Fund	Laws of 2005, Chapter 121	-	109,198
Rural Libraries Development Fund	Laws of 2007, Chapter 83	900	-
ARRA	Administratively Created	-	<u>(60,782)</u>
<b>Total Special Revenue:</b>		<u>1,102,416</u>	<u>48,416</u>
<b>Debt Service:</b>			
NMFA Projects Fund	Laws of 2003, Chapter 430	<u>1,544,620</u>	<u>-</u>
<b>Total Debt Service:</b>		<u>1,544,620</u>	<u>-</u>
<b>Total Fund Balance</b>		<u>\$ 5,141,689</u>	<u>48,604</u>

**NOTE 21 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures of certain information individual funds including:

- No funds exceeded approved budgetary authority for the year ended June 30, 2013

**NOTE 22 – DEFICIT FUND BALANCES**

The following funds had deficit fund balances at June 30, 2013:

<u>Fund Type</u>	<u>Fund Name</u>	<u>Fund</u>	<u>Amount</u>
Special Revenue	ARRA	89000	\$ (60,782)
Capital Project	Laws '09,'10,'11	26300	<u>(378)</u>
			<u>\$ (61,160)</u>

Although the fund balance deficit in fund 26300 is not allowed under GASB 54, the amount is immaterial and management anticipates future resources, in excess of anticipated expenditures, to eliminate negative balances.

For the ARRA fund specifically, the deficit is related to an AJE to reclassify unavailable revenue (60 day rule) to a deferred inflow of resources.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**NOTE 23 – CONCENTRATION**

The DCA depends on financial resources flowing from, or associated with, the Federal Government. Because of this dependency, the DCA is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal laws and Federal appropriations.

**NOTE 24 – RESTATEMENT OF FUND BALANCE/NET POSITION**

Restatements were made as follows:

<u>Fund Type</u>	<u>Purpose/Reason</u>	<u>Amount</u>
<i>Governmental Funds</i>		
General fund	An adjustment was necessary to adjust beginning inventory balance based on prior year inventory count	\$ (131,321)
General fund	An adjustment to federal revenues to clear invalid federal receivables	(162,701)
Total governmental funds		<u>\$ (294,022)</u>
<i>Government-Wide Financials</i>		
	Adjustment for debt that was not recorded in 2009	\$ 90,205
	Adjustment to capital assets to correct balance	(1,615,331)
	Adjustment to establish enterprise fund by reclassifying from 'due to State General Fund' to Enterprise fund balance	(500,000)
Total government wide		<u>\$ (2,025,126)</u>
<i>Business-Type Funds</i>		
Enterprise fund	Adjustment to establish enterprise fund by reclassifying from 'due to State General Fund' to Enterprise fund balance	\$ 500,000
Total business-type		<u>\$ 500,000</u>

**NOTE 25 – SUBSEQUENT EVENT**

A lawsuit (Case#33792) was brought against the State of New Mexico by the American Federation of State, County and Municipal Employees Council (AFSCME) to obligate the state to pay wages at the negotiated level to those state employees covered by contract under the Public Employee Bargaining Act, NMSA 11978, Section 10-7E-1. On May 30, 2013, the Supreme Court of the State of New Mexico ruled in favor of the union employees. As a result, the DCA has booked a current liability in the amount of \$1,032,000 of which \$52,000 is for attorney fees. Additional amounts are expected to be paid in subsequent years but estimate amounts are not yet available.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**COMBINING BALANCE SHEET -NON-MAJOR GOVERNMENTAL FUNDS**  
**As of June 30, 2013**

	<b>26300 Capital Projects, Laws 2007</b>	<b>59100 Rural Libraries Development</b>	<b>89000 ARRA 2009</b>	<b>25600 Museum Collections Fund</b>	<b>Total Nonmajor Funds</b>
<b>Assets</b>					
Interest in State Treasurer General Fund Investment Pool	\$ 1,893	900	-	109,197	111,990
Restricted Cash	-	-	-	-	-
Receivables:					-
Other	121,639	-	-	9	121,648
Due from federal government	-	-	73,807	-	73,807
Due from other state agencies	33,165	-	-	-	33,165
Due from local governments	-	-	-	-	-
Due from other funds	25,000	-	-	-	25,000
Inventory	-	-	-	-	-
Other assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 181,697</b>	<b>900</b>	<b>73,807</b>	<b>109,206</b>	<b>365,610</b>
<b>Liabilities</b>					
Accounts payable	\$ 35,436	-	64,780	-	100,216
Accrued payroll	-	-	-	-	-
Due to State Treasurer General Fund Investment Pool	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to other state agencies	146,639	-	-	-	146,639
Due to other funds	-	-	5,029	8	5,037
Due to State General Fund	-	-	-	-	-
<b>Total Liabilities</b>	<b>182,075</b>	<b>-</b>	<b>69,809</b>	<b>8</b>	<b>251,892</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>64,780</b>	<b>-</b>	<b>64,780</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>182,075</b>	<b>-</b>	<b>134,589</b>	<b>8</b>	<b>316,672</b>
<b>Fund Balance</b>					
Nonspendable					
Inventories	-	-	-	-	-
Restricted	-	-	(60,782)	109,198	48,416
Committed	(378)	900	-	-	522
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balance</b>	<b>(378)</b>	<b>900</b>	<b>(60,782)</b>	<b>109,198</b>	<b>48,938</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 181,697</b>	<b>900</b>	<b>73,807</b>	<b>109,206</b>	<b>365,610</b>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2013**

	<b>26300</b>	<b>59100</b>	<b>89000</b>	<b>25600</b>	<b>Total</b>
	<b>Capital</b>	<b>Rural</b>	<b>ARRA</b>	<b>Museum</b>	<b>Nonmajor</b>
	<b>Projects,</b>	<b>Libraries</b>	<b>2009</b>	<b>Collections</b>	<b>Funds</b>
	<b>Laws 2007</b>	<b>Development</b>		<b>Fund</b>	
<b>Revenues</b>					
Grants from other governments	\$ -	-	-	-	-
Interest revenue	-	-	-	135	135
Other state funds	-	-	-	-	-
Federal grants	-	-	286,245	-	286,245
Private gifts and grants	-	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>286,245</u>	<u>135</u>	<u>286,380</u>
<b>Expenditures</b>					
Personnel services and employee benefits	-	-	-	-	-
Maintenance and repairs	14,079	-	-	-	14,079
Supplies	-	-	5,029	-	5,029
Contractual services	44,585	-	279,646	-	324,231
Other costs	12,090	-	81,362	-	93,452
Capital outlay	77,671	-	-	-	77,671
Debt service principal payment	-	-	-	-	-
Debt service interest payment	-	-	-	-	-
<b>Total Expenditures</b>	<u>148,425</u>	<u>-</u>	<u>366,037</u>	<u>-</u>	<u>514,462</u>
<b>Excess (Deficiency) Of Revenues</b>					
<b>Over (Under) Expenditures</b>	(148,425)	-	(79,792)	135	(228,082)
<b>Other Financing Sources</b>					
State General Fund appropriations	-	-	-	-	-
Reversions	(276)	-	-	-	(276)
Bond Proceeds	121,278	-	-	-	121,278
Interagency transfers in	-	-	-	-	-
Interagency transfers out	-	-	-	-	-
Interfund transfers in	25,000	-	-	-	25,000
Interfund transfers out	-	-	-	-	-
Proceeds from sale of assets	-	-	-	73,359	73,359
<b>Net Other Financing Sources</b>	<u>146,002</u>	<u>-</u>	<u>-</u>	<u>73,359</u>	<u>219,361</u>
<b>Net Change In Fund Balances</b>	(2,423)	-	(79,792)	73,494	(8,721)
<b>Fund Balances, June 30, 2012</b>	<u>2,045</u>	<u>900</u>	<u>19,010</u>	<u>35,704</u>	<u>57,659</u>
<b>Fund Balances, June 30, 2013</b>	<u>\$ (378)</u>	<u>900</u>	<u>(60,782)</u>	<u>109,198</u>	<u>48,938</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES -BUDGET AND ACTUAL**  
**COMBINED GENERAL FUND - MUSEUM SERVICES (P536)**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund appropriations	\$ 18,021,100	18,021,100	18,555,060	533,960
Other Services	2,698,200	2,698,200	3,969,199	1,270,999
Federal grants	89,500	138,972	53,930	(85,042)
Intra-state transfers	133,200	133,200	-	(133,200)
Miscellaneous	4,100	4,100	34,578	30,478
Private gifts and grants	212,000	212,000	124,770	(87,230)
Other Financing Sources	-	107,678	32,383	(75,295)
<b>Total Revenues</b>	<u>21,158,100</u>	<u>21,315,250</u>	<u>22,769,920</u>	<u>1,454,670</u>
<b>Expenditures</b>				
Current:				
Personnel services and benefits	15,989,700	14,687,608	14,687,601	7
Contractual services	946,200	815,467	642,032	173,435
Other operating costs	5,184,600	5,916,075	5,617,816	298,259
<b>Total Expenditures</b>	<u>22,120,500</u>	<u>21,419,150</u>	<u>20,947,449</u>	<u>471,701</u>
Excess (Deficiency) Of Revenues				
Over Expenditures	<u>(962,400)</u>	<u>(103,900)</u>	<u>1,822,471</u>	<u>1,926,371</u>
<b>Cash Balance Carryforward</b>	<u>(962,400)</u>	<u>(103,900)</u>		
	<u>\$ -</u>	<u>-</u>		

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**COMBINED GENERAL FUND - PRESERVATION (P537)**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund appropriations	\$ 523,000	523,000	523,000	-
Other Services	1,676,300	1,729,200	850,022	(879,178)
Federal grants	910,200	1,187,000	742,208	(444,792)
Intra-state transfers	1,468,500	1,468,500	-	(1,468,500)
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	15,000	15,000
Other Financing Sources	-	-	-	-
<b>Total Revenues</b>	<u>4,578,000</u>	<u>4,907,700</u>	<u>2,130,230</u>	<u>(2,777,470)</u>
<b>Expenditures</b>				
Current:				
Personnel services and benefits	3,626,900	3,643,700	2,933,647	710,053
Contractual services	365,800	491,500	209,592	281,908
Other operating costs	900,200	772,500	466,470	306,030
<b>Total Expenditures</b>	<u>4,892,900</u>	<u>4,907,700</u>	<u>3,609,709</u>	<u>1,297,991</u>
Excess (Deficiency) of revenues over (Under) expenditures	<u>(314,900)</u>	<u>-</u>	<u>(1,479,479)</u>	<u>(1,479,479)</u>
<b>Cash Balance Carryforward</b>	<u>(314,900)</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES -BUDGET AND ACTUAL**  
**COMBINED GENERAL FUND - LIBRARY SERVICES (P539)**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund appropriations	\$ 3,396,600	3,396,600	3,471,160	74,560
Other Services	900	900	1,281	381
Federal grants	1,390,700	1,537,100	1,317,231	(219,869)
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	89	89
Private gifts and grants	35,000	35,000	25,254	(9,746)
Other Financing Sources	-	-	-	-
<b>Total Revenues</b>	<u>4,823,200</u>	<u>4,969,600</u>	<u>4,815,015</u>	<u>(154,585)</u>
<b>Expenditures</b>				
Current:				
Personnel services and benefits	2,495,700	2,078,100	2,078,048	52
Contractual services	828,100	1,094,900	1,094,364	536
Other operating costs	1,560,600	1,796,600	1,745,489	51,111
<b>Total Expenditures</b>	<u>4,884,400</u>	<u>4,969,600</u>	<u>4,917,901</u>	<u>51,699</u>
Excess (Deficiency) of revenues over (Under) expenditures	<u>(61,200)</u>	<u>-</u>	<u>(102,886)</u>	<u>(102,886)</u>
<b>Cash Balance Carryforward</b>	<u>(61,200)</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		

The accompanying notes are an integral part of the financial statements.



