

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL  
AFFAIRS

Financial Statements

June 30, 2014



**AXIOM**

*Certified Public Accountants  
and Business Advisors LLC*

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

**Official Roster**  
**June 30, 2014**

<b>Administrative Officials</b>	<b>Title</b>
Veronica Gonzales	Cabinet Secretary
Michael Delello	Deputy Cabinet Secretary
Satya Neel	Chief Information Officer
Greg Geisler	Director - CFO Administrative Services Division
Rebecca Avitia	Director - National Hispanic Cultural Center
Eric Blinman	Director - Office of Archaeological Studies
Will Ticknor	Director - Museum Resources Division
Chris Orwoll	Director - New Mexico Museum of Space History
Charlie Walter	Director - New Mexico Museum of Natural History & Science
Mary Kershaw	Director - New Mexico Museum of Art
Loie Fecteau	Director - New Mexico Arts
Marsha Bol	Director - Museum of International Folk Art
Michael Delello	Acting Director - New Mexico State Library
Richard Sims	Director - New Mexico State Monuments
Jeff Pappas	Director - Historic Preservation Division
Jon Hunner	Acting Director - New Mexico History Museum
Mark Santiago	Director - New Mexico Farm & Ranch Heritage Museum
Della Warrior	Director - Museum of Indian Arts and Culture

## Independent Auditor's Report

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

### Report on 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 the major special revenue fund of the State of New Mexico Department of Cultural Affairs (DCA), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise DCA's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of DCA's nonmajor governmental, the fiduciary fund and budgetary comparisons for the major capital projects funds, the major debt service fund, and all nonmajor 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, 2014, 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 misstatements, 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 financial statements are free from 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 DCA, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue fund 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, and the fiduciary fund of the DCA as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects funds, the major debt service fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2, the financial statements of DCA are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, business type activities, major funds, and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of DCA. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2014, and the changes in its financial position thereof for the year then ended in conformity 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 on pages 8 - 15 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 DCA's financial statements, the combining and individual fund financial statements, 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 required by Section 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 required by Section 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 required by Section 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 December 15, 2014 on our consideration of 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 DCA's internal control over financial reporting and compliance.



Axiom CPAs and Business Advisors, LLC  
Albuquerque, New Mexico  
December 15, 2014



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2014**

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, 2014.

## **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 and Restricted 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, Special Revenue Funds, Capital Projects Funds and Debt Service Fund. 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 six major funds: the General Operating Fund (19300), 15% Museum Admission Funds (19400), Capital Projects, Laws 2010 (47800), NMFA Projects Fund (69100), Art in Public Places (Fund 69800) and Capital Projects Laws 2010, 2011, and 2012 (89200). Non-major funds by fund type are included in the combining schedules following the notes to the financial statements.

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MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
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**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.

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 are 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 are 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 are identified per the table of contents of this report.

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For the Year Ended June 30, 2014**

**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 Statement No. 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 Statement No. 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 non-major Statements of Revenues and Expenditures - Budget and Actual, are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**Notes to the Financial Statements**

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

**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, 2014. Total DCA Net Position for fiscal year 2014 was \$104,880,382. The net position reflects \$98,888,285 million in a net investment of capital assets, \$2,432,545 in assets restricted for capital projects, \$1,936,274 in assets restricted for special projects and statutory requirements, \$1,722,452 in assets restricted for debt service and (\$99,174) in unrestricted funds. The negative unrestricted balance is due to the reported compensated absences and accrued interest obligations reported within the Statement of Net Position.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2014**

**Statement of Net Position - Governmental Activities**

	6/30/2014	6/30/2013
<b>Assets</b>		
Current and other assets	\$ 12,043,355	9,559,603
Capital assets	<u>103,877,408</u>	<u>103,509,266</u>
<b>Total Assets</b>	<u>115,920,763</u>	<u>113,068,869</u>
<b>Liabilities</b>		
Current liabilities	6,525,744	6,318,574
Long-term liabilities	<u>4,514,637</u>	<u>4,871,086</u>
<b>Total Liabilities</b>	<u>11,040,381</u>	<u>11,189,660</u>
<b>Net Position</b>		
Net investment in capital assets	98,888,285	98,183,572
Restricted	6,091,271	1,545,330
Unrestricted	<u>(99,174)</u>	<u>2,150,307</u>
<b>Total Net Position</b>	<u>\$ 104,880,382</u>	<u>101,879,209</u>

**Statement of Activities - Governmental Activities**

	6/30/2014	6/30/2013
<b>Revenues</b>		
Program revenues	\$ 10,031,172	9,573,901
General revenues	<u>29,188,424</u>	<u>27,933,100</u>
<b>Total Revenues</b>	39,219,596	37,507,001
Program expenses	<u>(47,110,923)</u>	<u>(43,029,301)</u>
Deficiency of Revenues over Expenditures	(7,891,327)	(5,522,300)
Net transfers	6,191,878	3,885,007
Other items	<u>657,905</u>	<u>(702,790)</u>
Change in Net Position	(1,041,544)	(2,340,083)
Net position, beginning	101,879,209	106,538,440
Restatement	<u>4,042,717</u>	<u>(2,319,148)</u>
Net position, beginning as restated	105,921,926	104,219,292
<b>Net Position, Ending</b>	<u>\$ 104,880,382</u>	<u>101,879,209</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2014**

**Discussion on and Changes in Net Position for Governmental Activities**

DCA's Net Position for fiscal year 2014 was \$3 million higher compared to fiscal year 2013. Of note a fund balance restatement impacted the FY14 beginning net position (see note 23 for additional discussion on the restatement). Key areas of the statement of net activities in 2014 are discussed below:

*Revenues.* Of note, essentially all revenue sources showed growth, particularly federal funds, but performance in the fees and services area was \$837 thousand less than in fiscal year 2013. The department benefited from state general fund support of \$29.1 million in fiscal year 2014, up \$1.2 million over fiscal year 2013.

*Expenditures.* Program expenditures growth of over \$4 million was driven by almost \$2 million in growth for personnel services and employee benefits, \$844 thousand in increased capital outlay spending on department facilities, \$593 thousand in higher contractual services spending as well as other cost increases.

*Change in net position and ending net position* The majority of the deficiency of revenues over expenditures was covered by net transfers of \$6.1 million; including bond proceed transfers of \$5.4 million (\$1.4 million higher than fiscal year 2013). Ending net position of \$104,880,382 reflects a negative change in net position of \$1,041,544.

**Business-Type Activities**

The below table summarizes DCA's Net Position for business-type activities for the fiscal year ended June 30, 2014. Total DCA Net Position for fiscal year 2014 was \$3,720,122, reflecting \$499,705 investment in capital assets and remaining in net cash balances in the department's enterprise fund.

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

	6/30/2014	6/30/2013
<b>Assets</b>		
Current and other assets	\$ 4,794,070	5,483,262
Capital assets	<u>499,705</u>	<u>-</u>
<b>Total Assets</b>	<u>5,293,775</u>	<u>5,483,262</u>
<b>Liabilities</b>		
Current liabilities	1,211,252	216,000
Long-term liabilities	<u>362,401</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,573,653</u>	<u>216,000</u>
<b>Net Position</b>		
Investment in capital assets	499,705	-
Restricted	-	-
Unrestricted	<u>3,220,417</u>	<u>5,267,262</u>
<b>Total Net Position</b>	<u>\$ 3,720,122</u>	<u>5,267,262</u>

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MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2014**

**Statement of Activities - Business-Type Activities**

	6/30/2014	6/30/2013
<b>Revenues</b>		
General revenues	\$ 4,838	-
<b>Total Revenues</b>	<u>4,838</u>	<u>-</u>
Program expenses	<u>(675,956)</u>	<u>(1,060,338)</u>
Deficiency of Revenues over Expenditures	(671,118)	(1,060,338)
Net transfers	(543,822)	6,043,600
Other items	<u>(332,200)</u>	<u>(216,000)</u>
Change in Net Position	(1,547,140)	4,767,262
Net position, beginning	5,267,262	-
Restatement	-	500,000
Net position, beginning as restated	<u>5,267,262</u>	<u>500,000</u>
<b>Net Position, Ending</b>	<u>\$ 3,720,122</u>	<u>5,267,262</u>

**Discussion on and Changes in Net Position for Business-Type Activities**

As noted under the discussion of net position, the enterprise fund contains prior earned revenue of the department and the balance of the fund is declining as expenditures exceed minimal inflows of earned revenue. Program expenses appear higher in fiscal year 2013 than in fiscal year 2014 but the addition of net transfers out and other items including a union settlement of \$332,200 causes a total decrease of \$1.5 million in net position in fiscal year 2014.

**Discussion of Balances and Transactions of Selected Individual Funds**

Individual statements are provided for major governmental funds. Of note, total assets of \$14.5 million are almost \$4 million higher than fiscal year 2013, reflecting increased receivables, primarily from other agencies for capital outlay reimbursements. There was a corresponding increase of almost \$2.5 million liabilities, primarily due to capital outlay expenditure activity. Capital outlay expenditure activity was notable, particularly in capital outlay funds 478 and 892. Total expenditures in these two funds was \$4.7 million in fiscal year 2014, an increase of \$1.14 million over fiscal year 2013. Operations of the agency is reflected in fund 193 (General Operating Fund). Notable results in this fund include an increase of total spending of \$2.5 million, driven primarily by increased spending in personnel services and benefits as the agency made progress in reducing staff vacancy rates.

**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,

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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.

During fiscal year 2014 the department transferred \$1.475 million in budget authority from the personnel services and employee benefits budget category into the contractual services and other operating costs budget categories because of lower than projected expenditures on salaries. As a result of the additional budget authority, expenditures in the other cost area for supplies, materials, and repairs was \$189 thousand higher for the agency than originally budgeted.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2014, DCA had capital assets of \$103,877,408 (net of depreciation) reflected on the Statement of Net Position. This amount represents an increase of \$368,142 over fiscal year 2013 fixed assets, as adjusted. The total reflects the addition of new assets, the accompanying depreciation of new assets, the deletion of certain assets, and a prior period restatement of accumulated depreciation to correct errors. See note 4 for additional details.

### **Debt Administration**

At June 30, 2014, DCA had total outstanding debt of \$4,989,123. Outstanding debt is backed by the DCA's state tax revenues. The Department's total debt decreased by \$336,571 due to principal repayments and adjustment to the Energy Efficiency Revolving Fund Loan. See note 17 for additional details.

### **Economic Factors**

The department has benefited from general fund increases for its operations in recent years, including a increase of approximately \$1.7 million in fiscal year 2014 and \$1 million in fiscal year 2015. As preparations begin for the upcoming legislative session on fiscal year 2016, forecasted growth in available general fund has been cut in half due to a drop in oil prices which may reduce tax revenue. As a result, the agency may receive a lower or no general fund increase in fiscal year 2016. Depending on the appropriation, the department may reduce fiscal year 2015 spending to preserve resources for fiscal year 2016. On a positive note, general tourism to New Mexico has been on the upswing, which if sustained, should increase museum attendance revenue.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)  
For the Year Ended June 30, 2014**

**Requests for Information**

This financial report is designed to provide a general overview of DCA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, 407 Galisteo Street, Suite 264, Bataan Memorial Bldg., Santa Fe, New Mexico 87501.



