

The logo for atkinson, featuring the word in a lowercase serif font with a small green dot above the letter 'i'.

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A large, light green circle on the left side of the page, partially overlapping a larger grey circle in the background.

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

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

TABLE OF CONTENTS

INTRODUCTORY SECTION

CONTENTSi-iii

Official Roster 1

FINANCIAL SECTION

Report of Independent Certified Public Accountants2-4

Management’s Discussion and Analysis (Unaudited).....5-12

BASIC FINANCIAL STATEMENTS

Statement of Net Position 13

Statement of Activities 14

Balance Sheet – Governmental Funds 15

Reconciliation of The Balance Sheet – Governmental
Funds to The Statement of Net Position 16

Statement of Revenues, Expenditures, and Changes
In Fund Balances – Governmental Funds 17

Reconciliation of The Statement of Revenues, Expenditures,
and Changes in Fund Balances – Governmental Funds
To the Statement of Activities 18

Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – (Non-GAAP Basis) General Operating Fund (19300)..... 19

Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – (Non-GAAP Basis) – 15% Museum Admissions Fund (19400)..... 20

Statement of Net Position – Enterprise Fund (53000)21

Statement of Revenues, Expenses and Changes In
Net Position – Enterprise Fund (53000) 22

TABLE OF CONTENTS – CONTINUED

Statement of Cash Flows – Enterprise Fund (53000)..... 23

Statement of Fiduciary Net Position..... 24

Statement of Changes in Fiduciary Net Position 25

Notes to Financial Statements26-56

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Non-Major Governmental Funds 57

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Non-Major Governmental Funds 58

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Operating Fund – Museum and Historic Sites (P536) 59

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Operating Fund –Preservation (P537)..... 60

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Operating Fund – Library Services (P539) 61

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Operating Fund – Program Support (P540)..... 62

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Operating Fund – New Mexico Arts (P761) 63

TABLE OF CONTENTS – CONTINUED

OTHER SUPPLEMENTARY INFORMATION

Supplemental Schedule of Interest in State General Fund Investment Pool 64

Schedule of Capital Project Funds – Special Appropriations, Severance
Tax and General Obligation Bonds 65-67

Schedule of Changes in Assets and Liabilities – Agency Funds 68

Schedule of Joint Powers Agreements 69

Compliance

Schedule of Expenditures of Federal Awards 70

Notes to Schedule of Expenditures of Federal Awards 71

Independent Auditors’ 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 72-73

Independent Auditors’ Report on Compliance for Each
Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance 74-76

Schedule of Findings and Questioned Costs 77-82

Exit Conference 83

State of New Mexico
New Mexico Department of Cultural Affairs

OFFICIAL ROSTER

June 30, 2017

Administrative Officials	Title
Veronica Gonzales	Cabinet Secretary
Michael Delello	Deputy Cabinet Secretary
Doug Patinka	Acting Chief Information Officer
Greg Geisler	Director, CFO, Administrative Services
Rebecca Avitia	Director, National Hispanic Cultural Center
Eric Blinman	Director, Office of Archaeological Studies
David Rohr	Director, Museum Resources Division
Chris Orwoll	Director, New Mexico Museum of Space History
Margaret Marino	Director, New Mexico Museum of Natural History and Science
Mary Kershaw	Director, New Mexico Museum of Art
Loie Fecteau	Director, New Mexico Arts
Kristaan Villela	Director, Museum of International Folk Art
Joy Poole	Acting Director, New Mexico State Library
Patrick Moore	Director, New Mexico State Monuments
Jeff Pappas	Director, Historic Preservation Division
Andrew Wulf	Acting Director, New Mexico History Museum
Mark Santiago	Director, New Mexico Farm and Ranch Heritage Museum
Della Warrior	Director, Museum of Indian Arts and Culture

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business- type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the State of New Mexico Department of Cultural Affairs (the Department or DCA), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise DCA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Department'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.

Opinion

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, 2017, 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.

Emphasis of Matters

Reporting Entity

As discussed in Note B, 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, 2017, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Net Pension Liability Disclosure

As discussed in footnotes, the State of New Mexico, as a single employer, follows GASB Statement 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2017, Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportionate share of the net pension liability to individual agencies or to the Department's financial statements. All other required disclosures and supplementary information required by GASB 68 are included in the State of New Mexico CAFR for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

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 5 through 12 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.