**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES -BUDGET AND ACTUAL**  
**COMBINED GENERAL FUND - PROGRAM SUPPORT (P540)**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund appropriations	\$ 4,003,700	4,003,700	4,003,700	-
Other Services	32,600	32,600	33,000	400
Federal grants	-			-
Intra-state transfers	-			-
Miscellaneous	-			-
Private gifts and grants	-			-
Other Financing Sources				
<b>Total Revenues</b>	<u>4,036,300</u>	<u>4,036,300</u>	<u>4,036,700</u>	<u>400</u>
<b>Expenditures</b>				
Current:				
Personnel services and benefits	3,912,200	3,291,700	3,291,698	2
Contractual services	171,000	193,000	190,840	2,160
Other operating costs	222,300	551,600	450,399	101,201
<b>Total Expenditures</b>	<u>4,305,500</u>	<u>4,036,300</u>	<u>3,932,937</u>	<u>103,363</u>
Excess (Deficiency) of revenues over (Under) expenditures	<u>(269,200)</u>	<u>-</u>	<u>103,763</u>	<u>103,763</u>
<b>Cash Balance Carryforward</b>	<u>(269,200)</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES -BUDGET AND ACTUAL**  
**COMBINED GENERAL FUND - ARTS PROGRAM (P761)**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund appropriations	\$ 1,368,700	1,368,700	1,368,700	-
Other Services		-	-	-
Federal grants	549,300	758,500	681,000	(77,500)
Intra-state transfers	-	-	-	-
Miscellaneous	700	700	-	(700)
Private gifts and grants	-	-	-	-
Other Financing Sources	-	-	-	-
<b>Total Revenues</b>	<u>1,918,700</u>	<u>2,127,900</u>	<u>2,049,700</u>	<u>(78,200)</u>
<b>Expenditures</b>				
Current:				
Personnel services and benefits	854,100	603,600	602,577	1,023
Contractual services	988,000	1,160,100	1,145,903	14,197
Other operating costs	161,400	364,200	321,904	42,296
<b>Total Expenditures</b>	<u>2,003,500</u>	<u>2,127,900</u>	<u>2,070,384</u>	<u>57,516</u>
Excess (Deficiency) of revenues over (Under) expenditures	<u>(84,800)</u>	<u>-</u>	<u>(20,684)</u>	<u>(20,684)</u>
<b>Cash Balance Carryforward</b>	<u>(84,800)</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES -BUDGET AND ACTUAL**  
**COMBINED GENERAL FUND -SPECIAL APPROPRIATION**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund appropriations	\$ 5,000	5,000	-	(5,000)
Other Services	-	-	-	-
Federal grants	-	-	-	-
Intra-state transfers	-	-	-	-
Miscellaneous	-	-	-	-
Private gifts and grants	-	-	-	-
<b>Total Revenues</b>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
<b>Expenditures</b>				
Current:				
Personnel services and benefits	122,000	122,000	-	122,000
Contractual services	302,000	302,000	-	302,000
Other operating costs	176,000	176,000	-	176,000
<b>Total Expenditures</b>	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(595,000)</u>	<u>(595,000)</u>	<u>-</u>	<u>595,000</u>
<b>Cash Balance Carryforward</b>	<u>(595,000)</u>	<u>(595,000)</u>		
	<u>\$ -</u>	<u>-</u>		

The accompanying notes are an integral part of the financial statements.

**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**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Bond Proceeds	\$ -	-	121,278	(121,278)
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>121,278</u>	<u>(121,278)</u>
<b>Expenditures</b>				
Personnel services and benefits	\$ -	-	-	-
Contractual services	-	45,083	44,585	498
Other operating costs	-	56,969	33,693	23,276
Capital outlay	-	77,671	77,671	-
Other financing sources	-	-	-	-
Reversion	-	276	276	-
<b>Total Expenditures</b>	<u>-</u>	<u>179,999</u>	<u>156,225</u>	<u>23,774</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>-</u>	<u>(179,999)</u>	<u>(34,947)</u>	<u>(145,052)</u>
<b>Cash Balance Carryforward</b>	<u>-</u>	<u>-</u>		
	<u>\$ -</u>	<u>(179,999)</u>		

**Reconciliation of Budgetary Basis to Fund Financial Statement**

Total budget basis expenditures for fiscal year 2013:	\$ 156,225
Adjustments:	
Amounts expensed in FY 13 financial statements and paid out of FY14 budget	(7,800)
Amounts expensed in FY12 financial statements and paid out of FY13 budget	-
Rounding	-
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013	<u>\$ 148,425</u>

The accompanying notes are an integral part of the financial statements.

**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  
For The Year Ended June 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Bond Proceeds	\$ -	-	1,855,222	1,855,222
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>1,855,222</u>	<u>1,855,222</u>
<b>Expenditures</b>				
Personnel services and benefits	-	-	-	-
Contractual services	2,162,830	1,713,076	64,499	1,648,577
Other costs	2,913,635	2,431,574	324,449	2,107,125
Capital outlay	-	158,349	158,349	-
Reversion	-	200,000	200,000	-
<b>Total Expenditures</b>	<u>5,076,465</u>	<u>4,502,999</u>	<u>747,297</u>	<u>3,755,702</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>(5,076,465)</u>	<u>(4,502,999)</u>	<u>1,107,925</u>	<u>5,610,924</u>
<b>Cash Balance Carryforward</b>	<u>-</u>	<u>-</u>		
	<u>\$ (5,076,465)</u>	<u>(4,502,999)</u>		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year 2013:			\$ 747,297	
Adjustments:				
Amounts expensed in FY 13 financial statements and paid out of FY14 budget			-	
Amounts expensed in FY12 financial statements and paid out of FY13 budget			-	
Rounding			-	
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013			<u>\$ 747,297</u>	

The accompanying notes are an integral part of the financial statements.

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  
For The Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenues</b>				
Bond Proceeds	-	-	892,518	892,518
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>892,518</u>	<u>892,518</u>
<b>Expenditures</b>				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	3,000,000	3,000,000	902,716	2,097,284
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>3,000,000</u>	<u>3,000,000</u>	<u>902,716</u>	<u>2,097,284</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(10,198)</u>	<u>2,989,802</u>
<b>Cash Balance Carryforward</b>	<u>3,000,000</u>	<u>3,000,000</u>		
	<u>\$ -</u>	<u>-</u>		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year 2013:			\$ 902,716	
Adjustments:				
Amounts expensed in FY 13 financial statements and paid out of FY14 budget			(10,198)	
Amounts expensed in FY12 financial statements and paid out of FY13 budget			-	
Rounding			-	
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013			<u>\$ 892,518</u>	

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**NON-MAJOR GOVERNMENTAL FUNDS -BUDGET AND ACTUAL**  
**FUND 69100 - CAPITAL PROJECTS, LAWS OF 2003**  
**For The Year Ended June 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>Revenues</b>				
State General Fund appropriations	-	-	-	-
Bond Proceeds	\$ -	-	-	-
Other state funds	1,169,783	1,169,783	936,776	(233,007)
Federal grants	-	-	-	-
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<b>1,169,783</b>	<b>1,169,783</b>	<b>936,776</b>	<b>(233,007)</b>
<b>Expenditures</b>				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	1,169,783	1,169,783	678,441	491,342
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>1,169,783</b>	<b>1,169,783</b>	<b>678,441</b>	<b>491,342</b>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	(1,169,783)	(1,169,783)	258,335	258,335
<b>Cash Balance Carryforward</b>	<b>1,169,783</b>	<b>1,169,783</b>		
	\$ -	-		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year 2013:			\$ 678,441	
Adjustments:				
Amounts expensed in FY 13 financial statements and paid out of FY14 budget			-	
Amounts expensed in FY12 financial statements and paid out of FY13 budget			-	
Rounding			-	
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013			<b>\$ 678,441</b>	

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES -  
NON-MAJOR GOVERNMENTAL FUNDS -BUDGET AND ACTUAL  
FUND 89000 - ARRA of 2009  
For The Year Ended June 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>Revenues</b>				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	286,245	286,245
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>286,245</u>	<u>286,245</u>
<b>Expenditures</b>				
Personnel services and benefits	-	114,244	-	114,244
Contractual services	-	294,296	279,646	14,650
Other costs	-	1,341,460	137,807	1,203,653
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>1,750,000</u>	<u>417,453</u>	<u>1,332,547</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>-</u>	<u>(1,750,000)</u>	<u>(131,208)</u>	<u>1,618,792</u>
<b>Cash Balance Carryforward</b>	<u>-</u>	<u>-</u>		
	<u>\$ -</u>	<u>(1,750,000)</u>		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year 2013:			\$ 417,453	
Adjustments:				
Amounts expensed in FY 13 financial statements and paid out of FY14 budget			(69,832)	
Amounts expensed in FY12 financial statements and paid out of FY13 budget			18,416	
Rounding			<u>-</u>	
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013			<u>\$ 366,037</u>	

The accompanying notes are an integral part of the financial statements.



**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**NON-MAJOR GOVERNMENTAL FUNDS -BUDGET AND ACTUAL**  
**FUND 25600 - MUSEUM COLLECTIONS FUND**  
**For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>Revenues</b>				
Fund balance	\$ -	-	-	-
Bond Proceeds	-	-	-	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Interest	-	-	135	135
Other financing sources (uses)	-	-	73,359	73,359
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>73,494</u>	<u>73,494</u>
<b>Expenditures</b>				
Personnel services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>-</u>	<u>-</u>	<u>73,494</u>	<u>73,494</u>
<b>Cash Balance Carryforward</b>	<u>-</u>	<u>-</u>		
	<u>\$ -</u>	<u>-</u>		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year 2013:			\$ -	
Adjustments:				
Amounts expensed in FY 13 financial statements and paid out of FY14 budget			-	
Amounts expensed in FY12 financial statements and paid out of FY13 budget			-	
Rounding			<u>-</u>	
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements.