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF NET POSITION  
June 30, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Interest in State Treasurer General Fund Investment Pool	\$ 6,347,021	4,789,232	11,136,253
Restricted cash	840,107	-	840,107
Receivables:			
Other, net	833,221	4,838	838,059
Due from federal government	686,947	-	686,947
Due from other state agencies	3,003,905	-	3,003,905
Due from local governments	14,811	-	14,811
Inventory	317,343	-	317,343
<b>Total Current Assets</b>	<u>12,043,355</u>	<u>4,794,070</u>	<u>16,837,425</u>
Capital assets	173,598,560	501,116	174,099,676
Accumulated depreciation	(69,721,152)	(1,411)	(69,722,563)
<b>Total Assets</b>	<u>115,920,763</u>	<u>5,293,775</u>	<u>121,214,538</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	3,837,464	973,992	4,811,456
Accrued payroll	613,951	-	613,951
Unearned revenue	118,011	-	118,011
Due to other state agencies	154,411	51,461	205,872
Due to state general fund	44,611	-	44,611
Other liabilities	70,044	-	70,044
Due within one year			
Compensated absences	987,903	-	987,903
Current portion of long-term obligations	474,486	-	474,486
Accrued interest	66,698	-	66,698
AFSCME Settlement	158,165	185,799	343,964
<b>Total Current Liabilities</b>	<u>6,525,744</u>	<u>1,211,252</u>	<u>7,736,996</u>
Due in more than one year			
AFSCME Settlement	-	362,401	362,401
Long-term obligations	4,514,637	-	4,514,637
<b>Total Liabilities</b>	<u>11,040,381</u>	<u>1,573,653</u>	<u>12,614,034</u>
<b>NET POSITION</b>			
Net investment in capital assets	98,888,285	499,705	99,387,990
Restricted for:			
Capital projects	2,432,545	-	2,432,545
Special projects and statutory requirements	1,936,274	-	1,936,274
Debt service	1,722,452	-	1,722,452
Unrestricted	(99,174)	3,220,417	3,121,243
<b>Total Net Position</b>	<u>\$ 104,880,382</u>	<u>3,720,122</u>	<u>108,600,504</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary government</b>							
Governmental activities							
Museum services	\$ 29,065,737	4,125,886	92,687	832,592	(24,014,572)	-	(24,014,572)
Preservation and library	11,067,037	1,304,206	3,012,879	-	(6,749,952)	-	(6,749,952)
Arts	2,479,159	15,000	560,208	55,000	(1,848,951)	-	(1,848,951)
Program support	4,275,449	32,714	-	-	(4,242,735)	-	(4,242,735)
Interest on long-term debt	223,541	-	-	-	(223,541)	-	(223,541)
<b>Total governmental activities</b>	<b>47,110,923</b>	<b>5,477,806</b>	<b>3,665,774</b>	<b>887,592</b>	<b>(37,079,751)</b>	<b>-</b>	<b>(37,079,751)</b>
Business-type activities							
Enterprise fund 53000	675,956	-	-	-	-	(675,956)	(675,956)
<b>Total business-type activities</b>	<b>675,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(675,956)</b>	<b>(675,956)</b>
<b>Total primary government</b>	<b>\$ 47,786,879</b>	<b>5,477,806</b>	<b>3,665,774</b>	<b>887,592</b>	<b>(37,079,751)</b>	<b>(675,956)</b>	<b>(37,755,707)</b>
<b>General Revenues, special items and transfers</b>							
State general fund appropriations					29,188,424	-	29,188,424
Transfers - reversions to state general fund					(6,756)	-	(6,756)
Transfer of bond proceed appropriations					5,491,438	-	5,491,438
Transfers from other agencies					163,374	-	163,374
Transfers, governmental and business-type activities					543,822	(543,822)	-
Interest and investment earnings					70	-	70
AFSCME settlement					657,835	(332,200)	325,635
Miscellaneous					-	4,838	4,838
<b>Total general revenues, special items and transfers</b>					<b>36,038,207</b>	<b>(871,184)</b>	<b>35,167,023</b>
<b>Change in net position</b>					<b>(1,041,544)</b>	<b>(1,547,140)</b>	<b>(2,588,684)</b>
Net Position, beginning of year					101,879,209	5,267,262	107,146,471
Restatement					4,042,717	-	4,042,717
Net Position, beginning of year as restated					105,921,926	5,267,262	111,189,188
Net Position, ending					<b>\$ 104,880,382</b>	<b>3,720,122</b>	<b>108,600,504</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<b>19300</b>	<b>19400</b>	<b>47800</b>
	General Operating Fund	15% Museum Admission Funds	Capital Projects, Laws 2010
<b>ASSETS</b>			
Interest in State Treasurer General Fund Investment Pool	\$ 1,447,423	1,382,578	-
Restricted cash	9,900	-	-
Other receivables, net	732,092	-	-
Due from federal government	686,947	-	-
Due from other state agencies	-	-	986,360
Due from local governments	14,811	-	-
Due from other funds	1,705,729	443,528	116,199
Inventory	317,343	-	-
<b>Total Assets</b>	<b>\$ 4,914,245</b>	<b>1,826,106</b>	<b>1,102,559</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,282,711	-	439,620
Accrued payroll	613,951	-	-
AFSCME settlement	158,165	-	-
Unearned revenue	118,011	-	-
Due to other state agencies	18,088	-	-
Due to other funds	659,993	-	658,726
Due to State General Fund	37,855	-	4,213
Other liabilities	70,044	-	-
<b>Total liabilities</b>	<b>3,958,818</b>	<b>-</b>	<b>1,102,559</b>
<b>DEFERRED INFLOWS</b>			
Unavailable revenue	-	-	-
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable	317,343	-	-
Restricted	-	1,826,106	-
Committed	638,084	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<b>955,427</b>	<b>1,826,106</b>	<b>-</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 4,914,245</b>	<b>1,826,106</b>	<b>1,102,559</b>

See Notes to Financial Statements.

<b>69100</b>	<b>69800</b>	<b>89200</b>			
NMFA	Arts in	Capital Projects	Other		
Projects Fund	Public	Laws	Governmental		
	Places Fund	10, 11, 12, 13	Funds		Total
830,484	2,576,360	-	110,176		6,347,021
830,207	-	-	-		840,107
-	-	-	101,129		833,221
-	-	-	-		686,947
62,107	-	1,922,273	33,165		3,003,905
-	-	-	-		14,811
-	-	213,644	45,509		2,524,609
-	-	-	-		317,343
<b>1,722,798</b>	<b>2,576,360</b>	<b>2,135,917</b>	<b>289,979</b>		<b>14,567,964</b>
346	143,334	969,993	1,460		3,837,464
-	-	-	-		613,951
-	-	-	-		158,165
-	-	-	-		118,011
-	14,685	-	121,638		154,411
-	-	1,163,193	42,697		2,524,609
-	-	2,543	-		44,611
-	-	-	-		70,044
<b>346</b>	<b>158,019</b>	<b>2,135,729</b>	<b>165,795</b>		<b>7,521,266</b>
-	-	-	-		-
-	-	-	-		-
-	-	-	-		317,343
1,722,452	2,418,341	188	124,184		6,091,271
-	-	-	-		638,084
-	-	-	-		-
-	-	-	-		-
<b>1,722,452</b>	<b>2,418,341</b>	<b>188</b>	<b>124,184</b>		<b>7,046,698</b>
<b>1,722,798</b>	<b>2,576,360</b>	<b>2,135,917</b>	<b>289,979</b>		<b>14,567,964</b>

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**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2014**

	<u>Governmental Activities</u>
<b>Total Fund Balance - Governmental Funds Governmental Funds Balance Sheet</b>	\$ 7,046,698

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:

Cost of capital assets	173,598,560
Accumulated depreciation	<u>(69,721,152)</u>
<b>Total capital assets</b>	<u>103,877,408</u>

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Long-term debt	(4,989,123)
Accrued interest	(66,698)
Compensated absences payable	<u>(987,903)</u>
<b>Net position of governmental activities (Statement of Net Position)</b>	<u>\$ 104,880,382</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	<b>19300</b>	<b>19400</b>	<b>47800</b>
	General Operating Fund	15% Museum Admission Funds	Capital Projects, Laws 2010
Revenues			
Fees and services	\$ 4,430,891	-	-
Interest revenue	-	-	-
Other state funds	538,843	-	-
Federal grants and contracts	3,587,741	-	-
Private gifts and grants	378,063	-	-
Miscellaneous	208,042	-	-
<b>Total revenues</b>	<b>9,143,580</b>	<b>-</b>	<b>-</b>
Expenditures			
Personnel services and employee benefits	25,622,229	-	-
In-state travel	140,712	-	-
Maintenance and repairs	1,804,653	-	198
Supplies	924,760	-	13,444
Contractual services	3,679,611	-	-
Operating costs	4,206,155	-	-
Other costs	218,983	-	-
Out-of-state travel	23,963	-	-
Grants to other agencies, governments and entities	1,009,936	-	2,018,670
Capital outlay	254,673	-	-
Debt service			
Principal	36,607	-	-
Interest	7,215	-	-
<b>Total expenditures</b>	<b>37,929,497</b>	<b>-</b>	<b>2,032,312</b>
Excess (Deficiency) of Revenues over (under)			
Expenditures before other financing sources (uses)	(28,785,917)	-	(2,032,312)
Other Financing Sources (Uses)			
State general fund appropriations	29,188,424	-	-
Transfers - revisions to state general fund	-	-	(4,213)
Transfer of bond proceed appropriations	-	-	2,036,525
Transfers from (to) other agencies	163,374	-	-
Transfers, in	-	724,590	-
Transfers, in - enterprise funds	543,822	-	-
Transfers, out	(745,099)	-	-
<b>Total other financing sources (uses)</b>	<b>29,150,521</b>	<b>724,590</b>	<b>2,032,312</b>
<b>Net change in fund balances</b>	<b>364,604</b>	<b>724,590</b>	<b>-</b>
Fund balances, beginning of year	590,823	1,101,516	-
Restatement	-	-	-
Fund balances, beginning of year as restated	590,823	1,101,516	-
<b>Fund balances, end of year</b>	<b>\$ 955,427</b>	<b>1,826,106</b>	<b>-</b>

See Notes to Financial Statements.



<b>69100</b>	<b>69800</b>	<b>89200</b>			
NMFA	Arts in	Capital Projects	Other		
Projects Fund	Public	Laws	Governmental		
	Places Fund	10, 11, 12, 13	Funds		Total
-	-	-	-	-	4,430,891
-	-	-	-	70	70
832,592	-	-	-	-	1,371,435
-	55,000	-	-	-	3,642,741
-	-	-	-	-	378,063
-	-	-	-	-	208,042
<b>832,592</b>	<b>55,000</b>	<b>-</b>	<b>70</b>	<b>-</b>	<b>10,031,242</b>
-	-	-	-	-	25,622,229
-	-	-	-	-	140,712
16,194	-	342,092	-	-	2,163,137
-	-	18,700	-	-	956,904
-	551,763	133,519	-	-	4,364,893
-	4,850	3,902	-	-	4,214,907
-	-	5,020	4,655	-	228,658
-	-	-	-	-	23,963
-	-	-	-	-	3,028,606
346	63,400	2,177,133	1,460	-	2,497,012
421,894	-	-	-	-	458,501
216,326	-	-	-	-	223,541
<b>654,760</b>	<b>620,013</b>	<b>2,680,366</b>	<b>6,115</b>	<b>-</b>	<b>43,923,063</b>
<b>177,832</b>	<b>(565,013)</b>	<b>(2,680,366)</b>	<b>(6,045)</b>	<b>-</b>	<b>(33,891,821)</b>
-	-	-	-	-	29,188,424
-	-	(2,543)	-	-	(6,756)
-	772,004	2,682,909	-	-	5,491,438
-	-	-	-	-	163,374
-	-	-	20,509	-	745,099
-	-	-	-	-	543,822
-	-	-	-	-	(745,099)
-	772,004	2,680,366	20,509	-	35,380,302
<b>177,832</b>	<b>206,991</b>	<b>-</b>	<b>14,464</b>	<b>-</b>	<b>1,488,481</b>
1,544,620	2,211,350	188	48,938	-	5,497,435
-	-	-	60,782	-	60,782
<b>1,544,620</b>	<b>2,211,350</b>	<b>188</b>	<b>109,720</b>	<b>-</b>	<b>5,558,217</b>
<b>1,722,452</b>	<b>2,418,341</b>	<b>188</b>	<b>124,184</b>	<b>-</b>	<b>7,046,698</b>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

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

\$ 1,488,481

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	2,360,943
Depreciation expense	(5,974,736)
	<u>(3,613,793)</u>

Revenues in the governmental funds that provide current financial resources are not included in the Statement of Activities because they were recognized in a prior period.

Deferred Inflows - FY13 grants deferred revenue	<u>38,985</u>
-------------------------------------------------	---------------

The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction; however, has any effect on net position.

The following represents the changes in long-term debt for the fiscal year:

Changes in long-term debt	336,571
Change in accrued interest on long-term debt	(66,698)
Change in AFSCME settlement	657,835
Change in compensated absences	117,075
	<u>1,044,783</u>

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

\$ (1,041,544)

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
GENERAL OPERATING FUND (19300)  
For The Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund Appropriations	\$ 28,901,200	28,901,200	29,188,424	287,224
Intra-state Transfers	278,300	298,300	702,217	403,917
Federal Grants	3,280,900	3,695,500	3,587,741	(107,759)
Other Financing Sources	8,453,200	8,852,200	5,016,996	(3,835,204)
Fund Balance	2,007,700	2,007,700	543,822	(1,463,878)
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<u>42,921,300</u>	<u>43,754,900</u>	<u>39,039,200</u>	<u>(4,715,700)</u>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	30,497,900	29,037,900	25,622,229	3,415,671
Contratual Services	3,585,700	4,076,411	3,679,611	396,800
Other Operating Costs	8,837,700	10,640,589	9,372,756	1,267,833
<b>Total Expenditures</b>	<u>42,921,300</u>	<u>43,754,900</u>	<u>38,674,596</u>	<u>5,080,304</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>364,604</u>	<u>364,604</u>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
15% MUSEUM ADMISSION FUNDS (19400)  
For The Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenues</b>				
General Fund Appropriations	\$ -	-	-	-
Intra-state Transfers	-	-	-	-
Federal Grants	-	-	-	-
Other Financing Sources	349,900	349,900	724,590	374,690
Fund Balance	-	-	-	-
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<b>349,900</b>	<b>349,900</b>	<b>724,590</b>	<b>374,690</b>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	349,900	349,900	-	349,900
Contratual Services	-	-	-	-
Other Operating Costs	-	-	-	-
<b>Total Expenditures</b>	<b>349,900</b>	<b>349,900</b>	<b>-</b>	<b>349,900</b>
Net Change in Fund Balance	\$ -	-	724,590	724,590

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF NET POSITION - ENTERPRISE FUND (53000)  
June 30, 2014**

**ASSETS**

Current Assets

Interest in state treasurer general fund investment pool	\$ 4,789,232
Other receivables	4,838
<b>Total current assets</b>	<u>4,794,070</u>

Noncurrent Assets

Capital assets:

Buildings and improvements	14,605
Information technology	454,561
Machinery and equipment	31,950
Less accumulated depreciation	(1,411)
<b>Total noncurrent assets</b>	<u>499,705</u>

**Total assets**

5,293,775

**LIABILITIES**

Current Liabilities

Accounts payable	973,992
Due to other state agencies	51,461
AFSCME settlement	185,799
<b>Total current liabilities</b>	<u>1,211,252</u>