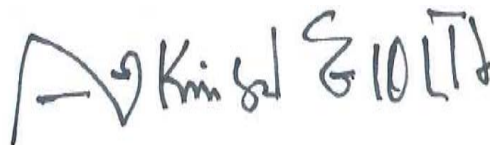
Other Information

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the other schedules required by Section 2.2.2. NMAC as listed in the table of contents 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 October 31, 2017, on our consideration of the Department'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' with a checkmark inside.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2017

INTRODUCTION

The Department of Cultural Affairs' (DCA) management 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, 2017.

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 four major funds: the General Operating Fund (19300), 15% Museum Admissions Fund (19400), NMFA Projects Fund (69100) and the Capital Projects Fund (89200). Non-major funds by fund type are included in the combining schedules following the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

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 consists 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

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 table below summarizes DCA's Net Position for governmental activities for the fiscal year ended June 30, 2017. Total DCA Net Position for fiscal year 2017 was \$96,514,483. The net position reflects \$92,783,850 in a net investment of capital assets. Restricted assets of \$3,180,594 is comprised of \$380,699 in assets restricted for capital projects, \$1,393,321 in assets restricted for special projects and statutory requirements and \$1,406,574 in assets restricted for debt service. The Department has \$550,039 in unrestricted funds. Overall net change in position is a reduction of \$936,169, primarily reflecting a reduction in the value of capital assets (due to depreciation), a lower balance in unrestricted cash in the general fund investment pool and a spend down of Art in Public Places cash balances (Fund 69800).

State of New Mexico
New Mexico Department of Cultural Affairs

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Financial Analysis of the Department as a Whole

Net Position

The information below summarizes the Department's net position as of June 30, 2017. Net position for Governmental Activities was \$96,514,483.

Statement of DCA's Net Position as of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 7,468,945	\$ 8,129,395
Capital assets	<u>96,177,477</u>	<u>98,078,015</u>
Total Assets	<u>103,646,422</u>	<u>106,207,410</u>
Liabilities		
Current liabilities	4,296,756	5,216,431
Long-term liabilities	<u>2,835,183</u>	<u>3,540,327</u>
Total Liabilities	<u>7,131,939</u>	<u>8,756,758</u>
Net position		
Net investment in capital assets	92,783,850	93,984,936
Restricted	3,180,594	3,848,606
Unrestricted	<u>550,039</u>	<u>(382,890)</u>
Total Net Position	<u>\$ 96,514,483</u>	<u>\$ 97,450,652</u>

State of New Mexico
New Mexico Department of Cultural Affairs

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Statement of Activities

The following table details the changes in net position from the Statement of Activities.

Statement of Activities - Governmental Activities

	2017	2016
Revenues		
Program revenues	\$ 9,875,330	\$ 9,854,610
General revenues	27,940,200	31,154,300
Total Revenues	37,815,530	41,008,910
 Program expenses	 (45,302,363)	 (51,951,389)
Deficiency of Revenues over Expenditures	(7,486,833)	(10,942,479)
 Net transfers	 6,539,227	 9,010,020
Other Items	11,437	365
 Change in Net Position	 (936,169)	 (1,932,094)
 Net position, beginning	 97,450,652	 99,382,746
 Net Position, ending	 \$ 96,514,483	 \$ 97,450,652

Discussion on and Changes in Net Position for Governmental Activities

DCA's Net Position for fiscal year 2017 was \$936,169 lower compared to fiscal year 2016. Key areas of the statement of net activities in 2017 are discussed below:

Revenues. Total revenues of \$45.3 million are \$3.2 million lower than FY16, due to a \$2.7 million reduction in state general fund support in FY17 and slightly lower other state revenues.

Expenditures. Total expenditures in FY17 were \$6.6 million lower than FY16. This decrease is due to the \$2.7 million reduction in general fund support for the operating budget. Higher staff vacancy rates due to a hiring freeze also contributed to lower expenditures. Outside of the operating budget there was a \$2.9 million reduction in capital outlay spending compared to FY16.