**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  
For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Bond Proceeds	\$ -	1,183,882	1,183,882	-
Other state funds	-	-	-	-
Federal grants	-	-	-	-
Cash balance rebudgeted	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>1,183,882</u>	<u>1,183,882</u>	<u>-</u>
<b>Expenditures</b>				
Personnel services and benefits	-	-	-	-
Contractual services	-	352,590	99,590	253,000
Other costs	-	258,063	258,063	-
Capital outlay	-	859,196	859,196	-
<b>Total Expenditures</b>	<u>-</u>	<u>1,469,849</u>	<u>1,216,849</u>	<u>253,000</u>
Excess (Deficiency) Of Revenues Over Expenditures (Prior Year Cash Balance Required To Balance Budget)	<u>-</u>	<u>(285,967)</u>	<u>(32,967)</u>	<u>253,000</u>
<b>Cash Balance Carryforward</b>	<u>615,206</u>	<u>615,206</u>		
	<u>\$ 615,206</u>	<u>329,239</u>		

**Reconciliation of Budgetary Basis to Fund Financial Statement**

Total budget basis expenditures for fiscal year 2013:	\$ 1,216,849
Adjustments:	
Amounts expensed in FY 13 financial statements and paid out of FY14 budget	(33,155)
Amounts expensed in FY12 financial statements and paid out of FY13 budget	-
Rounding	-
Total modified GAAP Basis Expenditures for the fiscal year ended June 30, 2013	<u>\$ 1,183,694</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SUPPLEMENTAL SCHEDULE OF INTEREST IN STATE TREASURER  
GENERAL FUND INVESTMENT POOL  
As of June 30, 2013

Name of the Depository	Account Name	Fund	Fund Type	Type of Account	Interest Bearing	Reconciled Balance at 06/30/13
<b>General Fund</b>						
State Treasurer	General Operating Account	19300	General	State Treasurer	No	\$ 1,835,783
<b>Special Revenue</b>						
State Treasurer	Museum Admissions Fund	19400	Special Revenue	State Treasurer	No	1,382,578
State Treasurer	Museum Collections Fund	25600	Special Revenue	State Treasurer	No	<u>109,197</u>
						1,491,775
<b>Capital Projects Fund</b>						
State Treasurer	Capital Projects, Laws 2006	64700	Capital Projects	State Treasurer	No	-
State Treasurer	Arts in Public Places Fund	69800	Capital Projects	State Treasurer	No	2,225,260
State Treasurer	Capital Projects, Laws 2006	53000	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2007	26300	Capital Projects	State Treasurer	No	1,893
State Treasurer	Capital Projects, Laws 2000	47800	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Special 2003	59100	Capital Projects	State Treasurer	No	900
State Treasurer	Capital Projects, Laws 2003	69100	Capital Projects	State Treasurer	No	1,482,711
State Treasurer	Capital Projects, Laws 2003	89900	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2004	58700	Capital Projects	State Treasurer	No	-
State Treasurer	Capital Projects, Laws 2002	08200	Capital Projects	State Treasurer	No	<u>-</u>
						<u>3,710,764</u>
<b>Total Governmental Funds</b>						\$ <u><u>7,038,322</u></u>
<b>Enterprise Fund</b>						
State Treasurer	Enterprise Fund	53000	Enterprise	State Treasurer	No	<u>4,983,262</u>
<b>Fiduciary Funds</b>						
State Treasurer	Bartlett Trust Fund	61200	Nonexpend. Trust	State Treasurer	Yes	157,799
State Treasurer	Historic Preservation Revolving Loan	59300	Agency	State Treasurer	No	359,650
State Treasurer	Main Street Revolving Loan	20070	Agency	State Treasurer	No	<u>149,000</u>
						<u>666,449</u>
<b>Total Interest in State Treasurer General Fund Investment Pool</b>						\$ <u><u>12,688,033</u></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, 2013

Capital Project Funds	Expire	Appr ID	Share Fund	Amount Approp.	Accumulated Expenditures	Current Year Expenditures	Current Year Encumbrance	Reversions	Unexpended Portion	Subtotal	Difference
<b>General Obligation Bonds</b>											
<b>Laws of 2010, Chapter 3</b>											
<b>Appropriation Period FY11-FY14</b>											
Statewide Library books, equipment & library resources acquisitions	06/30/14	A101227	47800 \$	2,000,000	73,309	650,075	1,259,679	-	16,937	2,000,000	-
Statewide Tribal Library books, equipment & library resources acquisitions		A101228	47800	1,000,000	-	242,443	746,414	-	11,143	1,000,000	-
<b>Total General Obligation Bonds</b>			\$	<b>3,000,000</b>	<b>73,309</b>	<b>892,518</b>	<b>2,006,093</b>	<b>-</b>	<b>28,080</b>	<b>3,000,000</b>	<b>-</b>
<b>Severance Tax Bonds</b>											
<b>Laws 2009, Chapter 125</b>											
<b>Appropriation Period FY10-FY13</b>											
Museum of Natural History Construction	06/30/13	A093095	26300 \$	500,000	475,040	19,960	-	-	5,000	500,000	-
State Monuments Exhibits		A093096	26300	563,000	422,248	-	-	-	140,752	563,000	-
Farm & Ranch Construction		A093097	26300	1,800,000	1,360,208	-	421,755	-	18,037	1,800,000	-
OAS Infrastructure		A093098	26300	500,000	438,278	61,722	-	-	-	500,000	-
NM History Museum FFE		A093099	26300	375,000	374,343	-	-	657	-	375,000	-
DCA/Mus-Mon Statewide renovations		A093100	26300	1,000,000	999,502	-	-	498	-	1,000,000	-
<b>Total</b>				<b>4,738,000</b>	<b>4,069,619</b>	<b>81,682</b>	<b>421,755</b>	<b>1,155</b>	<b>163,789</b>	<b>4,738,000</b>	<b>-</b>
<b>Laws of 2009, Ch. 7 Sec. 3 #10,11,12</b>											
<b>Appropriation Period FY10-FY13</b>											
NM Archaeology Center	06/30/13	A093764	26300	900,000	866,838	33,162	-	-	-	900,000	-
NM Archaeology Center Repository		A093763	26300	1,500,000	1,474,218	25,782	-	-	-	1,500,000	-
NM Farm & Ranch Courtyard Cover		A093762	89200	125,000	125,000	-	-	-	-	125,000	-
<b>Total</b>				<b>2,525,000</b>	<b>2,466,056</b>	<b>58,944</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,525,000</b>	<b>-</b>
<b>Total 26300</b>				<b>7,138,000</b>	<b>6,410,675</b>	<b>140,626</b>	<b>421,755</b>	<b>1,155</b>	<b>163,789</b>	<b>7,138,000</b>	<b>-</b>
<b>Laws of 2010, Ch. 4, Sec 5</b>											
<b>Appropriation Period FY11-FY14</b>											
DCA/Mus-Mon Statewide Renovations	06/30/14	A101280	89200	1,100,000	1,006,965	19,970	-	-	73,065	1,100,000	-
<b>Laws 2011, Ch. 5, Sec 6</b>											
<b>Appropriation Period FY12-FY16</b>											
DCA/Mus-Mon Statewide Renovations	06/30/16	A111291	89200	1,000,000	88,061	861,896	-	-	50,043	1,000,000	-
<b>Laws of 2012, Ch. 64, Sec 1</b>											
<b>Appropriation Period FY13-FY16</b>											
NHCC/Construct memorial on grounds	06/30/16	A121282	89200	250,000	-	-	-	-	250,000	250,000	-
DCA/Mus-Mon Statewide Renovations		A121283	89200	500,000	3,559	37,674	38,605	-	420,162	500,000	-
<b>Total</b>				<b>750,000</b>	<b>3,559</b>	<b>37,674</b>	<b>38,605</b>	<b>-</b>	<b>670,162</b>	<b>750,000</b>	<b>-</b>
<b>Laws of 2012, CH. 63, Sec. 30, 31, 47, 48, 61, 65, 66</b>											
<b>Appropriation Period FY12-FY14</b>											
NHCC/Torreon Project including bldg.	06/30/14	A083030	89200	163,361	-	6,389	-	-	156,972	163,361	-
NMF&R & Space/Renovations		A083031	89200	205,000	444	128,170	2,647	-	73,739	205,000	-
<b>Total</b>				<b>368,361</b>	<b>444</b>	<b>134,559</b>	<b>2,647</b>	<b>-</b>	<b>230,711</b>	<b>368,361</b>	<b>-</b>
<b>Total 89200</b>				<b>3,343,361</b>	<b>1,224,029</b>	<b>1,022,492</b>	<b>41,252</b>	<b>-</b>	<b>1,023,981</b>	<b>3,343,361</b>	<b>-</b>
<b>Total Severance Tax</b>			\$	<b>10,481,361</b>	<b>7,634,704</b>	<b>1,163,118</b>	<b>463,007</b>	<b>1,155</b>	<b>1,187,770</b>	<b>10,481,361</b>	<b>-</b>
<b>Total General Obligations Bonds</b>			\$	<b>3,000,000</b>	<b>73,309</b>	<b>892,518</b>	<b>2,006,093</b>	<b>-</b>	<b>28,080</b>	<b>3,000,000</b>	<b>-</b>

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**  
**As of June 30, 2013**

	<u>06/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/13</u>
<b><u>Agency Fund 59300</u></b>				
<b>Assets</b>				
Interest in State Treasurer General Fund Investment Pool	\$ 350,398	9,252	-	359,650
Loans receivable	<u>87,220</u>	<u>-</u>	<u>(6,717)</u>	<u>80,503</u>
<b>Total Assets</b>	<b><u>437,618</u></b>	<b><u>9,252</u></b>	<b><u>(6,717)</u></b>	<b><u>440,153</u></b>
<b>Liabilities</b>				
Deposits held in custody for others	<u>437,618</u>	<u>9,252</u>	<u>(6,717)</u>	<u>440,153</u>
<b>Total Liabilities</b>	<b><u>\$ 437,618</u></b>	<b><u>9,252</u></b>	<b><u>(6,717)</u></b>	<b><u>440,153</u></b>
<b><u>Agency Fund 20070</u></b>				
<b>Assets</b>				
Interest in State Treasurer General Fund Investment Pool	<u>149,000</u>	<u>-</u>	<u>-</u>	<u>149,000</u>
<b>Totals Assets</b>	<b><u>\$ 149,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>149,000</u></b>
<b>Liabilities:</b>				
Deposits held in custody for others	<u>149,000</u>	<u>-</u>	<u>-</u>	<u>149,000</u>
<b>Total Liabilities</b>	<b><u>\$ 149,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>149,000</u></b>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUM OF UNDERSTANDING, AND OTHER GOVERNMENTAL AGREEMENTS  
As of June 30, 2013**