Non-Current Liabilities

AFSCME Settlement, net of current	362,401
<b>Total non-current liabilities</b>	<u>362,401</u>

**Total liabilities**

1,573,653

**NET POSITION**

Investment in capital assets	499,705
Restricted for debt service	-
Unrestricted	3,220,417
<b>Total net position</b>	<u>\$ 3,720,122</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - ENTERPRISE FUND (53000)  
Year Ended June 30, 2014**

Operating Revenues	
Miscellaneous	\$ 4,838
	<u>4,838</u>
<b>Total operating revenues</b>	<u>4,838</u>
Operating Expenses	
Maintenance and repairs	161,192
Supplies	157,134
Contractual services	131,456
Advertising	117,086
Other operating costs	107,677
Depreciation	1,411
	<u>675,956</u>
<b>Total operating expenses</b>	<u>675,956</u>
Operation income (loss)	<u>(671,118)</u>
Non-Operating Revenues (Expenses)	
AFSCME settlement	<u>(332,200)</u>
<b>Total non-operating revenue (expenses)</b>	<u>(332,200)</u>
Income (loss) before contributions and transfers	(1,003,318)
Transfers	
Transfers, in	-
Transfers, out	<u>(543,822)</u>
<b>Change in net position</b>	(1,547,140)
Net position, beginning of year	<u>5,267,262</u>
<b>Net position, end of year</b>	<u>\$ 3,720,122</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF CASH FLOWS - ENTERPRISE FUND (53000)  
Year Ended June 30, 2014**

Cash Flows From Operating Activities	
Cash received from customers and others	\$ 1,183,108
Cash paid for goods and services	<u>-</u>
<b>Net cash provided by operating activities</b>	<u>1,183,108</u>
Cash Flows From Investing Activities	
Purchases of capital assets	<u>(501,116)</u>
<b>Net cash used by investing activities</b>	<u>(501,116)</u>
Cash Flows From Non-Capital Financing	
Activities operating transfers out	(543,822)
AFSCME settlement	<u>(332,200)</u>
<b>Net cash used by non-capital financing activities</b>	<u>(876,022)</u>
Net decrease in cash and cash equivalents	(194,030)
Cash and cash equivalents, beginning of year	<u>4,983,262</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 4,789,232</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (671,118)
Adjustments to operating loss to net cash provided by operating activities:	
Depreciation expense	1,411
Change in assets and liabilities:	
Other receivables	(4,838)
Due from other funds	500,000
Accounts payable	973,992
Due to other state agencies	51,461
AFSCME settlement	<u>332,200</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 1,183,108</u></u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF FIDUCIARY NET POSITION  
Year Ended June 30, 2014**

	<b>59300</b>	<b>61200</b>	<b>20070</b>	
	Historic Preservation Revolving Agency Fund	Bartlett Trust Fund	Main Street Revolving Loan Agency Fund	Total
<b>ASSETS</b>				
Interest in State Treasurer Fund Investment Pool	\$ 367,989	157,913	66,408	592,310
Loans receivable, net of allowance for uncollectibles	75,816	-	-	75,816
<b>Total assets</b>	<b>443,805</b>	<b>157,913</b>	<b>66,408</b>	<b>668,126</b>
<b>LIABILITIES</b>				
Deposits held in custody for others	443,805	-	16,408	460,213
Other liabilities	-	-	50,000	50,000
<b>Total liabilities</b>	<b>443,805</b>	<b>-</b>	<b>66,408</b>	<b>510,213</b>
<b>NET POSITION</b>	<b>\$ -</b>	<b>157,913</b>	<b>-</b>	<b>157,913</b>

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-  
BARTLETT TRUST FUND (61200)  
Year Ended June 30, 2014**

**REVENUE**

Interest income	\$ <u>100</u>
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**EXPENSE**

Professional services	-
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Other services	<u>-</u>
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<b>Total expense</b>	<u>-</u>
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<b>Net change in fund balance</b>	<u>100</u>
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Net Position, beginning of year	<u>157,813</u>
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<b>Net Position, end of year</b>	<u><u>\$ 157,913</u></u>
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See Notes to Financial Statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**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 FY2014, 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 1. NATURE OF ORGANIZATION (CONTINUED)**

**Historic Preservation Division** - The Historic Preservation Division is responsible for preparation of long-range plans for the preservation of cultural properties (historic and prehistoric sites and structures) including, but not limited to, acquisition, restoration and protection.

This division also reviews all federally funded or licensed land modifying activities to ensure protection of cultural resources, maintains the State Register of Cultural Properties, nominates significant cultural resources to the National Register of Historic Places, conducts the state and federal tax credit program for restoration of historic structures, coordinates with all levels of government to ensure that cultural resources are considered at all steps of project planning, and provides technical assistance to the public regarding preservation.

**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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**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**

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.

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units in the reporting entity by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

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.

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

**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.

**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

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

**C. Basic Financial Statements – Fund Financial Statements (continued)**

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.

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

**C. Basic Financial Statements – Fund Financial Statements (continued)**

General Operating 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 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

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

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

**C. Basic Financial Statements – Fund Financial Statements (continued)**

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.

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 2010 through 2013 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 through 2013 and will be utilized for the FY10, FY11, FY12, FY13 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 2014:

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, 51st 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



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

**C. Basic Financial Statements – Fund Financial Statements (continued)**

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 (Rural Libraries Development Fund)* 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 2009 Fund* is used for ARRA projects directly awarded to DCA and any pass-through projects. The fund does not receive State General Fund appropriations and therefore is non-reverting.

Capital Projects Fund

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 2014: 08200, 58700, and 64700 and thus are not presented in these financial statements.

**Fiduciary Funds**

20070 - *Main Street Revolving Loan Agency 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.

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

**C. Basic Financial Statements – Fund Financial Statements (continued)**

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 Agency 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 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.

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

**D. Basis of Accounting (continued)**

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

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

**E. Budgets and Budgetary Accounting (continued)**

Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year. The budgetary basis differs from the basis of accounting required by GAAP. Significant differences between the budgetary basis and GAAP include the following:

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

DCA follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than September 1, DCA submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- 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.

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

**E. Budgets and Budgetary Accounting (continued)**

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. Enterprise fund 53000 did not have a budget passed as the expenditures are included in the program budgets included on pages 68 through 73.

**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. 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.

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.

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

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

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, unearned revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or unearned 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 is 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
Land Improvements	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.

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

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

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 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 net investment in capital assets, 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 financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2014, DCA reported no deferred outflows or inflows of resources.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – CASH 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	\$ 6,347,021
Enterprise fund	4,789,232
Fiduciary funds	<u>592,310</u>
Total cash and cash equivalents	<u>\$ 11,728,563</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.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
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**NOTE 3 – CASH ACCOUNTS AND INVESTMENT POLICY (CONTINUED)**

**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, 2014. 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).

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

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**NOTE 3 – CASH ACCOUNTS AND INVESTMENT POLICY (CONTINUED)**

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.

Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE System configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the State’s fiscal agent bank to the SHARE general ledger on a *point-forward basis* beginning February 1, 2013. However, additional critical business process changes and corrections to configurations within the SHARE System remain to be completed; therefore, the State’s Cash Management Remediation Project, Phase II, will commence during fiscal year 2015.

**NOTE 4 – CAPITAL ASSETS**

Governmental capital asset activity for the year ended June 30, 2014 is as follows:

	<b>6/30/2013</b>			<b>Balance</b>
	<b>Restated</b>	<b>Additions</b>	<b>Disposals</b>	<b>6/30/2014</b>
Land	\$ 5,801,746	-	-	5,801,746
Construction in Progress	-	155,474	-	155,474
Total Non-Depreciable Assets	<u>5,801,746</u>	<u>155,474</u>	<u>-</u>	<u>5,957,220</u>
Buildings & Improvements	152,987,369	594,086	-	153,581,455
Furniture and Fixtures	2,368,971	-	-	2,368,971
Information Technology	652,798	161,255	-	814,053
Land Improvements	559,571	371,227	-	930,798
Libraries & Museums	970,342	-	-	970,342
Livestock	5,000	-	-	5,000
Machinery and Equipment	6,881,630	1,044,687	-	7,926,317
Vehicles	1,010,190	34,214	-	1,044,404
Total Depreciable Assets	<u>165,435,871</u>	<u>2,205,469</u>	<u>-</u>	<u>167,641,340</u>
Accumulated depreciation:				
Building & Improvements	(54,104,336)	(5,044,538)	-	(59,148,874)
Furniture and Fixtures	(2,129,549)	(96,302)	-	(2,225,851)
Information Technology	(497,797)	(55,859)	-	(553,656)
Land Improvements	(21,777)	(19,495)	-	(41,272)
Libraries & Museums	(534,635)	(88,568)	-	(623,203)
Livestock	(5,000)	-	-	(5,000)
Machinery and Equipment	(5,500,250)	(609,374)	-	(6,109,624)
Vehicles	(953,072)	(60,600)	-	(1,013,672)
Total Accumulated Depreciation	<u>(63,746,416)</u>	<u>(5,974,736)</u>	<u>-</u>	<u>(69,721,152)</u>
Total Capital Assets, Net	<u>\$ 107,491,201</u>	<u>(3,613,793)</u>	<u>-</u>	<u>103,877,408</u>

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**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Business-Type capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2014</u>
Information Technology	\$ -	454,561	-	454,561
Machinery and Equipment	-	31,950	-	31,950
Buildings and Improvements	-	14,605	-	14,605
Total Depreciable Assets	<u>-</u>	<u>501,116</u>	<u>-</u>	<u>501,116</u>
Accumulated depreciation:				
Information Technology	-	(1,322)	-	(1,322)
Machinery and Equipment	-	(89)	-	(89)
Buildings and Improvements	-	-	-	-
Total Accumulated Depreciation	<u>-</u>	<u>(1,411)</u>	<u>-</u>	<u>(1,411)</u>
Total Capital Assets, Net	<u>\$ -</u>	<u>499,705</u>	<u>-</u>	<u>499,705</u>

Depreciation expense for fiscal year 2014 is was charged to the following functions:

Government Activities	
Arts	\$ 3,262
Museum services	5,601,202
Preservation & library	299,266
Program support	71,006
Total	<u>\$ 5,974,736</u>
Business-Type Activities	
Enterprise Fund 53000	<u>\$ 1,411</u>

In accordance with GASB Statement No. 34 Paragraph 27, *Reporting Works of Art and Historical Treasures*, DCA is not required to capitalize works of art, historical treasures and similar assets if the collection is:

- Held for public exhibition, education, or research in furtherance of public service, rather than financial gain
- Protected, kept unencumbered, cared for, and preserved
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections

DCA has evaluated all collections and have made a determination that all collections meet the above criteria and, as such, were not capitalized at June 30, 2014. Major department facilities with substantial art and collection items include the: Museum of Art, Museum of International

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**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Folk Art, Museum of Indian Arts and Culture, History Museum/Palace of the Governors, Space History Museum, Farm and Ranch Heritage Museum, National Hispanic Cultural Center and the Museum of Natural History and Science.

**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 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>Balance</u> <u>6/30/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Current</u> <u>Portion</u>
Compensated Absences	\$ 1,104,978	1,275,690	(1,392,765)	987,903	987,903

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, 2014, 2013 and 2012 were \$2,733,243, \$2,541,581 and \$2,246,566, 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 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

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

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, 2014, 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, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each

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

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, 2014, 2013 and 2012 were \$342,356, \$336,662, and \$305,812, respectively, which equal the required contributions for each year.

**NOTE 8 – CONTINGENT LIABILITIES (CLAIMS AND JUDGMENTS)**

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

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

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

The following amounts are due to/from other state agencies:

Agency No.	Due from State Agency	Due to DCA Fund No.				Total
		47800 Capital Projects Laws 2010	69100 NMFA Projects Fund	89200 Capital Projects Laws 10, 11, 12	26300 Capital Projects, Laws 2007	
10590	NM Finance & Administration	\$ 986,360	-	1,922,273	33,165	2,941,798
33300	NM Taxation and Revenue	-	62,107	-	-	62,107
	<b>Total</b>	<b>\$ 986,360</b>	<b>62,107</b>	<b>1,922,273</b>	<b>33,165</b>	<b>3,003,905</b>

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**NOTE 9 – DUE FROM AND DUE TO OTHER STATE AGENCIES (CONTINUED)**

Fund No.	Due from DCA Fund	Due to State Agency			Total
		30800 Office of the State Auditor	10590 NM Finance & Administration	35000 General Services Department	
19300	General Operating	\$ 18,088	-	-	18,088
53000	Enterprise Fund	-	-	51,461	51,461
69800	Arts in Public Places Fund	-	14,685	-	14,685
26300	Capital Projects, Laws 2007	-	121,638	-	121,638
	<b>Total</b>	\$ <u>18,088</u>	<u>136,323</u>	<u>51,461</u>	<u>205,872</u>

**NOTE 10 – DUE FROM/DUE TO OTHER FUNDS AND OPERATING TRANSFERS**

The interfund *Due from Other Funds* receivable and *Due to Other Funds* payable reported in the governmental funds balance sheet consists of the following:

Fund No.	Fund	Receivable	Payable
19300	General Operating Fund	\$ 1,705,729	659,993
19400	15% Museum Admission Fund	443,528	-
47800	Capital Projects, Laws 2010	116,199	658,726
89200	Capital Projects Laws 10, 11, 12	213,644	1,163,193
25600	Museum Collections Fund	-	8
26300	Capital Projects, Laws 2007	45,509	42,689
		\$ <u>2,524,609</u>	<u>2,524,609</u>

Operating transfers during the fiscal year ended June 30, 2014 were as follows:

Fund No.	Fund	Transfer In	Transfer Out
19300	General Operating Fund	\$ -	745,099
19400	15% Museum Admission Fund	724,590	-
26300	Capital Projects, Laws 2007	20,509	-
		\$ <u>745,099</u>	<u>745,099</u>



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**NOTE 11. OTHER RECEIVABLES**

Other receivables not due from state or federal sources as of June 30, 2014 consisted of the following.