<b>Contractor</b>	<b>Scope of Work</b>	<b>Responsible Party</b>	<b>Total Amount of Contract</b>	<b>Beginning Date</b>	<b>Ending Date</b>	<b>Audit Responsibility</b>	<b>Agency Reporting Revenue/Expense</b>
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	Conservation of historic and prehistoric artifacts at Monuments	DCA	50,000	7/1/2009	6/30/2013	DCA	DCA
Fort Stanton Inc.	Support organization for Fort Stanton State Monument	DCA / Fort Stanton Inc	NA				No specific revenues or expense mentioned
MOU- University of New Mexico- Bureau of Business and Economic Research	To conduct a quantitative analysis of the direct, indirect and induced economic and fiscal impacts of Arts and Cultural Industries in New Mexico.	DCA/UNM	190,000	5/10/2012	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, create and maintain online catalog of educational resources, host, design and develop website, provide web support, and provide quarterly reports for the Fast Forward New Mexico project	DCA / UNM CE	57,471	4/26/2010	11/30/2012	DCA / UNM CE	DCA
University of New Mexico - Los Alamos	To 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 LA	300,250	4/23/2010	11/30/2012	DCA / UNM LA	DCA
MOU - DCA / <b>Historic Preservation Division</b>	To provide formal assessments of sites that have been proposed for inclusion in the Galisteo Basin Archaeological Protection Act that is being implemented by BLM.	DCA	80,000	4/18/2011	After final inspection by HPD,OAS & BLM	DCA	DCA HPD
MOU - DCA / <b>Historic Preservation Division</b>	To provide web site architecture, content and maintenance for the Galisteo Basin Archaeological Sites Protection Act on behalf of BLM.	DCA	10,000	4/18/2011	After final inspection by HPD,OAS & BLM	DCA	DCA HPD
MOU - NM Spaceport Authority	To provide archaeological services including excavations, monitoring, lab analysis, report writing, production, education outreach and collections curation in FY 11,12, & 13	DCA / NM Spaceport Authority	1,200,000	10/24/2010	After final inspection by NMSA &OAS. Final payment to OAS.	DCA / NM Spacepc	DCA
JPA # 000...1612 between EMNRD and DCA/MNM/OAS	To pay DCA/MNM/OAS for all costs incurred under this agreement for archaeological services	DCA / EMNRD	1,500,000	7/1/2004	Term are contingent upon NM State Legislature and OSM appropriations	DCA / EMNRD	DCA

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUM OF UNDERSTANDING, AND OTHER GOVERNMENTAL AGREEMENTS  
As of June 30, 2013**

<b>Contractor</b>	<b>Scope of Work</b>	<b>Responsible Party</b>	<b>Total Amount of Contract</b>	<b>Beginning Date</b>	<b>Ending Date</b>	<b>Audit Responsibility</b>	<b>Agency Reporting Revenue/Expense</b>
City of Albuquerque-Explora	Shared of parking lot between properties	DCA / City of Abq	NA	12/5/2000	indefinite	DCA / City of Abq	DCA / MNMF
Museum of NM Foundation-Folk Art Market	To support Santa Fe International Folk Art Market	DCA / MNMF	NA	10/6/2010	10/31/2014	DCA / MNMF	No specific revenues or expenditures mentioned
US Department of Transportation	Preservation & curation for the NMDOT Archeological collections	DCA / US DOT	242,250	1/14/2010	9/30/2013	DCA / US DOT	DCA
Bureau of Reclamation	Annual Collections Maintenance Fees for BOR collections	DCA / BOR	133,016	4/12/2010	3/15/2015	DCA / BOR	DCA
Historic Preservation Division	MOA Annual rental fee for ARMs between Museum & HPD	DCA	10,000	6/8/2010	6/8/2015	DCA	DCA HPD
NM Department of Transportation	MOA #Mo1240 NMCRI-ARMS Data Base	DCA / NMDOT	100,000	11/19/2009	6/30/2013	DCA / NMDOT	DCA HPD
NM Department of Transportation	Joo782 Compliance	DCA / NMDOT	200,000	1/28/2010	6/30/2013	DCA / NMDOT	DCA HPD
NM Game and Fish	MOA NMCRI-ARMS Data Base	DCA / NMG&F	9,000	7/1/2010	7/1/2013	DCA / NMG&F	DCA HPD
NM State Armory Board	Lease of the Bataan Art Complex, 50% of annual revenues from two property tenants	DCA / DMA	15,840	1/1/2006	1/1/2105	DCA / DMA	DCA
Bureau of Land Management	Cooperative Agreement #L09AC15414 State of New Mexico Historic Preservation Division ARMS Cultural Resource Data Sharing	DCA / BLM	190,000	7/1/2009	9/30/2013	DCA / BLM	DCA HPD
Bureau of Land Management	Cooperative Agreement #L11AC20142 State of New Mexico Historic Preservation Division ARMS Cultural Resource Data Sharing	DCA / BLM	111,100	7/1/2009	9/30/2013	DCA / BLM	DCA HPD
Bureau of Land Management	Permian Basin Projects in New Mexico Agreement #L12AC20122	DCA / BLM	500,000	10/1/2012	9/30/2017	DCA / BLM	DCA HPD
Bureau of Land Management	New Mexico BLM-SHPO Joint Outreach, Education and Data Synthesis - New Mexico Site Watch Site Preservation Program Activities	DCA / BLM	45,000	6/15/2010	9/30/2015	DCA / BLM	DCA HPD
Bureau of Reclamation	Automation and Management of Cultural Resource Information between the Bureau of Reclamation, Upper Colorado Region and the State of New Mexico (SHPO)	DCA / BOR	50,000	9/20/2012	9/30/2017	DCA / BOR	DCA HPD
US ARMY Corps of Engineer	NMCRI-ARMS Data Base	DCA / COE	33,750	10/1/2010	12/31/2014	DCA / COE	DCA HPD
DCA Office of Archaeological Studies	Records Access Agreement NMCRI	DCA HPD / DCA OAS	3,000	9/18/2013	9/18/2016	DCA	DCA HPD

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUM OF UNDERSTANDING, AND OTHER GOVERNMENTAL AGREEMENTS  
As of June 30, 2013**

<b>Contractor</b>	<b>Scope of Work</b>	<b>Responsible Party</b>	<b>Total Amount of Contract</b>	<b>Beginning Date</b>	<b>Ending Date</b>	<b>Audit Responsibility</b>	<b>Agency Reporting Revenue/Expense</b>
New Mexico Energy, Minerals and Natural Resources Department	Governmental Services Agreement #12-521-0620-002 NMCRIS-ARMS Data Base	DCA / NMEMNRD	19,500	7/1/2011	6/30/2014	DCA / NMEMNRD	DCA HPD
US ARMY Garrison Fort Bliss, Texas	MOU #W6CLAA-10246-F61R Automation & Management of Cultural Resource Information	DCA / Ft. Bliss	25,000	8/13/2010	\$25K per year - Contingent upon appropriations from Congress	DCA / Ft. Bliss	DCA HPD
US Department of Defense Holloman Air Force Base	Agreement #FB4801-9318-063; MIPR #F2E3CE3081G001 - NMCRIS-ARMS Data Base	DCA / HAFB	10,000	8/20/1996	\$10K annually indefinite	DCA / HAFB	DCA HPD
Jicarilla Apache Nation	MOA NMCRIS-ARMS Data Base	DCA / Jicarilla Apache Nation Tribal Historic Preservation Office	13,500	8/26/2010	8/26/2013	DCA / Jicarilla Apache Nation Tribal Historic Preservation Office	DCA HPD
New Mexico Gas Company	MOA NMCRIS-ARMS Data Base	DCA / NM Gas Co	3,000	3/1/2012	3/1/2015	DCA / New Mexico Gas Company	DCA HPD
National Park Service	FFY2012 Annual Grant #35-12-41938	DCA / NPS	788,226	10/1/2011	9/30/2013	DCA / NPS	DCA HPD
National Park Service	FFY2013 Annual Grant #35-13-51938	DCA / NPS	748,502	10/1/2012	9/30/2014	DCA / NPS	DCA HPD
USDA Natural Resources Conservation Service	Agreement #AG-8C30-P-10-0013 NMCRIS-ARMS Data Base	DCA / NRCS	25,000	10/9/2013	9/30/2014	Subject to availability of funds	DCA HPD
Public Service Company of New Mexico	Records Access Agreement NMCRIS	DCA / PNM	3,000	1/1/2013	12/31/2015	DCA	DCA HPD
New Mexico State Land Office	MOU NMCRIS Data Base	DCA / NM State Land Office	20,000	10/3/2011	6/30/2015	DCA / NM State Land Office	DCA HPD
T-Mobile West Corporation	MOA Mitigation T-Mobile Site Chimayo, New Mexico (Invoice #NM1297)	DCA / T-Mobile	15,000	7/31/2009	10/22/2013	DCA / T-Mobile	DCA HPD
USDA Forest Service	Agreement #08-CS-11031600-047 NMCRIS-ARMS Data Base	DCA / Forest Service	20,000	7/9/2012	9/30/2013	DCA / Forest Service	DCA HPD
USDA Forest Service	Agreement #AG-8371-P-11-0031 Provide training and coordination of NM Site Stewards for work on National Forests in NM	DCA / Forest Service	10,000	7/25/2011	9/30/2012	DCA / Forest Service	DCA HPD
Valles Caldera Trust	Contract #12-p-VCT-008	DCA / Valles Caldera Trust	1,200	10/1/2011	9/30/2012	DCA / Valles Caldera Trust	DCA HPD
US ARMY White Sands Missile Range	MOU ARMS Data Sharing (W6REIM-10L1WJPO125) NMCRIS-ARMS Data Base	DCA / White Sands Missile Range	20,000	8/1/1991	\$20K annually indefinite	DCA / White Sands Missile Range	DCA HPD



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2013**

<b>Federal Agency/ Pass-Through Agency</b>	<b>Federal CFDA Number</b>	<b>Federal Participating Expenditures</b>
<b>U.S. Department of Commerce:</b>		
ARRA-SBA Fast Forward New Mexico #35-43-B10002	11.557	\$ 367,153
<b>U.S. Department of the Interior:</b>		
National Park Service		
Historic Preservation Fund Grant #35-11-31938	15.904	179,287
Historic Preservation Fund Grant #35-12-31938	15.904	498,822
<b>Total U.S. Department of the Interior</b>		<b>678,109</b>
<b>National Endowment for the Arts</b>		
NEA Partnership Grant #12-6100-2012	45.025	24,400
NEA Partnership Grant #11-6100-2031	45.025	663,600
NEA Partnership Grant #10-6100-2004	45.025	17,400
<b>Total National Endowment for the Arts</b>		<b>705,400</b>
<b>Institute of Museum and Library Services</b>		
Library Services and Technology Act (LSTA) #LS-00-12-0032-12	45.310	998,515
Library Services and Technology Act (LSTA) #LS-00-11-0032-11	45.310	558,918
<b>Total Institute of Museum and Library Services</b>		<b>1,557,433</b>
<b>Total Federal Expenditures</b>		<b>\$ 3,308,095</b>
<i>Reconciliation to financial statement:</i>		
<i>Federal Revenue</i>		\$ 3,188,915
<i>Reclassification of unavailable revenue to deferred inflow of resources</i>		119,180
		<b>\$ 3,308,095</b>

**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 programs of the federal government for the year ended June 30, 2013. 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 position 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 principals contained in OMB Circular A-87, Cost Principals 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, 2013.

The accompanying notes are an integral part of the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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, in accordance with the 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the Department of Cultural Affairs (DCA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the DCA's basic financial statements and the combining and individual funds and related budgetary comparison of the DCA, presented as supplemental information, and have issued our report thereon dated May 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the DCA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the DCA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2013-008, 2013-009, 2013-015, and 2013-018.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 2013-010, 2013-017, 2013-019, and 2013-020

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DCA's financial statements are free from 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 and opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-004, 2013-005, 2013-006, 2013-011, 2013-012, 2013-013, 2013-014, and 2013-016.

### **The DCA's Response to Findings**

The DCA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The DCA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.  
Albuquerque, NM  
May 15, 2014



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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

**Report on Compliance for Each Major Federal Program**

We have audited the 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 the DCA’s major federal programs for the year ended June 30, 2013. The DCA’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the DCA’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the DCA’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, the DCA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-004, 2013-005, and 2013-006. Our opinion on each major federal program is not modified with respect to these matters.

The DCA's response to the noncompliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs. The DCA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the DCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the DCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DCA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-002, 2013-003, and 2013-007 to be significant deficiencies.

The DCA's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The DCA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

May 15, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, continued**

---

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hinkle & Landers, P.C.*

Hinkle+Landers, PC  
Albuquerque, New Mexico  
May 15, 2014

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

***Financial Statements***

Type of Auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified?   X   Yes        No

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

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified?   X   Yes        No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes        No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>	<u>Funding Source</u>
45.310	LSCA Title II - Library	Institute of Museum and Library Services
11.557	Broadband Technology Opportunities Program - ARRA	U.S. Department of Commerce

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  
For The Year Ended June 30, 2013**

**SECTION II & III-FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS**

<b>Reference #</b>	<b>Finding</b>	<b>Status of Prior Year Findings</b>	<b>Type of Finding*</b>
<b>PRIOR YEAR</b>			
<b>12-01</b>	<b>Preparation of the Adjusted Trial Balance</b>	<b>Resolved</b>	<b>B</b>
<b>12-02</b>	<b>Research and Resolution of Other Liabilities</b>	<b>Resolved</b>	<b>C</b>
<b>CURRENT YEAR</b>			
2013-001	Lack of Internal Controls over the Process to Timely and Accurately Prepare the SEFA	Current	D
2013-002	Late Data Collection Form	Current	E
2013-003	Lack of Internal Controls over the Accounting for Federal Awards	Current	E
2013-004	Missing Time and Effort Reports	Current	F
2013-005	Suspension & Debarment Exception	Current	F
2013-006	Period of Availability - Expenditure outside Period of Availability	Current	F
2013-007	Lack of Internal Controls over Federal Purchase Requisitions	Current	E
2013-008	Lack of Controls over Accounts Receivable	Current	A
2013-009	Control Deficiencies over Capital Assets and Construction in Process	Current	A
2013-010	Internal Control: Failure to Reconcile/Monitor PERA and RHCA Payments	Current	B, G
2013-011	Internal Control: Controls over Travel and Per Diem Expenses	Current	C, G
2013-012	Internal Control: Controls over State Issued Gas Credit Cards	Current	C, G
2013-013	Disposal of Capital Assets	Current	C, G
2013-014	Late Audit Report	Current	C, G
2013-015	Internal Control: Lack of Cash Reconciliation Process	Current	A, G
2013-016	Internal Control: Lack of Controls over Cash Deposits	Current	C, G
2013-017	Budget Expenditures Not Tracked Against Proper Fiscal Year	Current	B, G
2013-018	Financial Close and Reporting	Current	A
2013-019	Lack of Internal Controls over Museum NM Press Inventory	Current	B
2013-020	Internal Control: Disbursements	Current	B, G

\* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**PRIOR YEAR FINDINGS**

NONE

**CURRENT YEAR FINDINGS**

**2013-001 – Lack of Internal Controls over the Process to Timely and Accurately Prepare the SEFA**

**Type of Finding: Material Weakness in Internal Control Over Compliance of Federal Awards**

*Federal program information:*

Funding Department: All

Title: All

CFDA Number: All

**Statement of Condition**

Throughout our testwork, we received multiple versions of the SEFA, some of which included erroneously reported amounts of federal expenditures for multiple programs. For example, we noted one grant that included prior year expenses of approximately \$325,000 that should not have been included within fiscal year 2013. We also identified another grant that omitted approximately \$368,000 of expenditures that should have been included in fiscal year 2013. Additionally, it did not appear as though the SEFA was thoroughly reviewed as we also identified multiple formula errors throughout the schedule.

**Criteria**

Per OMB Circular A-133, it is the auditee's responsibility to (among other duties) prepare appropriate financial statements, including the Schedule of Expenditure of Federal awards.

**Effect**

Without an established process governed by effective internal controls, the Department may not prevent or detect material misstatements on its SEFA in a timely manner.

**Cause**

The Department experienced turnover of personnel that had knowledge of the process for identifying, reporting, and reconciling Federal expenditures or awards. Because of this turnover, the preparation of the current SEFA was done by personnel that had not yet received adequate training and were not aware of the process.

**Questioned Costs**

None

**Recommendation**

We recommend that the Department implement a written established process and system of internal controls to identify and report federal awards accurately and timely. The Department should implement a process to ensure the SEFA is reconciled and reviewed by management quarterly.

**Department Response**

The Department will establish a process to identify and report federal awards accurately and timely. Additionally, the Department will meet quarterly to review the status of federal awards and

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

expenditures and ensure that staffs are trained appropriately in completing the SEFA form. The SEFA form will not be submitted to external auditors before review by the Chief Financial Officer.

**2013-002 – Late Data Collection Form**

**Type of Finding: Significant Deficiency in Compliance Related to Federal Awards**

*Federal program information:*

Funding Department: All

Title: All

CFDA Number: All

**Statement of Condition**

The Department submitted the Data Collection Form, required by OMB Circular A-133, more than 9 months after the close of the fiscal year under audit.

**Criteria**

OMB Circular A-133 §.320(a) requires that the audit be completed and the data collection form and reporting package be submitted by the earlier date of either 30 days after the receipt of the auditor's report(s), or nine months after the end of the fiscal year end date, unless a longer period is agreed to in advance by the cognizant or oversight Department for audit.

**Effect**

The Department is not in compliance with Federal award requirements and could jeopardize future federal funding.

**Cause**

The Department was unable to submit the June 30, 2013 Data Collection Form and reporting package on a timely basis as the Department's turnover contributed to difficulties in preparing required audit documents in a timely manner.

**Questioned Costs**

None

**Recommendation**

The Department should implement controls to ensure that all future audit reports are filed in a timely manner.

**Department Response**

The Department anticipates meeting this deadline for the FY14 financial statement audit.

**2013-003 – Lack of Internal Controls over the Accounting for Federal Awards**

**Type of Finding: Significant Deficiency in Internal Control Over Compliance of Federal Awards**

*Federal program information:*

Funding Department: Institute of Museum and Library Services, U.S. Department of Commerce

Title: Library Services and Technology Act (LSTA), ARRA-SBA Fast Forward New Mexico

CFDA Number(s): 45.312, 11.557

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

Award Year(s): 2011, 2012 (LSTA), 2009 (ARRA)

**Statement of Condition**

During our testwork over Federal Awards we noted one individual is responsible for both preparing draw requests related to the ARRA grant and completing the deposit slips. Additionally, we noted there is not a secondary approval related to the ARRA 1512 reports and LSTA grant accrual reports. Furthermore, the Department does not have any documentation related to the required annual interim performance reports related to the LSTA grant. Throughout our testwork documentation of review and approval for the following items selected was not evident:

- Draws:
  - ARRA- 3 of 3 draws, \$108,734
- Reports:
  - ARRA – 2 of 2 1512 reports
  - LSTA – 1 of 1 quarterly grant accrual report

Secondly, the Department was unable to separate payroll by grant for the 2011 LSTA grant and the 2012 LSTA grant as reporting categories are not utilized by the Department for payroll related disbursements related the this grant to identify which grant award the expenditures belong for a total of \$635,173. We were therefore unable to determine whether or not the period of availability was in compliance with the award period of the grant.

**Criteria**

The OMB Circular A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., the Department's management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Per OMB Circular A-133, the Department shall implement a process designed to provide reasonable assurance that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and federal reports, maintain accountability over assets and demonstrate compliance with laws, regulations and other compliance requirements.

**Effect**

The lack of segregation of duties causes an increased risk of potential fraud and/or error. In addition there is an increased risk that payroll expenditures allocated to the grant are not within the period of availability. Loss of future funding can result due to potential noncompliance.

**Cause**

The Department has not implemented controls to ensure the person preparing the document is not the person reviewing, approving, and submitting the document to the federal government. Additionally, the Department does not use reporting categories for payroll related expenditures for the LSTA grant award.

**Questioned Costs**

None

**Recommendation**

The Department should ensure all draws and reports are reviewed and approved by the appropriate personnel and all supporting documentation is included when being approved. Additionally, the Department should ensure reporting categories are being utilized in order to determine easily which grant the expenditure was allocated to and ensure it is within the award period of the grant.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Department Response**

The Department will require program staff to ensure proper documentation of management review and approval of draws and reports. The Department notes that although the same individual prepares the draw request and the deposit slips, individuals in both the library division and the Administrative Services Division (ASD) oversee the transactions, providing internal controls over federal awards' accounting.

The Department did receive an e-mail from the federal Institute of Museum and Library Services (IMLS) that quarterly grant accrual reports had been accepted in response to an inquiry by the auditor. The Department will ensure program files had adequate documentation of interim performance reports, although it is not common practice for IMLS to send a receipt to the Department when a report is submitted.

Payroll reporting categories will be implemented as required for proper reporting. Management notes that categories were not implemented for the LSTA grant because the grant is the only funding identified as fund 19302 and the LSTA grant is the only federal grant the library has. The dates and draw requests are consistent with the period of availability as it relates to payroll expenditures.