	<u>19300</u>	<u>26300</u>	
	General Operating Fund	Capital Projects, Laws 2007	<u>Total</u>
Receivables:			
Charges for services	\$ 822,092	101,129	923,221
Allowance for doubtful accounts	<u>(90,000)</u>	-	<u>(90,000)</u>
Total receivables	<u>\$ 732,092</u>	<u>101,129</u>	<u>833,221</u>

**NOTE 12. REVOLVING LOAN FUND**

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

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

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

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.

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

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

**NOTE 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, 2014.

DCA has entered into various leases for land, office equipment and office space as of June 30, 2014. 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.

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**NOTE 16. OPERATING LEASES**

The reporting entity 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>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 152,572
2015	178,017
2016	145,691
2017	115,124
2018	<u>43,380</u>
Total	<u>\$ 634,784</u>

**NOTE 17. LONG-TERM DEBT**

At June 30, 2014, long-term debt reflected through funds 19300 and 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.

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**NOTE 17. LONG-TERM DEBT (CONTINUED)**

**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). During fiscal year 2014, the New Mexico Department of Energy and Minerals and Natural Resources Department certified that DCA met the required efficiency and, as such, DCA was required to re-pay the debt initially paid through pledged governmental gross receipts tax revenues. The initial loan had a balance due of \$214,490 at June 30, 2014 and will continue to be paid down by governmental gross receipts tax. The loan repayable to NMFA requires annual principal and interest to be paid in the amount of \$43,822 due each June 30<sup>th</sup>. The loan retains the same interest rates as the original note which ranges from 3.43% the first year up to 5.74% in 2024, the year of maturity.

During the fiscal year ended June 30, 2014, the following changes occurred in long-term debt:

	Balance June 30, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2014</u>	Due Within <u>One Year</u>
State Museum Tax Revenue Bonds	\$ 3,715,375	-	(307,664)	3,407,711	319,652
Public Project Revolving Fund Loan	1,363,469	-	(114,230)	1,249,239	118,227
Energy Efficiency Revolving Fund Loan	<u>246,850</u>	<u>121,930</u>	<u>(36,607)</u>	<u>332,173</u>	<u>36,607</u>
Total long term debt	\$ <u>5,325,694</u>	<u>121,930</u>	<u>(458,501)</u>	<u>4,989,123</u>	<u>474,486</u>

DCA's principal and interest requirements to retire the long-term obligations are as follows:

**State Museum Tax Revenue Bonds**

	Principal	Interest
2015	\$ 319,652	139,444
2016	331,349	127,777
2017	344,038	115,119
2018	357,627	101,564
2019	372,111	87,116
2020-2023	1,682,934	184,501
Total	<u>\$ 3,407,711</u>	<u>755,521</u>

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**NOTE 17. LONG-TERM DEBT (CONTINUED)**

**Public Project Revolving Fund Loan**

	Principal	Interest
2015	\$ 118,227	51,575
2016	122,553	47,260
2017	127,246	42,578
2018	132,272	37,565
2019	137,629	32,221
2020-2023	611,312	68,240
Total	<u>\$ 1,249,239</u>	<u>279,439</u>

**Energy Efficiency Revolving Fund Loan**

	Principal	Interest
2015	\$ 36,607	7,215
2016	36,607	7,215
2017	36,607	7,215
2018	36,607	7,215
2019	36,607	7,215
2020 – 2024	149,138	28,860
Total	<u>\$ 332,173</u>	<u>64,935</u>

Restricted cash at June 30, 2014 in the amount of \$830,207, held in the NMFA Projects Fund 69100, represents debt reserves held with the New Mexico Finance Authority and is restricted for that purpose.

**NOTE 18. 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, 2014, were as follows:

<u>Governmental Fund Description</u>	<u>Fund</u>	<u>Reversion</u>	<u>Balance Due State General Fund</u>
General Operating Fund	19300	\$ -	**37,855
Capital Projects, Laws 2010	47800	4,213	*4,213
Capital Projects Laws 10, 11, 12	89200	2,543	*2,543
<b>Total</b>		<u>\$ 6,756</u>	<u>44,611</u>

\*Reversions due the State General Fund

\*\* Stale dated warrants due the State General Fund

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 19. FUND BALANCE**

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, DCA classifies governmental fund balances as follows:

- Non-spendable - 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 - includes 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 - includes balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches;
- Assigned - includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed; and
- Unassigned - includes 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available for use, it is DCA's policy to use restricted resources first and then unrestricted resources. Any residual balances are classified using the default policy for unrestricted fund balance: committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

A summary of the nature and purpose of these reserves by fund type at June 30, 2014, is included in the table below.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 19. FUND BALANCE (CONTINUED)**

Fund/Program	Laws	Restricted	Committed
<b>General Fund:</b>			
DCA General Operating Fund		\$ -	638,084
<b>Total General Operating Fund:</b>		<u>-</u>	<u>638,084</u>
<b>Capital Improvement 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	14,016	-
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>2,418,341</u>	-
<b>Total Capital Projects:</b>		<u>2,432,545</u>	<u>-</u>
<b>Special Revenue:</b>			
15% Museum Admissions Fund	Laws of 2005, Chapter 277	1,826,106	-
Museum Collections Fund	Laws of 2005, Chapter 121	109,268	-
Rural Libraries Development Fund	Laws of 2007, Chapter 83	<u>900</u>	-
<b>Total Special Revenue:</b>		<u>1,936,274</u>	<u>-</u>
<b>Debt Service:</b>			
NMFA Projects Fund	Laws of 2003, Chapter 430	<u>1,722,452</u>	-
<b>Total Debt Service:</b>		<u>1,722,452</u>	<u>-</u>
<b>Total Fund Balance</b>		<u>\$ 6,091,271</u>	<u>638,084</u>

\$317,343 in non-spendable fund balance within the general operating fund is a result of inventory held in that fund at June 30, 2014.

**NOTE 20. 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 21. RECENT ACCOUNTING PRONOUNCEMENTS**

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement, which is effective for financial statements for periods beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The DCA adopted GASB Statement No. 65 during fiscal year 2014. The DCA currently has no deferred outflows or deferred inflows of resources.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*. This statement, which is effective for financial statements for periods beginning after December 15, 2012, amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The adoption of GASB Statement No. 66 had no effect on the DCA's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This statement, which is effective for financial statements for periods beginning after June 15, 2013, replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The DCA is a participant in the State of New Mexico's Public Employee Retirement Association (PERA). PERA, as the plan's administrator, implemented this new pronouncement during fiscal year 2014.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 21. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement, which is effective for financial statements for periods beginning after June 15, 2013, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The adoption of this pronouncement had no effect on the DCA's financial statements.

**NOTE 22. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2014.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Upon adoption of this statement for the year ended June 30, 2015, the Statement of Net Position will include a material liability for pension participation in fiscal year 2015.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*.
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The DCA will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The DCA believes that GASB Statement No. 69 and 71 will not have a significant financial impact to DCA or in issuing its financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 23. RESTATEMENT OF FUND BALANCE AND NET POSITION**

Net position, as reported within the Statement of Net Position was required to be restated at June 30, 2013 for due to the following:

- Certain capital assets were identified as having been donated by DCA or identified as a non-existent asset and, as such, required deletion from the capital asset listing at June 30, 2013. The deletion of assets, had they been booked in 2013, would result in a net loss of \$1.92 million. This reduced the June 30, 2013 net position.
- Approximately \$200,000 of depreciation was previously applied to non-depreciable assets. The removal of the previously recorded net position increased the June 30, 2013 net position.
- The beginning balance of accumulated depreciation was identified to be overstated and as such required an adjusting entry to correct the balance at an individual asset level. The correction of previously reported accumulated depreciation increased net position by approximately \$5.7 million.

The June 30, 2013 fund balance within the *ARRA 2009* non-major special revenue fund was required to be restated by \$60,782 as a result of a closeout error made in the previous period. At June 30, 2013, the *ARRA 2009* fund had no reportable activity and should have a zero fund balance. As a result of the restatement, net position reported on the Statement of Net Position increased by \$60,782.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2014**

	Special Revenue Funds			Capital Projects Fund	Total Non-Major Governmental Funds
	25600 Museum Collections Fund	59100 Rural Libraries Development	89000 ARRA 2009	26300 Captial Projects, Laws 2007	
<b>ASSETS</b>					
Interest in state treasurer general fund investment pool	\$ 109,276	900	-	-	110,176
Other receivables, net	-	-	-	101,129	101,129
Due from federal governments	-	-	-	-	-
Due from other state agencies	-	-	-	33,165	33,165
Due from local governments	-	-	-	-	-
Due from other funds	-	-	-	45,509	45,509
Other assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 109,276</b>	<b>900</b>	<b>-</b>	<b>179,803</b>	<b>289,979</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	-	-	1,460	1,460
Accrued payroll	-	-	-	-	-
Due to other state agencies	-	-	-	121,638	121,638
Due to other funds	8	-	-	42,689	42,697
<b>Total liabilities</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>165,787</b>	<b>165,795</b>
<b>DEFERRED INFLOWS</b>					
Unavailable revenue	-	-	-	-	-
<b>Total deferred inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	109,268	900	-	14,016	124,184
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>109,268</b>	<b>900</b>	<b>-</b>	<b>14,016</b>	<b>124,184</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 109,276</b>	<b>900</b>	<b>-</b>	<b>179,803</b>	<b>289,979</b>

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	Special Revenue Funds			Capital Projects	Total Non-Major Governmental Funds
	25600 Museum Collections Fund	59100 Rural Libraries Development	89000 ARRA 2009	Fund 26300 Captial Projects, Laws 2007	
<b>Revenues</b>					
Grants from other governments	\$ -	-	-	-	-
Interest revenue	70	-	-	-	70
Other state funds	-	-	-	-	-
Federal grants and contracts	-	-	-	-	-
Private gifts and grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total revenues</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>
<b>Expenditures</b>					
Personnel services and employee benefits	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	-	-	-	-	-
Contractual services	-	-	-	-	-
Other costs	-	-	-	4,655	4,655
Capital outlay	-	-	-	1,460	1,460
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,115</b>	<b>6,115</b>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	70	-	-	(6,115)	(6,045)
<b>Other Financing Sources (Uses)</b>					
Transfers - Revisions to State General Fund	-	-	-	-	-
Transfer of bond proceed appropriations	-	-	-	-	-
Transfers, in	-	-	-	20,509	20,509
Transfers, out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,509</b>	<b>20,509</b>
<b>Net change in fund balances</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>14,394</b>	<b>14,464</b>
Fund balances, beginning of year	109,198	900	(60,782)	(378)	48,938
Restatement	-	-	60,782	-	60,782
Fund balances, beginning of year as restated	109,198	900	-	(378)	109,720
<b>Fund balances, end of year</b>	<b>\$ 109,268</b>	<b>900</b>	<b>-</b>	<b>14,016</b>	<b>124,184</b>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund Appropriations	\$ 19,111,200	19,111,200	19,111,200	-
Intra-state Transfers	278,300	298,300	-	(298,300)
Federal Grants	113,000	113,000	92,687	(20,313)
Other Financing Sources	5,217,900	5,289,900	3,809,432	(1,480,468)
Fund Balance	1,468,700	1,468,700	1,249,284	(219,416)
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<u>26,189,100</u>	<u>26,281,100</u>	<u>24,262,603</u>	<u>(2,018,497)</u>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	19,633,700	18,514,300	16,493,089	2,021,211
Contractual Services	958,300	1,085,911	960,960	124,951
Other Operating Costs	5,597,100	6,680,889	6,271,787	409,102
<b>Total Expenditures</b>	<u>26,189,100</u>	<u>26,281,100</u>	<u>23,725,836</u>	<u>2,555,264</u>
Excess (Deficiency) of revenues over (Under expenditures)	-	-	536,767	536,767
<b>Cash Balance Carryforward</b>	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**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, 2014**

	<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	\$ 533,100	533,100	533,100	-
Intra-state Transfers	-	-	52,035	52,035
Federal Grants	1,231,900	1,331,900	1,338,806	6,906
Other Financing Sources	3,128,600	3,445,600	1,204,609	(2,240,991)
Fund Balance	189,400	189,400	217,541	28,141
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<b>5,083,000</b>	<b>5,500,000</b>	<b>3,346,091</b>	<b>(2,153,909)</b>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	3,513,200	3,458,200	3,048,653	409,547
Contratual Services	404,600	789,500	257,655	531,845
Other Operating Costs	1,165,200	1,252,300	172,993	1,079,307
<b>Total Expenditures</b>	<b>5,083,000</b>	<b>5,500,000</b>	<b>3,479,301</b>	<b>2,020,699</b>
Excess (Deficiency) of revenues over (Under expenditures)	-	-	(133,210)	(133,210)
<b>Cash Balance Carryforward</b>	-	-	-	-
	\$ -	-	-	-