**2013-004 – Missing Time and Effort Reports**

**Type of Finding: Significant Deficiency in Compliance Related to Federal Awards**

*Federal program information:*

Funding Department: Institute of Museum and Library Services

Title: Library Services and Technology Act (LSTA)

CFDA Number: 45.312

Award Year(s): 2011, 2012

**Statement of Condition**

Although the Department completes an annual payroll certification, the Department does perform the minimum semiannual payroll certification reports to adequately substantiate time and effort spent on grant award.

**Criteria**

OMB A-87 states, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

**Effect**

Without complete and accurate payroll certification reports, the Department cannot accurately allocate payroll expenses to each federal grant, increasing the risk that costs reported by grant may be misstated.

**Cause**

Management performed an annual review instead of the required semiannual review.

**Questioned Costs**

None

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Recommendation**

We recommend that the Department begin conducting, maintaining, and approving payroll certification reports at least semiannually to comply with federal grant compliance requirements.

**Department Response**

To remedy this situation DCA will implement semiannual certification for all federal grants. Management was aware of the requirement, but because the library staff was paid with federal funds and worked exclusively on the federal projects, the supervisor can certify the work of all employees. This report was done annually and not semiannually. To correct this finding library staff will certify employees' semiannually and ensure the correct allocation of payroll expenditures.

The LSTA employees work exclusively on the LSTA federal grant initiatives, mostly at rural locations via book mobile. The book mobile program is isolated physically and programmatically from other library programs and it is funded entirely by federal funds. In addition, the employees report to a supervisor who is entirely LSTA funded and who works solely on federally funded projects.

**2013-005 – Suspension & Debarment Exception**

**Type of Finding: Significant Deficiency in Compliance Related to Federal Awards**

*Federal program information:*

Funding Department: Institute of Museum and Library Services, U.S. Department of Commerce

Title: Library Services and Technology Act (LSTA), ARRA-SBA Fast Forward New Mexico

CFDA Number(s): 45.312, 11.557

Award Year(s): 2011, 2012 (LSTA), 2009 (ARRA)

**Statement of Condition**

During our testing of suspension and debarment, we noted that the Department is not performing procedures to verify federal funds were not being awarded to suspended or debarred parties.

**Criteria**

OMB Cost Circular A-102 states: "Debarment and Suspension. Federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Non-procurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/ or dissemination of the list to assure that their grantees and sub-grantees (including contractors) at any tier do not make awards in violation of the non-procurement debarment and suspension common rule."

**Effect**

The Department could unknowingly award federal assistance to applicants that are ineligible for participation in their programs, causing noncompliance with the grants and potential questioned costs.

**Cause**

The required verification/review was not performed.

**Questioned Costs**

None

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Recommendation**

We recommend that the Department train staff and review each federal grant and federal guidance such as the OMB Circulars and the OMB Compliance Supplements for all the specific federal requirements and implement policies and procedures to safeguard the Department against noncompliance.

**Department Response**

ASD staff searched the federal disbarment list and verified that none of the vendors that DCA used in FY13 are suspended or disbarred. This was completed via the federal sam.gov website. Management was aware of the requirement, but incorrectly understood that State Purchasing and/or Department of Finance verified vendors' eligibility. Relevant DCA staff will be informed that before entering contracts for federal funds in the future, they must verify that the contractor and/or subcontractor are not on the federal exception list. This process is being finalized and will become a part of the DCA protocol.

**2013-006 – Period of Availability - Expenditures outside Period of Availability**

**Type of Finding: Immaterial Instance of Noncompliance Related to Federal Awards**

*Federal program information:*

Funding Department: Institute of Museum and Library Services

Title: Library Services and Technology Act (LSTA)

CFDA Number: 45.312

Award Year(s): 2011, 2012

**Statement of Condition**

We noted in our period of availability testwork over general disbursements that four disbursements with services rendered after September 30, 2012 were incorrectly charged to the LSTA 2011 grant that expired on September 30, 2012 for a total of \$10,813.

**Criteria**

Section 205 of OMB A-133 states: "the determination of when an award is expended should be based on when the activity related to the award occurs." Since the budget period stated on the notice of award is 10/1/2010 through 9/30/2012, there should be no expenditures with services rendered after 9/30/12 charged to the grant.

**Effect**

Incorrect allocation of expenses to federal awards results in an incorrect reporting of expenditures resulting in an incorrect amount drawn against the award. Additionally the Department could be required to re-pay the funds to the Institute of Museum and Library Services.

**Cause**

The Department did not have proper controls in place to ensure expenditures allocated to the grant were within the grant period.

**Questioned Costs**

\$10,813

**Recommendation**

We recommend the Department establish policies and procedures to ensure expenditures are not charged to the award after to the budget period.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Department Response**

The Department has sent out guidance reminding division directors and financial staff that expenditures need to be paid within the proper funding period. As part of audit follow-up the Administrative Services Division will meet with Department finance staff to reinforce proper billing practices for state, non-state, and federal funds.

**2013-007 – Lack of Internal Controls over Federal Purchase Requisitions**

**Type of Finding: Significant Deficiency in Internal Control Over Compliance of Federal Awards**

*Federal program information:*

Funding Department: Institute of Museum and Library Services, U.S. Department of Commerce

Title: Library Services and Technology Act (LSTA), ARRA-SBA Fast Forward New Mexico

CFDA Number(s): 45.312, 11.557

Award Year(s): 2011, 2012 (LSTA), 2009 (ARRA)

**Statement of Condition**

During our test work over controls over federal disbursements, we noted the Department did not maintain purchase requisitions related to FY13 for 17 of 25 disbursements tested in order to ensure each disbursement was reviewed by the division for allowability prior to payment. As such, we were unable to determine whether the Department was reviewing each of the 17 federal disbursements for allowability.

**Criteria**

OMB Circular A-133 §.300(b) requires the auditee maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

It is the Department's policy that when a purchase requisition is created all federal disbursements must be reviewed by the division director or appropriate personal within the division for allowability and approval.

**Effect**

Without complete and accurate documentation related to federal disbursements, the Department cannot ensure controls over disbursements are being followed to ensure allowability for each respective program. Failure to adhere to and maintain supporting documentation for controls in place can increase the opportunity for error and misappropriation, and potential jeopardize future federal funding.

**Cause**

The Department's accounts payable department discards all purchase requisitions at the end of each fiscal year to make room for the next fiscal year. Since the purchase requisitions are internal forms by the Department, the Department was unaware of the dual purpose each purchase requisition served when they were disposed of.

**Questioned Costs**

None

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Recommendation**

The Department should ensure all federal disbursements are complete and include a purchase requisition in addition to all other required documentation. The purchase requisitions should be kept with each disbursement package and retained with the original documentation.

**Department Response**

The Department has directed Administrative Services Division staff to retain purchase requisitions to provide proof that the division signed off on their proposed disbursement before it was forwarded to the Administrative Services Division for processing.

**2013-008 – Lack of Controls over Accounts Receivables**

**Type of Finding: Material Weakness in Internal Control Over Financial Reporting**

**Statement of Condition**

The reconciliation process related to accounts receivables is not well established and documented, including the identification of receivables at year end, roles and responsibilities, methodology, format, and frequency of required analyses. There is also a lack of a process to periodically reconcile balances to supporting detail and SHARE. Accounts receivable balances were being reconciled throughout the duration of the audit as we noted material variances between SHARE and supporting schedules. During the current year there were multiple material journal entries affecting approximately eight accounts receivable accounts which were provided by DCA after the final trial balance was provided as follows for all funds:

- Total Overstatement: \$992,126
- Total Understatement: \$543,925

**Criteria**

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

**Effect**

The lack of reconciliation and review has caused deficiencies in internal controls at the Department. There is an increased risk of errors, inaccurate or incomplete financial reporting, and unmet deadlines.

**Cause**

Due to significant turnover, the Department has not yet fully implemented strong, well-established systems of controls and review over accounts receivable.

**Recommendation**

The Department should establish and document a formal reconciliation and reporting process over accounts receivables that can be followed, especially when there is transition due to turnover. The Department should also ensure roles and responsibilities are identified and monitoring of internal/external reporting requirements and deadlines are implemented.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Department Response**

The Department will reconcile accounts receivable on a regular basis as required by the Manual of Model Accounting Practices. An experienced manager with direct receivables experience with the Department has recently been hired in the Administrative Services Division and will have responsibility for this function. In addition, regular management reviews of reconciliation work will be implemented.

**2013-009 – Control Deficiencies over Capital Assets and Construction in Process (CIP)**

**Type of Finding: Material Weakness in Internal Control Over Financial Reporting**

**Statement of Condition**

During our capital asset testwork a number of material corrections needed to be made to the capital asset rollforward balances provided by the Department. During our testwork of current year additions we noted one asset duplicated of \$52,604 and 5 out of 20 items tested that were being improperly capitalized as the assets did not meet the \$5,000 capitalization threshold for a total of \$38,148. Additionally, we noted the Department failed to capitalize 5 of 20 items tested that were expensed to repairs and maintenance which individually exceeded the \$5,000 capitalization threshold for a total of \$91,707.

In relation to CIP, we noted one asset duplicated in the amount of \$1,302,887. The Department was also unable to provide supporting documentation related to a leased truck that was included in CIP and being capitalized in the current year of \$12,807. The Department also included an entire invoice of \$82,480 for kitchen supplies within CIP to be capitalized in the current year. Per review of the invoice \$54,018 should not have been capitalized as these items consisted of plates and various kitchen supplies that did not exceed the \$5,000 capitalization threshold individually. Furthermore, the Department failed to provide all supporting documentation for one asset totaling \$135,408 in CIP being capitalized in the current year for an unsupported balance of \$7,776.

During our testwork over items capitalized in prior years, we noted 2 out of 19 assets totaling \$21,653 that were improperly capitalized in previous years as the items again did not meet the \$5,000 threshold. We also noted an artwork collection of \$3,000,000 that had been capitalized by the Department in 2007 and fully depreciated. Per discussion with the Department, it is the Department's policy that artwork collections are not capitalized.

In reviewing the capital asset detail listing we noted multiple items indicated as "sold" within the listing. Upon discussion with the Department, an item indicated as "sold" was considered a deletion even if the asset was still in services. We noted the Department deleted assets that were fully depreciated even if they were still in service.

It is the Departments practice to capitalize assets when the appropriation used for the asset expires and not when the individual identifiable asset is placed in service. We noted multiple items in CIP being capitalized in the current year that were completed in FY10, FY11, and FY12. We also noted assets within the detailed listing that were not completed until FY13, however the appropriations utilized for the project expired in FY10, FY11, and FY12 therefore the Department capitalized portions of the project when the appropriation expired rather than when the project was completed.

Lastly, the Department does not conduct a formal set physical inventory for the fiscal year. Each division conducts their own annual inventory during the year. For example, one division completed their physical inventory in February while another division completed their physical inventory in

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

August. We were therefore unable to determine how the Department reconciled the physical inventory counts to the general ledger as the counts are done sporadically throughout the year.

**Criteria**

The Audit Act (Section 12-6-10 NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$5,000. All agencies are required to update their capitalization policy and implement it in accordance with the law.

Per section 6-5-8 NMSA 1978, all purchase vouchers for goods and services, other than personnel, shall be accompanied by supporting invoices and documentation required by the division.

The Department's internal policies and procedures require that collections are inventoried and tracked to the assigned registrar as the Department is unable to give a value to these items.

Per GASB Comprehensive Implementation Guide-2009, Question 7.13.5, writing off the asset while it is still in use underreports the historical cost of the government's capital assets.

Per the New Mexico Model of Accounting Practices FIN 6.4(D)(10), State agencies that construct capital assets should make a determination of the cost of construction work in progress at year-end. The amount determined should be recorded as "Construction in Progress" in the state agencies' year-end Financial Statements, in either a proprietary or permanent or a fiduciary funds or in the GWFS, whichever is appropriate. When construction is completed, the amount recorded in "Construction in Progress" should be reduced and the appropriate capital asset classification increased.

Per section 12-6-10, NMSA 1978 State agencies shall perform a physical inventory of capital assets at the end of each fiscal year and must reconcile the physical inventory results with the physical inventory list. Any adjustments that result from the physical inventory should be recorded in the state agency accounting records. These adjustments should be made immediately after the count is taken.

**Effect**

There is an increased risk that the loss or theft of capital assets would be undetected. There is also a risk that capital assets and expenditures could be materially misstated on the financial statements.

**Cause**

Due to significant turnover, the Department has had difficulty during the audit year regarding controls and review over capital assets.

**Recommendation**

The Department should ensure that existing policies and procedures surrounding tracking and managing of capital assets be implemented and followed. Expenditures related to CIP should be tracked and reviewed timely and ensure assets are when appropriate. The Department should ensure assets are tracked by individual asset and not by appropriation. A formal annual physical inventory should be conducted at the end of each fiscal year. Furthermore, expenditures surrounding capital assets should be thoroughly reviewed in a timely manner for all transactions including acquisitions, depreciation, disposition and any items that need to be capitalized.

**Department Response**

The Department is reviewing its policies and procedures in the fixed/capital asset area and will make adjustments in order to properly track and record assets. Staffing requirements are also being reviewed for this function, and an external consultant is being utilized to provide assistance with program changes and the upcoming inventory process.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**2013-010 – Internal Control: Failure to Reconcile/Monitor PERA and RHCA Payments**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting and Compliance with State Audit Rule**

**Statement of Condition**

The Department is not reconciling payroll to what is being remitted to Public Employees Retirement Act (PERA) and Retiree Health Care Authority Act (RHCA). The Department is not ensuring 100% of payroll is being reported to both PERA and RHCA. Furthermore, the Department is not ensuring the amount being withdrawn from PERA and RHCA is correct.

**Criteria**

Per the New Mexico Manual of Model Accounting Practices FIN 5.2, to ensure legal compliance, which requires that resources be expended for only authorized purposes, state agencies must implement adequate internal controls and procedures for cash disbursements.

**Effect**

Failure to ensure the proper amount is remitted to PERA and RHCA could lead to potential overpayment or underpayment which in turn could lead to late penalty fees and improper allocations to participants.

**Cause**

The Department was unaware of this control procedure.

**Recommendation**

The Department should ensure PERA and RHCA payments are reconciled each pay period to ensure the payment remitted is correct and the payroll reported to PERA and RHCA is accurate.

**Department Response**

In consultation with the payroll staff at the Department of Finance and Administration, Administrative Services Staff will reconcile payments from the department to PERA and RHCA on a regular basis.

**2013-011 – Internal Control: Controls over Travel and Per Diem Expenses**

**Type of Finding: Compliance with State Audit Rule (Other Matter)**

**Statement of Condition**

During our test work over travel and per diem expenditures, we noted the Department did not maintain in writing the approval of reimbursements over \$1,500 singly or in the aggregate, in any one year for five out of seven items tested for a total of \$23,207. Additionally we noted one out of fifteen items tested was a mileage reimbursement for travel within 3 miles of the employee's post of duty for a total of \$22. Furthermore, we noted four out of fifteen items tested did not contain an authorized signature by a supervisor for a total of \$532.

During our testwork over controls over disbursements we noted an additional two disbursements related to travel and per diem that did not contain an authorized signature by a supervisor for a total of \$393; #65734 in the amount of \$205.83 and #71530 in the amount of \$187.00.

**Criteria**

Per section 10-8-5(1) NMSA 1978 a state employee may not be reimbursed more than \$1,500, singly or in the aggregate, in any one year "until the person furnishes in writing to his department head or,

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel."

Per 2.42.2.7 (L), "Travel" means: for per diem purposes, being on official business away from home and at least 35 miles from the designated post of duty of the public officer or employee.

The Department's internal policies and procedures require a supervisory approval of all travel and per diem vouchers prior to submission to the Department of Finance and Administration (DFA).

**Effect**

The Department is not in compliance with state statute.

**Cause**

The review and approval process for per diem and travel expenditures did not appear to be consistent, the Department was not ensuring all supporting documentation was obtained, approved and in compliance with state statute prior to submission to DFA.

**Recommendation**

For such a high error rate the Department should ensure written approval by the department head or, in the case of a department head, the governor prior to authorizing reimbursement of \$1,500 or more singly or in the aggregate, in any one year. The Department should also enhance its Per Diem expenditure review and approval process to ensure compliance with Department policies and procedures and the Per Diem and Mileage Act.

**Department Response**

All DCA staff has been reminded, via email of the state travel and per diem reporting requirements. The Department changed procedures to help to ensure all supporting documentation will be obtained, approved and in compliance with state statute prior to submission to DFA for final processing.

**2013-012 – Internal Control: Controls over State Issued Gas Credit Cards**

**Type of Finding: Compliance with State Audit Rule (Other Matter)**

**Statement of Condition**

During our review of ten Wright Express fuel card (WEX) invoices with total expenditures of \$21,055, the transactions were examined for compliance with applicable statutes and Department policy. As a result of this review, we noted the following:

- Three out of ten invoices reviewed where super-unleaded gasoline was purchased for a total of \$347.
- One out of ten invoices reviewed where super-unleaded gasoline was purchased for a vehicle requiring diesel fuel for a total of \$50.
- Three out of ten invoices reviewed where fuel cards assigned to a specific vehicle were being used to purchase fuel for equipment such as tractors and ATVs for a total of \$239.
- Mileage amounts were frequently reported incorrectly in the WEX system.

**Criteria**

Per 1.5.4.12., State of New Mexico credit cards shall be used only for official business and only to furnish state-owned vehicles with: A. regular gasoline; B. unleaded gasoline; C. diesel fuel; D. lubrication motor oil; F. car wash; and G. emergency purchases not exceeding \$100.00 in total. Per

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

NMAC 1.5.3.19, the state agency shall seek reimbursement from employees who make unauthorized purchases on the state fuel credit card.

Additionally, per 1.5.3.19 B. NMAC, the state agency shall assign a single fuel credit card to each vehicle using the state issued license plate number or a unique fixed asset number that is tied back to the vehicle that the card is assigned to. Furthermore, the Departments internal policy requires a purchase order be completed for all equipment fuel purchases.

**Effect**

Inadequate internal oversight can heighten the potential for fraud or misappropriation of public funds

**Cause**

The Department does not appear to have controls in place to identify or dissuade un-allowed fuel purchases.

**Recommendation**

The Department may consider seeking restitution for unauthorized purchases made using the Wright Express Fuel Cards, in accordance with statutory requirements. The Department should implement regular monitoring of purchases made with the fuel cards and require supporting documentation for purchases made should be remitted to the liaison at the time the vehicle is returned. The Department should document inquiries and explanations for transactions which appear to be in violation of policy. Reimbursement for all unauthorized purchases should be documented with the Vehicle Coordinator.

**Department Response**

Upon notification of these findings during the fall of 2013, the department immediately sent out guidance reminding staff of the rules for gas card use as well as reporting requirements. In addition, the Administrative Services Division researched each of the questioned invoices and concluded that although mistakes were made, particularly with the use of gas cards to purchase fuel for equipment, purchases were made during the course of state business and there was no evidence of impropriety.

**2013-013 – Disposal of Capital Assets**

**Type of Finding: Compliance with State Audit Rule (Other Matter)**

**Statement of Condition**

During our testwork over disposals, the Department was unable to provide any supporting documentation to support that computer hard drivers were properly sanitized prior to disposal.

**Criteria**

Pursuant to NMAC 2.2.2.10 V (2), all agencies are required to submit written certification to the State Auditor that all hard drives of disposed computers have been properly sanitized.

**Effect**

The Department disposed of assets without complying with New Mexico State statute.

**Cause**

Due to significant turnover, the Department failed to include certification of sanitization to the State Auditor prior to disposition of the computers.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Recommendation**

The Department should ensure procedures are put in place, implemented and followed to ensure that all computer hard drives are properly sanitized and that the required certification has been submitted to the State Auditor's Office prior to disposal.

**Department Response**

The Department will ensure that in addition to sanitization of computer hard drives, written certification will be properly documented in Department files and submitted to the State Auditor.

**2013-014 – Late Audit Report**

**Type of Finding: State Compliance**

**Statement of Condition**

The audit report for the Department's fiscal year ended June 30, 2013 was not submitted by the December 16, 2013 due date. The audit report was submitted June 24, 2014.

**Criteria**

OSA Rule 2.2.2.10.I.(4) establishes a due date of December 15, 2013 (December 15, 2013 falls on a Sunday and therefore, the report is due December 16, 2013) for submission of this audit report to the Office of the State Auditor.

**Effect**

The report was not submitted as required. Without the audit report being delivered on time, fund and regulatory agencies as well as legislative committees do not have the financial data available to make funding decisions.

**Cause**

The reason for the late report was related to the Department having significant changes in staff during the audit. The loss of staff resulted in a delay in the completion of the audit.

**Recommendation**

We recommend the Department determine its staffing needs to ensure on-time completion of the annual audit.

**Department Response**

The Department has hired a new Chief Financial Officer and is in the process of filling a number of vacancies. The Department expects the FY14 financial statement audit to be submitted on time.

**2013-015 – Internal Control: Lack of Cash Reconciliation Process**

**Type of Finding: Material Weakness in Internal Control over Financial Reporting and State Compliance**

**Statement of Condition**

The Department does not perform timely reconciliations for amounts held at the State Treasury Office (STO). Auditors were unable to obtain documentation supporting the implementation and effectiveness of the reconciliation process for these amounts.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Criteria**

The NMSA 2.20.5.8 Accounting by Governmental entities, Responsibility for accounting function requires that cash account records are reconciled timely each month to the division's reports and to the state treasurer's reports. Effective internal controls and procedures require timely and accurate reconciliation to ensure cash transactions completely and accurately recorded in general ledger.