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund Appropriations	\$ 3,909,300	3,909,300	3,892,846	(16,454)
Intra-state Transfers	-	-	-	-
Federal Grants	1,363,900	1,563,900	1,674,073	110,173
Other Financing Sources	35,000	45,000	47,562	2,562
Fund Balance	31,300	31,300	31,300	-
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<u>5,339,500</u>	<u>5,549,500</u>	<u>5,645,781</u>	<u>96,281</u>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	2,592,400	2,592,400	2,367,820	224,580
Contratual Services	1,062,300	859,800	856,470	3,330
Other Operating Costs	1,684,800	2,097,300	2,025,052	72,248
<b>Total Expenditures</b>	<u>5,339,500</u>	<u>5,549,500</u>	<u>5,249,342</u>	<u>300,158</u>
Excess (Deficiency) of revenues over (Under expenditures)	-	-	396,439	396,439
<b>Cash Balance Carryforward</b>	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>



**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, 2014**

	<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	\$ 3,967,400	3,967,400	3,970,766	3,366
Intra-state Transfers	-	-	-	-
Federal Grants	-	-	-	-
Other Financing Sources	65,500	65,500	32,714	(32,786)
Fund Balance	256,100	256,100	242,203	(13,897)
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<b>4,289,000</b>	<b>4,289,000</b>	<b>4,245,683</b>	<b>(43,317)</b>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	3,891,800	3,665,100	3,601,262	63,838
Contratual Services	171,300	223,500	208,260	15,240
Other Operating Costs	225,900	400,400	393,304	7,096
<b>Total Expenditures</b>	<b>4,289,000</b>	<b>4,289,000</b>	<b>4,202,826</b>	<b>86,174</b>
Excess (Deficiency) of revenues over (Under expenditures)	-	-	42,857	42,857
<b>Cash Balance Carryforward</b>	-	-	-	-
	\$ -	-	-	-

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General Fund Appropriations	\$ 1,380,200	1,380,200	1,380,200	-
Intra-state Transfers	-	-	-	-
Federal Grants	572,100	686,700	560,208	(126,492)
Other Financing Sources	6,200	6,200	15,000	8,800
Fund Balance	62,200	62,200	32,194	(30,006)
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<u>2,020,700</u>	<u>2,135,300</u>	<u>1,987,602</u>	<u>(147,698)</u>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	866,800	807,900	660,806	147,094
Contratual Services	989,200	1,117,700	1,094,916	22,784
Other Operating Costs	164,700	209,700	163,488	46,212
<b>Total Expenditures</b>	<u>2,020,700</u>	<u>2,135,300</u>	<u>1,919,210</u>	<u>216,090</u>
Excess (Deficiency) of revenues over (Under expenditures)	-	-	68,392	68,392
<b>Cash Balance Carryforward</b>	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
SPECIAL APPROPRIATION  
For The Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenues</b>				
General Fund Appropriations	\$ 600,000	600,000	546,838	(53,162)
Intra-state Transfers	-	-	-	-
Federal Grants	-	-	-	-
Other Financing Sources	-	-	-	-
Fund Balance	6,543,611	6,543,611	500,000	(6,043,611)
Miscellaneous	-	-	-	-
Private Gifts and Grants	-	-	-	-
<b>Total Revenue</b>	<b>7,143,611</b>	<b>7,143,611</b>	<b>1,046,838</b>	<b>(6,096,773)</b>
<b>Expenditures</b>				
<b>Current:</b>				
Personnel Services and Benefits	5,178,000	40,000	-	40,000
Contractual Services	802,000	457,119	382,911	74,208
Other Operating Costs	1,163,611	602,881	663,927	(61,046)
Other Financing Uses	-	6,043,611	-	-
<b>Total Expenditures</b>	<b>7,143,611</b>	<b>7,143,611</b>	<b>1,046,838</b>	<b>53,162</b>
<b>Excess (Deficiency) of revenues over (Under expenditures)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>(6,043,611)</b>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FUND 47800 - CAPITAL PROJECTS, LAWS OF 2010  
For The Year Ended June 30, 2014

	Original	Final	Actual Amounts		
			Life-to-Date Accrual Amounts (Budgetary Basis)	FY 14 Actual Amounts (Budgetary Basis)	Life-to-Date Variance Positive (Negative)
	Life-to-Date Budgeted Amounts	Life-to-Date Budgeted Amounts			
<b>Revenues</b>					
Bond Proceeds	\$ 3,000,000	3,012,052	3,002,353	2,036,525	(9,699)
Other state funds	-	-	-	-	-
Federal Grants	-	-	-	-	-
Cash balance rebudgeted	-	-	-	-	-
<b>Total Revenue</b>	<u>3,000,000</u>	<u>3,012,052</u>	<u>3,002,353</u>	<u>2,036,525</u>	<u>(9,699)</u>
<b>Expenditures</b>					
Current:					
Personnel Services and Benefits	-	-	-	-	-
Contractual Services	-	12,052	6,565	-	5,487
Other Operating Costs	3,000,000	3,000,000	2,995,788	2,032,312	4,212
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>3,000,000</u>	<u>3,012,052</u>	<u>3,002,353</u>	<u>2,032,312</u>	<u>9,699</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>4,213</u>	<u>-</u>
<b>Reconciliation of Budgetary Basis to Fund Financial Statements</b>					
Reversions (not budgeted)				<u>(4,213)</u>	
Net Change in Fund Balance				<u>\$ -</u>	

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FUND 69100 - CAPITAL PROJECTS, LAWS OF 2003  
For The Year Ended June 30, 2014

	Original	Final	Actual Amounts		
	Life-to-Date Budgeted Amounts	Life-to-Date Budgeted Amounts	Life-to-Date Accrual Amounts (Budgetary Basis)	FY 14 Actual Amounts (Budgetary Basis)	Life-to-Date Variance Positive (Negative)
<b>Revenues</b>					
Bond Proceeds	\$ 4,686,038	4,686,038	3,684,565	832,592	(1,001,473)
Other state funds	-	-	-	-	-
Federal Grants	-	-	-	-	-
Cash balance rebudgeted	-	-	-	-	-
<b>Total Revenue</b>	<u>4,686,038</u>	<u>4,686,038</u>	<u>3,684,565</u>	<u>832,592</u>	<u>(1,001,473)</u>
<b>Expenditures</b>					
Current:					
Personnel Services and Benefits	-	-	-	-	-
Contractual Services	309,637	309,637	19,188	-	290,449
Other Operating Costs	4,376,401	4,376,401	3,665,377	654,760	711,024
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>4,686,038</u>	<u>4,686,038</u>	<u>3,684,565</u>	<u>654,760</u>	<u>1,001,473</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>177,832</u>	<u>-</u>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FUND 69800 - 1% ART IN PUBLIC PLACES  
For The Year Ended June 30, 2014

	Life-to-Date Budgeted Amounts	Life-to-Date Budgeted Amounts	Life-to-Date Accrual Amounts (Budgetary Basis)	FY 14 Actual Amounts (Budgetary Basis)	Life-to-Date Variance Positive (Negative)
<b>Revenues</b>					
Bond Proceeds	\$ 14,420,817	14,420,817	6,900,809	2,889,900	(7,520,008)
Other state funds	-	-	-	-	-
Federal Grants	-	-	-	-	-
Cash balance rebudgeted	-	-	-	-	-
<b>Total Revenue</b>	<u>14,420,817</u>	<u>14,420,817</u>	<u>6,900,809</u>	<u>2,889,900</u>	<u>(7,520,008)</u>
<b>Expenditures</b>					
Current:					
Personnel Services and Benefits	-	-	-	-	-
Contratual Services	5,855,430	5,855,430	3,151,946	503,233	2,703,484
Other Operating Costs	8,565,387	8,565,387	3,748,863	2,177,133	4,816,524
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>14,420,817</u>	<u>14,420,817</u>	<u>6,900,809</u>	<u>2,680,366</u>	<u>7,520,008</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>209,534</u>	<u>-</u>

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

Reversions (not budgeted)	<u>(2,543)</u>
Net Change in Fund Balance	<u>\$ 206,991</u>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FUND 89200 - CAPITAL PROJECTS, LAWS OF 2010, 2011, 2012, 2013  
For The Year Ended June 30, 2014

	Original	Final	Actual Amounts		Life-to-Date Variance Positive (Negative)
			Life-to-Date Accrual Amounts (Budgetary Basis)	FY 14 Actual Amounts (Budgetary Basis)	
	Life-to-Date Budgeted Amounts	Life-to-Date Budgeted Amounts	Life-to-Date Accrual Amounts (Budgetary Basis)	FY 14 Actual Amounts (Budgetary Basis)	Life-to-Date Variance Positive (Negative)
<b>Revenues</b>					
Bond Proceeds	\$ 14,079,334	14,079,334	4,995,785	2,680,366	(9,083,549)
Other state funds	-	-	-	-	-
Federal Grants	-	-	-	-	-
Cash balance rebudgeted	-	-	-	-	-
<b>Total Revenue</b>	<u>14,079,334</u>	<u>14,079,334</u>	<u>4,995,785</u>	<u>2,680,366</u>	<u>(9,083,549)</u>
<b>Expenditures</b>					
Current:					
Personnel Services and Benefits	-	-	-	-	-
Contractual Services	1,505,305	1,505,305	491,709	342,092	1,013,596
Other Operating Costs	12,574,029	12,574,029	4,504,076	2,338,274	8,069,953
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>14,079,334</u>	<u>14,079,334</u>	<u>4,995,785</u>	<u>2,680,366</u>	<u>9,083,549</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FUND 25600 - MUSEUM COLLECTIONS FUND  
For The Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenues</b>				
Service fees	\$ -	-	-	-
Severance tax bond proceeds	480,500	480,500	-	(480,500)
Interest	-	-	70	70
Other revenues	-	-	-	-
Other financing sources	-	-	-	-
<b>Total Revenue</b>	<u>480,500</u>	<u>480,500</u>	<u>70</u>	<u>(480,430)</u>
<b>Expenditures</b>				
Current:				
Personnel Services and Benefits	-	-	-	-
Contratual Services	-	-	-	-
Other Operating Costs	480,500	480,500	-	480,500
<b>Total Expenditures</b>	<u>480,500</u>	<u>480,500</u>	<u>-</u>	<u>480,500</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>70</u>	<u>70</u>



STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FUND 26300 - CAPITAL PROJECTS  
For The Year Ended June 30, 2014

	Original	Final	Actual Amounts		
			Life-to-Date Actual Amounts (Budgetary Basis)	FY 14 Actual Amounts (Budgetary Basis)	Life-to-Date Variance Positive (Negative)
	Life-to-Date Budgeted Amounts	Life-to-Date Budgeted Amounts			
<b>Revenues</b>					
Bond Proceeds	\$ 38,482,941	38,482,941	37,870,433	20,509	(612,508)
Other state funds	-	-	-	-	-
Federal Grants	-	-	-	-	-
Cash balance rebudgeted	-	-	-	-	-
<b>Total Revenue</b>	<u>38,482,941</u>	<u>38,482,941</u>	<u>37,870,433</u>	<u>20,509</u>	<u>(612,508)</u>
<b>Expenditures</b>					
Current:					
Personnel Services and Benefits	-	-	-	-	-
Contractual Services	3,337,655	3,337,655	3,091,177	4,655	246,478
Other Operating Costs	29,376,540	29,376,540	29,132,642	1,460	243,898
Capital outlay	5,768,746	5,768,746	5,646,614	-	122,132
<b>Total Expenditures</b>	<u>38,482,941</u>	<u>38,482,941</u>	<u>37,870,433</u>	<u>6,115</u>	<u>612,508</u>
Net Change in Fund Balance	\$ -	-	-	14,394	-

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF INTEREST IN STATE TREASURER  
GENERAL FUND INVESTMENT POOL  
As of June 30, 2014

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund</u>	<u>Fund Type</u>	<u>Type of Account</u>	<u>Interest Bearing</u>	<u>Reconciled Balance at 6/30/2014</u>
<b>General Fund</b>						
State Treasurer	General Operating Account	19300	General	State Treasurer	No	\$ 1,447,423
<b>Special Revenue Funds</b>						
State Treasurer	15% Museum Admission Funds	19400	Special Revenue	State Treasurer	No	1,382,578
State Treasurer	Museum Collections Fund	25600	Special Revenue	State Treasurer	No	109,276
State Treasurer	Rural Libraries Development	59100	Special Revenue	State Treasurer	No	900
State Treasurer	ARRA 2009	89000	Special Revenue	State Treasurer	No	-
						<u>1,492,754</u>
<b>Capital Projects Funds</b>						
State Treasurer	Capital Projects, Laws 2010	47800	Capital Projects	State Treasurer	No	-
State Treasurer	Arts in Public Places Fund	69800	Capital Projects	State Treasurer	No	2,576,360
State Treasurer	Capital Projects, Laws 10, 11, 12	89200	Capital Projects	State Treasurer	No	-
						<u>2,576,360</u>
<b>Debt Service Fund</b>						
State Treasurer	NMFA Projects Fund	69100	Debt Service	State Treasurer	No	830,484
<b>Total Governmental Funds</b>						<u>6,347,021</u>
<b>Enterprise Fund</b>						
State Treasurer	Enterprise Fund	53000	Enterprise	State Treasurer	No	<u>4,789,232</u>
<b>Fiduciary Funds</b>						
State Treasurer	Historic Preservation Revolving Agency	59300	Agency	State Treasurer	No	367,989
State Treasurer	Bartlett Trust Fund	61200	Trust	State Treasurer	Yes	157,913
State Treasurer	Main Street Revolving Loan Agency	20070	Agency	State Treasurer	No	66,408
<b>Total Fiduciary Funds</b>						<u>592,310</u>
<b>Total Interest in State Treasurer General Fund Investment Pool</b>						<u>\$ 11,728,563</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, 2014**

<u>Open Projects / Appropriation Period</u>	<u>Appropriation ID</u>	<u>Original Appropriation</u>	<u>Expenditures to Date</u>	<u>Outstanding Encumbrances</u>	<u>Reversions</u>	<u>Reauthorized</u>	<u>Unencumbered Remaining Balance</u>
<b>General Obligation Bonds</b>							
<b>Laws of 2010, Chapter 3</b>							
<b>Appropriation Period FY11-FY14</b>							
<b>Expire 06/30/2014</b>							
Statewide Library books, equipment & library resources acquisitions	A101227	\$ 2,000,000	1,998,888	-	647	-	465
Statewide Tribal Library books, equipment & library resources acquisitions	A101228	1,000,000	996,435	-	3,565	-	-
<b>Total</b>		<b>3,000,000</b>	<b>2,995,323</b>	<b>-</b>	<b>4,212</b>	<b>-</b>	<b>465</b>
<b>Laws of 2012, Chapter 54, Section 10/B/1</b>							
<b>Appropriation Period FY14-FY16</b>							
<b>Expire 06/30/2016</b>							
Statewide Tribal Library books, equipment, library resources acquisitions and capital improvements	A121232	700,000	-	697,999	-	-	2,001
Statewide Library books, equipment & library resources acquisitions	A121233	3,000,000	-	1,316,994	-	-	1,683,006
<b>Total</b>		<b>3,700,000</b>	<b>-</b>	<b>2,014,993</b>	<b>-</b>	<b>-</b>	<b>1,685,007</b>
<b>Total General Obligations Bonds</b>		<b>\$ 6,700,000</b>	<b>2,995,323</b>	<b>2,014,993</b>	<b>4,212</b>	<b>-</b>	<b>1,685,472</b>

**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, 2014**

<u>Open Projects / Appropriation Period</u>	<u>Appropriation ID</u>	<u>Original Appropriation</u>	<u>Expenditures to Date</u>	<u>Outstanding Encumbrances</u>	<u>Reversions</u>	<u>Reauthorized</u>	<u>Unencumbered Remaining Balance</u>
<b>Art in Public Places -</b>							
<b>Non-expiring, non-reverting</b>							
Art in Public Places - Z0400	GOB07 466	\$ 1,221,450	591,909	-	-	-	629,541
Art in Public Places - Z0500	GOB09 466	1,749,926	370,860	-	-	-	1,379,066
Art in Public Places - Z0800	GOB11 466	36,120	-	-	-	-	36,120
Art in Public Places	GOB13 466	486,000	-	-	-	-	486,000
Art in Public Places - Z0600	STB08A-1 466	879,089	315,625	-	-	-	563,464
Art in Public Places - Z0600	STB08SA 466	143,046	58,150	-	-	-	84,896
Art in Public Places - Z0600	STB08SD 466	103,660	30,000	-	-	-	73,660
Art in Public Places - Z0700	STB09A 466	155,341	58,240	-	-	-	97,101
Art in Public Places - Z0700	STB09SA 466	69,589	60,000	-	-	-	9,589
Art in Public Places - Z0700	STB09SC 466	190,000	-	-	-	-	190,000
Art in Public Places	STB09SD 466	52,429	5,000	-	-	-	47,429
Art in Public Places - Z0700	STB10A 466	28,900	-	-	-	-	28,900
Art in Public Places - Z0800	STB10SA 466	192,200	-	-	-	-	192,200
Art in Public Places - Z0900	STB11A-1 466	135,000	-	-	-	-	135,000
Art in Public Places	STB12A 466	210,800	-	-	-	-	210,800
Art in Public Places	STB12SA 466	18,001	-	-	-	-	18,001
Art in Public Places	STB13A 466	397,620	-	-	-	-	397,620
Art in Public Places	STB13SA 466	17,298	-	-	-	-	17,298
Art in Public Places	STB13SD 466	24,739	-	-	-	-	24,739
<b>Total Art in Public Places</b>		<b>\$ 6,111,208</b>	<b>1,489,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,621,424</b>
<b>Severance Tax Bonds</b>							
<b>Laws of 2008, Ch. 92, Sec 7/4</b>							
<b>Appropriation Period FY08-FY16 *14*12</b>							
<b>Expire 06/30/2016</b>							
NHCC/Torreon Project including bldg.	A083030 **	\$ 285,000	343,002	-	-	105,358	(163,360) **
<b>Total</b>		<b>285,000</b>	<b>343,002</b>	<b>-</b>	<b>-</b>	<b>105,358</b>	<b>(163,360)</b>
<b>Laws of 2009, Ch. 125, Sec 9/2,3</b>							
<b>Appropriation Period FY09-FY15 *13</b>							
<b>Expire 06/30/2015</b>							
Bosque Redondo Memorial Exhibits	A093096	563,000	461,105	688	-	-	101,207
NMF&RH Exhibits & Tortugas Hall	A093097	1,800,000	1,360,208	-	-	-	439,792
<b>Total</b>		<b>2,363,000</b>	<b>1,821,313</b>	<b>688</b>	<b>-</b>	<b>-</b>	<b>540,999</b>

**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, 2014**

<u>Open Projects / Appropriation Period</u>	<u>Appropriation ID</u>	<u>Original Appropriation</u>	<u>Expenditures to Date</u>	<u>Outstanding Encumbrances</u>	<u>Reversions</u>	<u>Reauthorized</u>	<u>Unencumbered Remaining Balance</u>
<b>Laws of 2010, Ch. 4, Sec 5</b>							
<b>Appropriation Period FY11-FY14</b>							
<b>Expire 06/30/2014</b>							
DCA/Mus-Mon Statewide Renovations	A101280	1,100,000	1,099,972	-	28	-	-
<b>Total</b>		<b>1,100,000</b>	<b>1,099,972</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>-</b>
<b>Laws 2011, Ch. 5, Sec 6</b>							
<b>Appropriation Period FY12-FY16</b>							
<b>Expire 06/30/2016</b>							
DCA/Mus-Mon Statewide Renovations	A111291	1,000,000	988,292	9,786	-	-	1,922
<b>Total</b>		<b>1,000,000</b>	<b>988,292</b>	<b>9,786</b>	<b>-</b>	<b>-</b>	<b>1,922</b>
<b>Laws of 2012, Ch. 64, Sec. 1</b>							
<b>Appropriation Period FY13-FY16</b>							
<b>Expire 06/30/2016</b>							
NHCC/Construct memorial on grounds	A121282	250,000	62,500	62,500	-	-	125,000
DCA/Mus-Mon Statewide Renovations	A121283	500,000	467,298	9,055	-	-	23,647
<b>Total</b>		<b>750,000</b>	<b>529,798</b>	<b>71,555</b>	<b>-</b>	<b>-</b>	<b>148,647</b>
<b>Laws of 2012, Ch. 63, Sec. 30,31,47,48,61,65,66</b>							
<b>Appropriation Period FY12-FY14 *12</b>							
<b>Expire 06/30/2014</b>							
NMF&RH & TRBM State Monument	A083031 A	100,000	98,661	-	-	-	1,339
NMF&RH & TRBM State Monument	A083031 B	25,000	25,000	-	-	-	-
Taylor Reynolds Barela Mesilla State Monument	A083031 D	20,000	20,000	-	-	-	-
Taylor Reynolds Barela Mesilla State Monument	A083031 E	10,000	10,000	-	-	-	-
NMF&R & Space/Renovations	A083031 F	15,000	13,825	-	-	-	1,175
NM Museum of Space History	A083031 G	10,000	10,000	-	-	-	-
NMF&R & Space/Renovations	A083031 H	25,000	25,000	-	-	-	-
<b>Total</b>		<b>205,000</b>	<b>202,486</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,514</b>

**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, 2014**

<u>Open Projects / Appropriation Period</u>	<u>Appropriation ID</u>	<u>Original Appropriation</u>	<u>Expenditures to Date</u>	<u>Outstanding Encumbrances</u>	<u>Reversions</u>	<u>Reauthorized</u>	<u>Unencumbered Remaining Balance</u>
<b>Laws of 2013, Ch. 226, Sec. 11/1,2,3,4</b>							
<b>Appropriation Period FY13-FY17</b>							
<b>Expire 06/30/2017</b>							
NM Museum of Space History Renovations	A131245	500,000	-	-	-	-	500,000
Santa Fe Childrens Museum Improvements	A131246	117,336	13,236	-	-	-	104,100
Cultural Facilities Complete & Equip	A131247	2,500,000	460,921	596	-	-	2,038,483
Museums & Monuments Critical Repairs SW	A131248	3,000,000	1,060,056	110,871	-	-	1,829,073
<b>Total</b>		<b>6,117,336</b>	<b>1,534,213</b>	<b>111,467</b>	<b>-</b>	<b>-</b>	<b>4,471,656</b>
<b>Total Severance Tax Bonds</b>		<b>\$ 11,820,336</b>	<b>6,519,076</b>	<b>193,496</b>	<b>28</b>	<b>105,358</b>	<b>5,002,378</b>

\*Reauthorizations

\*\* A083030 - \$163,361 was recouped through June 30, 2014 and has been reauthorized to extend time.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
Year Ended June 30, 2014**

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
<b>Historic Preservation Revolving Fund (59300)</b>				
ASSETS				
Interest in State Treasurer General Fund Investment Pool	\$ 359,650	8,339	-	367,989
Loans receivable	80,503	-	(4,687)	75,816
	<hr/>			
Total Assets	\$ 440,153	8,339	(4,687)	443,805
	<hr/> <hr/>			
LIABILITIES				
Deposits held in custody for others	\$ 440,153	8,339	(4,687)	443,805
	<hr/>			
Total Liabilities	\$ 440,153	8,339	(4,687)	443,805
	<hr/> <hr/>			
<b>Main Street Revolving Loan Fund (20070)</b>				
ASSETS				
Interest in State Treasurer General Fund Investment Pool	\$ 149,000	-	(82,592)	66,408
	<hr/>			
Total Assets	\$ 149,000	-	(82,592)	66,408
	<hr/> <hr/>			
LIABILITIES				
Deposits held in custody for others	\$ 149,000	-	(82,592)	66,408
	<hr/>			
Total Liabilities	\$ 149,000	-	(82,592)	66,408
	<hr/> <hr/>			

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING, AND OTHER GOVERNMENTAL AGREEMENTS  
As of June 30, 2014**

<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>
Albuquerque Public Schools	Establishes role of APS and Museum of Natural History for operation of Sandia Mountain Natural History Center and programs for students and the public	DCA/APS	N/A	8/31/2009	8/31/2014	DCA/APS	DCA/APS
Bureau of Land Management	Cooperative Agreement #L09AC15414 State of New Mexico Historic Preservation Division for ARMS Cultural Resource Data Sharing	DCA / BLM	190,000	6/27/2009	9/30/2014	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	9/21/2011	9/30/2014	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 Land Management	Cooperative Agreement L14AC00189	DCA/BLM	50,000	8/13/2014	9/30/2019	DCA/BLM	DCA HPD
Bureau of Reclamation	Annual Collections Maintenance Fees for BOR collections	DCA / BOR	133,016	4/12/2010	3/15/2015	DCA / BOR	DCA
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
City of Albuquerque-Explora	Shared of parking lot between properties	DCA / City of Abq	N/A	12/5/2000	indefinite	DCA / City of Abq	DCA / MNMF
DCA Historic Sites	To provide on-call archaeological services: specifically testing	DCA / NM Historic Sites	28,000	4/1/2014	6/30/2014	DCA OAS / NMHS	DCA
DCA Museum of Indian Arts and Culture	Museum of Indian Arts and Culture to reimburse Office of Archaeological Services landscaping design services at the Center for New Mexico Archaeology (both entities share facility)	DCA / Museum of Indian Arts and Culture	12,000	3/1/2014	6/30/2014	DCA OAS / MIAC	DCA
DCA Museum of Indian Arts and Culture	MOA Annual rental fee for ARMs between Museum & HPD	DCA	10,000	6/8/2010	6/8/2015	DCA	DCA
DCA Office of Archaeological Studies	Records Access Agreement NMCRIS	DCA HPD / DCA OAS	3,000	9/18/2013	9/18/2016	DCA	DCA
Friends of Coronado State Historic Site	General operating agreement	DCA/Friends Group	N/A	6/22/2003	Termination with either party with 60 days notice	N/A	N/A
Friends of the Bosque Redondo Memorial	General operating agreement between friends group and the Bosque Redondo Memorial at For Sumner	DCA/Friends Group	N/A	8/31/2002	Termination with either party with 60 days notice	Friends Group	Friends Group
Friends of the New Mexico Farm and Ranch Heritage Museum	General operating agreement between foundation and the Farm and Ranch Museum	DCA/Museum Foundation	N/A	7/29/2010	7/29/2015	Foundation	Foundation
Friends of the New Mexico Farm and Ranch Heritage Museum	The programmatic funds agreement sets guidelines for foundation financial support of the Farm and Ranch Museum	DCA/Museum Foundation	N/A	7/29/2010	7/29/2015	Foundation	Foundation
Friends of the New Mexico Farm and Ranch Heritage Museum	Operate a museum membership program.	DCA/Museum Foundation	N/A	8/19/2010	6/30/2017	Foundation	Foundation