**Effect**

The Department was not in compliance with the NM State statute. There is an increased risk that errors or fraud can go undetected.

**Cause**

Management stated that The State Treasury Office and NM Department of Finance and Administration carries out the cash reconciliation function for amounts held at the State Treasury Office and that state agencies are not required to perform cash reconciliation. Management confirmed that Department does not perform cash reconciliation procedure.

**Recommendation**

We recommend the Department implement policies and procedures regarding cash reconciliation. Reconciliations quickly identify errors and needed corrections. If reconciliations are not performed infrequently, errors and adjustments can go undetected, resulting in the need for significant corrections when the reconciliations are performed. Any reconciling differences should be corrected before the books are closed for the month end. We also recommend that the Department work with DFA and STO to ensure that implemented internal controls are working properly and are effective.

**Department Response**

Management will work with staff, DFA and STO to implement guidelines for the cash reconciliations on a monthly basis.

**2013-016 – Internal Control: Lack of Controls over Cash Deposits**

**Type of Finding: Compliance with State Audit Rule (Other Matter)**

**Statement of Condition**

During our test of cash receipts, the following was noted:

1. The Department's cash receipts were not deposited into banking institution by the close of the next business day as follows.

Out of twenty-five randomly selected samples selected, three deposits out of the twenty-five were deposited untimely as follows:

- Cash receipts received on 08/13/12 in the amount \$23,997.02 were deposited on 08/15/12, cash receipts received in on 10/15/12 in the amount \$87.50 was deposited on 10/17/12 and cash receipts received on 04/10/13 in the amount of \$2,000 was deposited on 04/17/13.

During an additional random test of twenty-five samples the following were noted:

- Cash receipts received on 11/08/12 in the amount \$16,929.48 was deposited on 11/13/12, cash receipts received in the amount \$75,467.44 was received on 01/09/12 and deposited

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

on 0/14/13 and cash receipts in the amount of \$124,348.98 was received on 6/18/13 and deposited on 06/28/13.

2. During our review of the receipt process and the controls surrounding this process, it was noted that two out of thirteen reports selected were not signed by the Division's program manager, who completed the deposit. The two cash deposits reports were processed on 11/04/13 and the cash receipts were from the Palace of the Governors.

**Criteria**

1. Per Section 6-10-3, NMSA 1978, all public money in the custody or under the control of any Department obtained or received by any official or Department from any source state agencies must deposit it before the close of the next succeeding business day after the receipt of the money and to deliver or remit it to the state treasurer.
2. Internal controls have to be implemented and be adequate to mitigate the risks associated with the collection and deposit of cash.

**Effect**

1. Untimely deposits may cause the Department to be at risk of misappropriations of funds.
2. The lack of adequate internal controls over current cash deposit processes increases the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner.

**Cause**

1. The new processes and procedures make it difficult to comply with laws related to depositing public funds.
2. The reports are not being signed off on by the appropriate official.

**Recommendation**

We recommended that the Department implement controls and developed accounting policies requiring adequate controls to ensure monies are deposited by the close of the next business day and that deposit reports are properly signed off on.

**Department Response**

Administrative Services staff will implement guidelines to ensure timely deposits. ASD will also ensure that documentation is intact.

**2013-017 – Budget Expenditures Not Tracked Against Proper Fiscal Year**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting and State Compliance**

**Statement of Condition**

We identified expenditures from the fiscal year 2012 that were not presented correctly in the 2012 audit report. Certain expenditures in fiscal year 2012 were paid out of the fiscal year 2013 budget as required by DFA, but these expenditures, which were paid out of the fiscal year 2013 budget, were not identified in the 2012 audited financial statements.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

The amounts that should have been identified in the 2012 audited financials budget and actual financial statements are as follows:

	<b>Amount</b>	<b>Description</b>	<b>Fund</b>	<b>Department</b>
\$	52,963	General Fund	19300	P539
	114,103	General Fund	19300	P539
	11,527	General Fund	19300	P540
	125	General Fund	19300	P761
	27,559	General Fund	19300	P537
	206,276	Total General Fund		
	7,800	Capital Projects Fund	26300	N/A
	33,155	ARRA Fund	89200	N/A
\$	<u>247,232</u>			

The amounts shown above are considered material for the ARRA fund and immaterial for the general fund and the capital project fund.

**Criteria**

Per Section 6-10-4 NMSA 1978, the “actual” expenditures in the budgetary comparison exclude any accounts payable that were not paid timely and therefore required a request to DFA to pay prior year bills out of current year budget. They will be paid out of the budget of the following fiscal year. An agency’s reversions should be calculated using the budgetary basis expenditures because the agency does not have the legal right to keep the cash related to accounts payable that were not paid timely. This will result in a negative fund balance in the modified accrual basis financial statements of a reverting fund.

**Effect**

Presentation of budgeted expenses in the 2012 audit report was not accurately presented for the funds identified under the statement of condition. Reconciliations between modified GAAP actual expenses and budgeted actual expenses will require correction in the FY 2013 audit presentation.

**Cause**

The Department did not have proper internal controls in place to ensure that the expenditures that will be applied to the subsequent budget year would be identified and presented in the annual audit of the financial statements.

**Recommendation**

It is recommended that the Department provide this information to the auditors who compile the audited financials for the Department and then it is recommended that the Department review the compiled audit report for accuracy.

**Department Response**

During the financial close and reporting process we will work with our vendors to ensure that we receive invoices for all prior year expenditures timely to avoid this timing difference.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**2013-018 – Financial Close and Reporting**

**Type of Finding: Material Weakness in Internal Control Over Financial Reporting**

**Statement of Condition**

The Department has not implemented an effective financial close and reporting process controls for the year ended June 30, 2013. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the Department's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the Departments transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

Significant areas that required audit adjustments are restricted cash, receivables, capital assets long-term debt, inventory. Below are the approximate dollar amounts of proposed audit adjustments:

- Reclass and establish due to/due from for transfer of GF (\$500,000)
- Reclassify Enterprise fund non-reverting fund balance (\$6,043,600)
- Reconcile fund balance (\$355)
- Reclass and record long-term debt activity in fund 691 (\$1,539,369)
- Restatement of 2012 inventory balance (\$131,321)
- Adjust ARRA grant (\$64,780)
- Net adjustment to receivables (\$992,000)
- Net adjustment to revenues (\$992,000)
- Adjust deferred revenues to actual (\$39,142)
- Adjust inventory to actual (\$7,087)

**Criteria**

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to "Statement On Auditing Standards (SAS) 115 Communication of Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by the Department staff.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Effect**

The Department's was not ready for its audit in a timely manner and it resulted in a significant number of material adjustments and audit findings.

**Cause**

It is believed with the high turnover at ASD that many of the new employees were not trained properly in where these policies and procedures were kept.

**Recommendation**

We recommend the Department institute procedures to ensure there is a proper monthly/quarterly and year-end/financial close to its accounts.

**Department Response**

DCA will review its policies and procedures and internal controls regarding monthly, quarterly, and year-end financial closing of accounts to ensure that controls are in place.

Although DCA has monthly reconciliations and Fiscal Year-End Closing policies and procedures established, high turnover and vacancies have resulted in a lack of training and transfer of knowledge. As such, DCA will address training needs accordingly and expand controls were necessary.

**2013-019 – Lack of Internal Controls over Museum NM Press Inventory**

**Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting**

**Statement of Condition**

The following related to the Department's Press inventory was identified:

Based on our review of prior year supporting documentation, the Department's Museum of New Mexico Press inventory balance for the prior year was reported as \$431,367 but should have been reported as \$300,054 a misstatement of \$131,321.

**Criteria**

Title 2, Chapter 20 Part 5 Accounting by Governmental Entities Responsibility for Accounting Function requires that the Department ensure that the model accounting practices, established by the division, are followed. The model accounting practices include but are not limited to ensuring that an internal control structure exists at the state agency and is functioning properly and that all transactions are properly classified in the agency's records.

**Effect**

Lack of controls over inventory increase the risks of losses to the inventory and related sales. There is also an increased risk that errors or fraud can go undetected and compromise accurate financial reporting.

**Cause**

The Department solely relies on a third party vendor, UNM Press, for the monitoring, supervision and maintaining records of its inventory. The Department did not monitor or independently conduct inventory counts, and doesn't reconcile inventory balances to its general ledger. Written controls have not been designed and implemented related to the area of inventory.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**Recommendation**

It is recommended that the Department document its policy and procedures to adequately safeguard, monitor and report its inventory. It is further recommended that the Department should use analytical ratios to ensure that inventory is being correctly accounted for and that any inventory variances are documented and adequately investigated as soon as they are identified. Lastly, we recommend that the supporting documentation for inventory agree with the Department's general ledger.

**Department Response**

DCA will review its policies and procedures and internal controls regarding the safeguarding, monitoring, and reporting of its inventory to ensure that controls are in place to record inventory accurately and timely on an annual basis.

**2013-020 – Internal Control: Disbursements**

**Type of Finding: Significant Deficiency in Internal Control over Financial Reporting and Compliance With State Audit Rule**

**Statement of Condition**

We selected twenty five disbursements for testing. In three instances, the purchase did not have adequate approval signatures. The vouchers numbers in question are #70821 in the amount of \$3,430.20, #70028 in the amount of \$944.79, and #74292 in the amount \$52,603.88

**Criteria**

State of New Mexico Manual of Model Accounting Practices Unit 1.02 (last updated 2010), Department policies and procedures and good accounting practices require that transactions be properly documented and authorized. Strong internal controls require that disbursement approval controls are in place to deter and detect fraud.

**Effect**

The Department is at a higher risk of financial reporting errors occurring or possible fraudulent transactions.

**Cause**

Lapses in the implementation of internal control process and/or a weakness in internal control procedures appear to have allowed these disbursements without documented approval occur.

**Recommendation**

We recommend management improve the implementation of their policies and controls regarding authorization of payments to ensure that an authorized person properly review and approves all purchases by the Department.

**Department Response**

Administrative Services staff has developed guidelines to address the issues with travel requests and staff will be provided guidance on proper signature approvals for disbursements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

An exit conference was held on May 15, 2014. Attending were the following:

Representing the Department:

Veronica N. Gonzales	Cultural Affairs Cabinet Secretary
Greg Geisler	Administrative Services Director
Ron Lucero	Budget Director
Audrey Jaramillo	Consultant
Karin Atkinson	Accountant

Representing the Independent Auditor, Hinkle + Landers, PC:

Farley Vener	President and Managing Shareholder
--------------	------------------------------------

Representing the State Auditor's Office

Hector Balderas	State Auditor
Natalie Cordova	Audit Director
Miranda Mascarenas	Audit Supervisor

**PREPARATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements of the Agency have been prepared by Hinkle + Landers, P.C., the organization's independent public auditor; however, the financial statements are the responsibility of management.