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING, AND OTHER GOVERNMENTAL AGREEMENTS  
As of June 30, 2014**

<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>
Friends of the New Mexico Farm and Ranch Heritage Museum	Operate a theater seat sponsorship program.	DCA/Museum Foundation	N/A	11/2/2012	5/31/2015	Foundation	Foundation
Friends of the New Mexico Farm and Ranch Heritage Museum	Operate a brand brick sponsorship program	DCA/Museum Foundation	N/A	11/2/2012	5/31/2015	Foundation	Foundation
International Folk Art Foundation	General operating agreement between foundation and the International Folk Art Museum	DCA/Museum Foundation	N/A	12/8/1993	Termination by mutual consent	Foundation	Foundation
International Space Hall of Fame Foundation	General operating agreement between New Mexico Museum of Space History and foundation	DCA/Museum Foundation	N/A	11/6/2013	Termination by either party with notice	Foundation	Foundation
Jicarilla Apache Nation	MOA NMCRIIS-ARMS Data Base	DCA / Jicarilla Apache Nation Tribal Historic Preservation Office	7,500	4/30/2014	4/29/2017	DCA / Jicarilla Apache Nation Tribal Historic Preservation Office	DCA HPD
Museum of Natural History Foundation	Foundation operates the Museum Theatre; remits 50% of net income to DCA	DCA/Museum Foundation	N/A	6/30/2014	6/30/2021	DCA/Foundation	DCA/Foundation
Museum of Natural History Foundation	Foundation operates the Museum restaurant; remits 50% of net income to DCA	DCA/Museum Foundation	N/A	7/30/2011	6/30/2021	DCA/Foundation	DCA/Foundation
Museum of Natural History Foundation	General operating agreement between museum and foundation	DCA/Museum Foundation	N/A	3/28/2014	Termination by either party with notice	DCA/Foundation	DCA/Foundation
Museum of Natural History Foundation	Foundation operates the Museum store; remits 50% of net income to DCA	DCA/Museum Foundation	N/A	7/30/2011	6/30/2021	DCA/Foundation	DCA/Foundation
Museum of Natural History Foundation	Establishes guidelines for foundation and museum management of special events including events outside of normal museum hours	DCA/Museum Foundation	N/A	8/17/1999	Termination by either party with notice	DCA/Foundation	DCA/Foundation
Museum of Natural History Foundation	Establishes foundation as party to provide a museum membership program and conduct fundraising activities on museum property; establishes expectation for foundation financial support of museum related activities.	DCA/Museum Foundation	N/A	2/24/2010	6/30/2021	Foundation	Foundation
Museum of Natural History Foundation, Volunteer's Association, Friends of Paleontology	Establishes expectations for roles of parties in terms of museum volunteers	DCA/Museum Foundation	N/A	9/21/2014	9/30/2016	N/A	N/A
Museum of New Mexico Foundation	Allow DCA to show Living Traditions Documentary (produced by Foundation) in its facilities.	DCA/Museum Foundation	DCA/Museum Foundation	10/16/2013	None	N/A	DCA
Museum of New Mexico Foundation and DCA, Museum of New Mexico, Museum Board of Regents	General operating agreement between the Museum of New Mexico Foundation and DCA, including the Museum of New Mexico and the Museum Board of Regents.	DCA/Museum Foundation	DCA/Museum Foundation	12/1/2006	None	DCA/Museum Foundation	DCA/Museum Foundation
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
National Hispanic Cultural Center Foundation	General operating agreement between foundation and the National Hispanic Cultural Center	DCA/Museum Foundation	N/A	10/19/2009	Termination by mutual consent	Foundation	Foundation
National Park Service	FFY2012 Annual Grant #35-12-41938	DCA / NPS	788,226	6/27/2007	9/30/2014	DCA / NPS	DCA HPD

**STATE OF NEW MEXICO**  
**DEPARTMENT OF CULTURAL AFFAIRS**  
**SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING, AND OTHER GOVERNMENTAL AGREEMENTS**  
**As of June 30, 2014**

<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>
National Park Service	FFY2013 Annual Grant #35-13-51938	DCA / NPS	748,502	10/1/2012	9/30/2014	DCA / NPS	DCA HPD
New Mexico Gas Company	MOA NMCRI-ARMS Data Base	DCA / NM Gas Co	3,000	3/1/2012	3/1/2015	DCA / New Mexico Gas Company	DCA HPD
New Mexico Music Commission Foundation	General operating agreement between DCA, the New Mexico Music Commission, and the Foundation.	DCA/Music Commission	N/A	5/7/2012	Termination with either party with 30 days notice	Foundation	Foundation
New Mexico State University	Property lease for de minimis amount; in return DCA constructed and operates Farm and Ranch Museum	NMSU/DCA	30	1/1/1995	12/31/2025	NMSU/DCA	NMSU/DCA
NM Department of Game and Fish	To provide on-call archaeological services	DCA/NM Department of Game and Fish	Open	5/1/2014	6/30/2015	DCA OAS / NMDGF	DCA OAS / NMDGF
NM Department of Transportation	MOA #Mo1240 NMCRI-ARMS Data Base	DCA / NMDOT	100,000	6/25/2013	6/30/2017	DCA / NMDOT	DCA / NMDOT
NM Department of Transportation	Joo782 Compliance	DCA / NMDOT	200,000	1/24/2014	6/30/2017	DCA / NMDOT	DCA / NMDOT
NM Energy Minerals and Natural Resources Department	JPA # 000...1612 between EMNRD and DCA/MNM/OAS to pay for all costs incurred under this agreement for archaeological services.	DCA / EMNRD	1,500,000	7/1/2004	contingent upon NM State Legislature and OSM	DCA / EMNRD	DCA / EMNRD
NM Energy, Minerals and Natural Resources Department	Governmental Services Agreement #12-521-0620-002 NMCRI-ARMS Data Base	DCA / NMEMNRD	19,500	7/1/2011	6/30/2014	DCA / NMEMNRD	DCA/EMNRD
NM Energy, Minerals and Natural Resources Dept.	Governmental Services Agreement #15-521-0620-0002 NMCRI-ARMS Data Base	DCA/NMEMNRD	26,000	7/1/2014	6/30/2018	DCA/NMEMNRD	DCA/NMEMNRD
NM Game and Fish	MOA NMCRI-ARMS Data Base	DCA / NMG&F	9,000	7/1/2013	6/30/2016	DCA / NMG&F	DCA / NMG&F
NM Spaceport Authority	To provide archaeological services including excavations, monitoring, lab analysis, report writing, production, education outreach and collections curation.	DCA / NM Spaceport Authority	1,200,000	10/24/2010	After final inspection by NMSA & OAS. Final payment to OAS.	DCA / NM Spaceport Authority	DCA OAS
NM Spaceport Authority	Space History Museum serves as repository for Spaceport artifacts	Spaceport/DCA	N/A	4/20/2007	N/A	N/A	N/A
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 / DMA
NM State Land Office	MOU NMCRI-ARMS Data Base	DCA / NM State Land Office	20,000	10/3/2011	6/30/2015	DCA / NM State Land Office	DCA / NM State Land Office
NM State Land Office	Museum of Natural History serves as repository for paleontological discoveries	DCA/State Land Office	N/A	2/10/2011	Termination by either party with 30 days notice	N/A	N/A
Public Service Company of New Mexico	Records Access Agreement NMCRI-ARMS	DCA / PNM	3,000	1/1/2013	12/31/2015	DCA	DCA HPD
Southwest Dairy Museum	Construction of dairy education building at the Farm and Ranch Museum and programming.	Farm and Ranch Museum/Southwest Dairy Museum	N/A	11/19/1996	11/19/2025	Farm and Ranch Museum/Southwest Dairy Museum	Farm and Ranch Museum/Southwest Dairy Museum
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
United States Army Corps of Engineers	Solicitation/Contract/Order for Commercial Items/W912PP-13-V-0013	DCA/COE	75,000	9/24/2013	12/31/2017	DCA/COE	DCA HPD

STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF JOINT POWERS AGREEMENTS, MEMORANDUMS OF UNDERSTANDING, AND OTHER GOVERNMENTAL AGREEMENTS  
As of June 30, 2014

Contractor	Scope of Work	Responsible Party	Total Amount of Contract	Beginning Date	Ending Date	Audit Responsibility	Agency Reporting Revenue/Expense
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 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
US Department of Defense Holloman Air Force Base	Agreement # s/b #HAFB_FB4801-93218-063 ; MIPR #F2E3CE3081G001 - NMCRIS-ARMS Data Base	DCA / HAFB	10,000	8/20/1996	\$6K annually indefinite	DCA / HAFB	DCA HPD
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
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
USDA Forest Service	Challenge Cost Share Agreement #14-CS-11031600-046	DCA/Forest Service	125,000	6/20/2014	9/30/2019	DCA/Forest Service	DCA HPD
USDA Forest Service	Agreement #AG-8371-P-12-0039	DCA/Forest Service	8,000	8/22/2012	9/30/2013	DCA/Forest Service	DCA HPD
USDA Forest Service	Agreement #AG-8371-P-14-0074	DCA/Forest Service	10,000	7/16/2013	9/30/2014	DCA/Forest Service	DCA HPD
USDA Forest Service	Agreement #AG-8371-P-14-0048	DCA/Forest Service	10,000	3/12/2014	9/30/2014	DCA/Forest Service	DCA HPD
USDA Natural Resources Conservation Service	Agreement #AG-8C30-P-10-0013 NMCRIS-ARMS Data Base	DCA / NRCS	25,000	9/21/2011	9/30/2014	DCA/NRCS	DCA HPD
USDA Natural Resources Conservation Service	#AG-8C30P-14-0008	DCA/NRCS	100,000	10/1/2014	9/30/2019	DCA/NRCS	DCA HPD

**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  
and Mr. Hector Balderas, State Auditor  
State of New Mexico Department of Cultural Affairs

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, the aggregate remaining fund information, the budgetary comparisons of the general fund and the major special revenue fund of the State of New Mexico Department of Cultural Affairs (DCA) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise DCA's basic financial statements, and the combining and individual funds and related budgetary comparisons of DCA, presented as supplemental information, and have issued our report thereon dated December 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 DCA's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness as item 2013-009.

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 deficiency described in the accompanying *schedule of findings and questioned costs* to be a significant deficiency as item 2013-015.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DCA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters 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 2013-011 and 2013-016.

### **DCA's Responses to Findings**

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 result 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 DCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Axiom CPAs and Business Advisors, LLC  
Albuquerque, New Mexico  
December 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  
and Hector Balderas, State Auditor  
State of New Mexico Department of Cultural Affairs

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

We have audited the State of New Mexico Department of Cultural Affairs (DCA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of DCA's major federal programs for the year ended June 30, 2014. 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 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 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 DCA's compliance.

**Opinion on Each of the Major Federal Programs**

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 other major federal programs for the year ended June 30, 2014.

**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 2014-001 and 2013-002. Our opinion on each major federal program is not modified with respect to these matters.

DCA's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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.

### **Report on Internal Control over Compliance**

Management of 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.

*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. *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.

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

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.

The logo for Axiom, featuring the word "Axiom" in a stylized, blue, cursive font.

Axiom CPAs and Business Advisors, LLC  
Albuquerque, New Mexico  
December 15, 2014

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2014**

<u>Federal Agency / Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Department of Agriculture</b>		
USFS SiteWatch Agreement #AG-8371-P-12-0039	10.Unknown	\$ 8,319
USFS SiteWatch Agreement #AG-8371-P-13-0065	10.Unknown	5,169
<b>Total Department of Agriculture</b>		<u>13,488</u>
<b>U.S. Department of the Interior</b>		
DOI - BLM - Permian Basin Agreement #L12AC20122	15.224	57,410
DOI - BLM - SiteWatch Agreement #L11AC20140	15.238	11,417
National Park Service		
HPD - 2012 Nat Parks Services HPF #35-12-41938	15.904	289,404
HPD - 2013 Nat Parks Services HPF #35-13-51938	15.904	428,692
HPD - 2014 Nat Parks Services HPF #35-14-61938	15.904	67,284
Total National Park Service		<u>785,380</u>
<b>Total U.S. Department of the Interior</b>		<u>854,207</u>
<b>National Endowment for the Arts</b>		
NEA - Partnership Grant #13-6100-2021	45.025	175,437
NEA - Partnership Grant #12-6100-2012	45.025	397,912
<b>Total National Endowment for the Arts</b>		<u>573,349</u>
<b>National Endowment for the Humanities</b>		
NEH - Digital Dialectic Foding New Pats of Inquiry in the Humanties	45.169	38,079
<b>Institute of Museum and Library Services</b>		
LSTA State Grant LS-00-12-0032-12	45.310	494,993
LSTA State Grant LS-00-13-0032-13	45.310	1,167,167
<b>Total Institute of Museum and Library Services</b>		<u>1,662,160</u>
<b>Total Federal Expenditures</b>		<u>\$ 3,141,283</u>



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes federal grant activity of the New Mexico Department of Cultural Affairs ("DCA") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with 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 Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3 - NON-CASH ASSISTANCE**

DCA did not receive any federal non-cash assistance during the year ended June 30, 2014.

**NOTE 4 - SUBRECIPIENTS**

Of the federal expenditures presented in the Schedule, DCA provided federal awards to 167 sub-recipients in the amount of \$428,449 in NEA Partnership Grant Monies CFDA No. 45.025. DCA subsequently monitored the pass-through activity of each sub-recipient.

**NOTE 5 - RECONCILIATION TO FINANCIAL STATEMENTS**

Federal Revenues and Contracts - Governmental Funds:	\$	3,642,741
(Less) Arms and MIAC Vendor Agreements/Contracts:		<u>(501,458)</u>
Total Federal Revenues:		<u>3,141,283</u>
Expenditures per SEFA Schedule:		<u>3,141,283</u>
Difference:	\$	<u><u>-</u></u>

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   x   Yes        No
- Significant deficiency identified that are not considered to be material weakness(es)?   x   Yes        None Reported

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

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiency identified that are not considered to be material weakness(es)        Yes   x   None reported

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 Program

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
45.025	National Endowment for the Arts
45.310	Institute of Museum and Library Services

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  
Year Ended June 30, 2014**

**B. FINANCIAL STATEMENT FINDINGS**

**2013-009 Control Deficiencies over Capital Assets (Material Weakness) - Revised and Repeated**

*CONDITION*

During our testing of the current year governmental and business-type capital assets we noted the following:

- Capital assets as presented at June 30, 2014 were identified to not be in existence prior to fiscal year 2014 and required deletion from the asset listing causing a prior period restatement which reduced capital assets and net position by approximately \$1.9 million at June 30, 2013.
- It was identified the beginning balance of accumulated depreciation on governmental assets had been erroneously calculated in prior years causing accumulated depreciation to be overstated. A prior period restatement was required to increase the June 30, 2013 capital assets and net position by approximately \$5.7 million.
- Approximately \$500,000 of capital assets were purchased by the Enterprise Fund 53000; however, the items were incorrectly expensed as capital outlay and not capitalized.
- Approximately \$200,000 of accumulated depreciation was previously calculated on non-depreciable land causing a prior period restatement which increased capital assets and net position by approximately \$200,000 at June 30, 2013.
- Testing of additions to capital assets identified incorrect classification causing erroneously applied useful lives.
- The Department does not tag their capital assets with an assigned asset for tracking purposes.

*CRITERIA*

GASB Codification Section 1400, *Reporting Capital Assets*, paragraph 131 requires that assets be capitalized when outlays for the asset have been made and when activities that are necessary to get the asset ready for its intended use are in progress. Furthermore, paragraph 104 of the same codification requires that capital assets be depreciated over their estimated useful lives. Generally accepted accounting practice requires that the balances reported be accurately calculated and presented into their respective categories as set forth in the Department's capitalization policy. Furthermore, enterprise funds are reported on the full accrual basis of accounting and, as such, no capital outlay expenditures should exist within the fund. All related assets should be capitalized.

*EFFECT*

The absence of true and accurately reported assets can mislead the users of the financial statements and/or State oversight agencies in regard to the correct balances capitalized and depreciated for governmental and business-type activities.

*CAUSE*

Tracking capital assets of a Department of this size within an Excel spreadsheet caused errors in the calculations of accumulated depreciation. Additional evaluation by the Department identified projects that were capitalized but were cancelled projects or were not assets that existed at June 30, 2013. Absent of the capitalization of enterprise assets was a result of oversight by the Department during their review of capital additions for the current fiscal year.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2013-009 Control Deficiencies over Capital Assets (Material Weakness) - Revised and Repeated  
(Continued)**

*RECOMMENDATION*

It is recommended that the Department consider evaluating capital asset software packages that meet their needs of capitalizing, tracking and deleting of governmental and business-type assets. It is further recommended that the Department establish policies and procedures to ensure that all additions and capital asset transactions are properly recorded and that depreciation is properly calculated. Finally, it is recommended that the Department tag all capitalized assets for ease of tracking.

*MANAGEMENT RESPONSE*

The current Administrative Services Staff identified a number of assets from prior years that had not been properly identified for disposal, and combined with additional fixed assets corrections suggested by the current auditor believe that the fixed asset database is accurate and calculated depreciation is reasonable.

The Administrative Services Division will formalize procedures for capitalizing assets purchased by various fund types (operating, capital outlay and enterprise) to properly capture all asset additions and to avoid classification errors in the future between assets that should be capitalized versus expenditures for repairs that should not be capitalized.

The department will examine options for moving from an excel-based asset tracking system to a capital asset software package and examine asset tagging options.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2013-015 Lack of Cash Reconciliation Process (Significant Deficiency) - Revised and Repeated**

*CONDITION*

During the fiscal year June 30, 2013 audit, it was identified that the Department did not perform timely reconciliations for amounts held with the State Treasurer's Office. During the current fiscal year, it was identified that the Client implemented a cash reconciliation process and maintained sufficient documentation for that process; however, the implementation of the process was late in fiscal year 2014 and the reconciliations were not completed within a timely manner. As the result of the untimely implementation there continued to be risk related to the Department's cash held with the State Treasurer's Office for the majority of the fiscal year.

*CRITERIA*

2.2.20.5.8 NMAC, *Responsibility for Accounting Function Chief Financial Officer and Assignment of Responsibilities*, requires that cash account records be reconciled timely each month the Department's reports and to the State Treasurer's reports.

*EFFECT*

The Department was not in compliance with the New Mexico Administrative Code for the majority of the fiscal year under audit. During that time there was increased risk that errors or fraud could go undetected.

*CAUSE*

As a result of the June 30, 2013 audit having been submitted and approved by the New Mexico State Auditor late in fiscal year 2014, the Department was not able to implement their corrective control processes during the entire fiscal year.

*RECOMMENDATION*

It is recommended that the Department continue its newly implemented control process related to timely monthly reconciliations of the Department's cash from the internally generated reports of the Department to the State Treasurer's reports.

*MANAGEMENT RESPONSE*

As noted by the auditor, the department did implement a cash reconciliation process during fiscal year 2014 and maintained sufficient documentation for that process. We are confident that the audited financial statements reflect the department's cash position and any errors prior to implementation of regular cash reconciliations were minimal. The Administrative Services Director and finance management team will continue to meet monthly to discuss the department's cash position.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2014-001 Sub-Recipient Monitoring (Non-Compliance Other Matters)**

*Federal program information:*

Funding agency:	National Endowment for the Arts
Title:	NEA - Partnership Grant #13-6100-2021 NEA - Partnership Grant #12-6100-2012
CFDA Number:	45.025
Award year:	2012 through 2014

*CONDITION*

During our testing of a sample of 25 sub-recipient files it was identified that the Department was not providing the sub-recipients with the CFDA and federal award number on all 25 tested.

*CRITERIA*

Part 176 of CFR Title 2 [2 CFR Part 176.210(c)] recipients (e.g. the Department) should document, at the time of sub-award and at the time of disbursement of funds, the federal award number, CFDA number, and the amount of Recovery Act Funds (if any).

*QUESTIONED COSTS*

None

*EFFECT*

Not providing the CFDA and other federal awarding documentation may cause miscommunication with the sub-recipients that they are receiving federal funding and the fact the sub-recipient might potentially be subject to a Single Audit.

*CAUSE*

The Department was unaware of the requirement to pass through the CFDA and other federal awarding identification to its sub-recipients.

*RECOMMENDATION*

It is recommended that the Department revise their sub-recipient award/contract documentation to include the CFDA and federal contract number related to the funds being disbursed to them.

*MANAGEMENT RESPONSE*

Administrative Services Division staff will provide additional guidance to the divisions that receive federal funding to ensure that contracts include appropriate federal award information and that this information is shared with sub-recipients.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2013-002 Late Data Collection Form (Non-Compliance Other Matters) - Revised and Repeated**

*Federal program information:*

Funding agency:	All
Title:	All
CFDA Number:	All
Award year:	All

*CONDITION*

The Department submitted the Data Collection Form, required by OMB Circular A-133, more than nine 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 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 agency for audit.

*QUESTIONED COSTS*

None

*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 reporting package on a timely basis as a result of the audit not being completed until after the due date.

*RECOMMENDATION*

The Department should implement controls to ensure that all future audit reports are filed in a timely manner and, subsequent to approval of the audit by the New Mexico State Auditor, complete the Data Collection form timely.

*MANAGEMENT RESPONSE*

This finding is a result of the late submission of the FY13 financial statement audit. With the fiscal year 2014 audit being submitted in December 2014, the Department does not expect this finding to repeat.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**D. COMMENTS INCLUDED IN ACCORDANCE WITH NEW MEXICO STATE AUDITOR  
RULE**

**2013-011 Controls over Travel and Per Diem Expenses (Non-Compliance Other Matters) - Revised  
and Repeated**

*CONDITION*

During our testing of travel and per diem expenditures, we noted one item in a sample of 10 totaling \$90 which lacked supporting documentation for \$20 of the amount charged.

*CRITERIA*

Section 2.42.2.9 NMAC, *Reimbursement of Actual Expenses in Lieu of Per Diem Rates*, identifies that all receipts for the actual meal and lodging expenses incurred should be submitted to the Department.

*EFFECT*

The Department is not in compliance with the New Mexico Administrative Code.

*CAUSE*

The review and approval process for per diem and travel expenditures did not identify the issues identified within the condition section above.

*RECOMMENDATION*

It is recommended that the Department re-evaluate their travel and per diem policies and procedures to ensure that they are compliant with all governing rules and regulations.

*MANAGEMENT RESPONSE*

Department management has centralized processing of travel and per diem reimbursement requests with a more experienced staff member which has reduced the number of payment vouchers that are rejected by the Department of Finance and Administration due to errors. Another change implemented was ASD staff now contacts the fiscal officer from the originating division to review errors and make corrections. The department plans to provide additional guidance to the divisions on proper processing of travel documents.



**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**D. COMMENTS INCLUDED IN ACCORDANCE WITH NEW MEXICO STATE AUDITOR  
RULE (CONTINUED)**

**2013-016 Controls over Cash Deposits (Non-Compliance Other Matters) - Revised and Repeated**

*CONDITION*

During our testing of five deposits selected throughout the fiscal year, it was identified that two deposits totaling \$29,705 were not made timely (i.e. one deposit was made eight days after collection).

*CRITERIA*

Per Section 6-10-3 NMSA 1978, *Payment of State Money into Treasury; Suspense Funds*, 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.

*EFFECT*

Untimely deposits may cause the department to be at risk of misappropriations of funds.

*CAUSE*

The Department has not implemented a monitoring mechanism to ensure that all deposits made by the Department are deposited timely.

*RECOMMENDATION*

It is recommended that the Department implement controls and develop accounting policies requiring adequate controls to ensure monies are deposited by the close of the next business day.

*MANAGEMENT RESPONSE*

Administrative Services Division staff will revisit policies for deposit of cash receipts (primarily admissions at Museums and Historic Sites) and checks received at the division level to ensure timely deposit to meet statutory deadlines. Department staff are also discussing with State Treasurer staff potential tools to speed up processing including check scanning.

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**STATUS OF PRIOR YEAR FINDINGS**

<u>Description</u>	<u>Status</u>
2013-001 Lack of Internal Controls over the Process to Timely and accurately Prepare the SEFA	Resolved
2013-002 Late Data Collection Form	Revised and Repeated
2013-003 Controls over the Accounting for Federal Awards	Resolved
2013-004 Missing Time and Effort Reports	Resolved
2013-005 Suspension & Debarment Exception	Resolved
2013-006 Expenditure outside Period of Availability	Resolved
2013-007 Controls over Federal Purchase Requisitions	Resolved
2013-008 Lack of Controls over Accounts Receivable	Resolved
2013-009 Controls over Capital Assets and Construction in Process	Revised and Repeated
2013-010 Failure to Reconcile/Monitor PERA and RHCA Payments	Resolved
2013-011 Controls over Travel and Per Diem Expenses	Revised and Repeated
2013-012 Controls over State Issued Gas Credit Cards	Resolved
2013-013 Disposal of Capital Assets	Resolved
2013-014 Late Audit Report	Resolved
2013-015 Lack of Cash Reconciliation Process	Revised and Repeated
2013-016 Lack of Controls over Cash Deposits	Revised and Repeated
2013-017 Budget Expenditures Not Tracked Against Proper Fiscal Year	Resolved
2013-018 Financial Close and Reporting	Resolved
2013-019 Lack of Internal Control over Museum NM Press Inventory	Resolved
2013-020 Internal Control: Disbursements	Resolved

**STATE OF NEW MEXICO  
DEPARTMENT OF CULTURAL AFFAIRS  
EXIT CONFERENCE  
Year Ended June 30, 2014**

The contents of this report were discussed in the exit conference held on December 11, 2014, with the following in attendance:

**Representing the Department of Cultural Affairs:**

Veronica Gonzales	Cabinet Secretary
Michael Delello	Deputy Secretary
Greg Geisler	ASD Director
Liz Romero-Eoff	Capital Outlay/Accounts Payable Manager
Scott Eliason	Department Consultant

**Representing Axiom:**

Chris Garner, CPA	Partner
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The financial statements were prepared with the assistance of Axiom Certified Public Accountants & Business Advisors, LLC from the books and records of the Department of Cultural Affairs.