State of New Mexico
New Mexico Department of Cultural Affairs

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

Discussion on and Changes in Net Position for Governmental Activities – Continued

Change in net position and ending net position. Ending net position of \$96.4 million reflects a negative change in net position of \$936,169. The \$7.5 million deficiency of revenues over expenditures in FY17 was covered by net transfers of \$6.5 million; primarily from bond proceeds to reimburse DCA for capital outlay expenditures.

Business Type Activities

The table below summarizes DCA's Net Position for business-type activities for the fiscal year ended June 30, 2017. Total DCA Net Position for fiscal year 2017 was \$303,663, reflecting \$25,835 investment in capital assets and \$277,828 remaining in net cash balances in the Department's enterprise fund.

Statement of Net Position - Business-Type Activities

	6/30/2017	6/30/2016
Assets		
Current and other assets	\$ 478,385	\$ 698,039
Capital assets	25,835	182,911
Total Assets	<u>504,220</u>	<u>880,950</u>
Liabilities		
Current liabilities	3,290	152,483
Long-term liabilities	197,267	196,174
Total Liabilities	<u>200,557</u>	<u>348,657</u>
Net position		
Investment in capital assets	25,835	182,911
Restricted	-	-
Unrestricted	277,828	349,382
Total Net Position	<u>\$ 303,663</u>	<u>\$ 532,293</u>

Statement of Activities - Business-Type Activities

Revenues		
General revenues	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>
Program expenses	<u>(228,630)</u>	<u>(1,553,971)</u>
Deficiency of Revenues over Expenditures	(228,630)	(1,553,971)
Net transfers	-	-
Other Items	<u>-</u>	<u>-</u>
Change in Net Position	(228,630)	(1,553,971)
Net position, beginning	532,293	2,086,264
Net Position, ending	<u>\$ 303,663</u>	<u>\$ 532,293</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

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

The Department's enterprise fund contains prior earned revenue of the Department (including non-reverted general fund appropriations) and the balance of the fund declined substantially in prior years as expenditures exceeded minimal inflows of earned revenue. Program expenses were only \$228,630 in FY17 compared to \$1.5 million in FY16, which left the Department with a net position of \$303,663 for the fund. The Department expects to carry a minimum balance in the enterprise fund going forward beyond fiscal year 2017 with likely expenditures to be in support of agency personnel costs and benefits.

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to DCA. Amendments to the appropriated budget require approval by the Budget Division of the Department of Finance and Administration, with review by the Legislative Finance Committee. Over the course of the year, DCA adjusts its budget as authorized in the Appropriations Act. The budget adjustments fall into four categories:

- Supplemental and special appropriations that are reflected in the actual beginning account balances (adjusting the estimated amounts in the budget adopted for the fiscal year).
- Capital Improvement Project appropriations that are budgeted during the year based on legislative appropriations.
- Budget adjustment requests made during the fiscal year to allow DCA to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.

The Department had insufficient general funds allocated by the legislature to cover projected personnel services and employee benefits costs for FY17. Initial budget authority for FY17 personnel costs was \$27.6 million; \$722 thousand lower than FY16 authority. An additional reduction of \$928.7 thousand in budget for personnel costs was implemented after an October 2016 special session cut agency general fund support by another \$1.6 million. Ultimately the Department spent only \$26.2 million on personnel costs in FY17 due to increased vacancies, a decrease of \$1.5 million, or 6%. Total operating budget expenditures for personnel costs and benefits, contracts, and other costs of \$36.4 million was \$3.4 million lower than FY16.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, DCA had governmental capital assets of \$96,143,054 (net of depreciation) reflected on the Statement of Net Position. This amount represents a decrease of about \$2 million over fiscal year 2016 fixed assets, as adjusted. The total reflects the addition of new assets and the accompanying depreciation of new assets. See note D for additional details. Of note, there were no capital outlay appropriations for FY18 for the Department, which will likely negatively impact the Department's ability to maintain its infrastructure in FY18.

Debt Administration

At June 30, 2017, DCA had total outstanding debt of \$3.4 million. Outstanding debt is backed by state tax revenues directly provided to the New Mexico Finance Authority for debt service or state tax revenues provided to DCA for debt service.

Economic Factors

The Department benefited from general fund increases earlier this decade as state general fund revenues recovered slowly from the 2008 recession. However, at the same time available fund balance in the enterprise fund was declining, reducing Department capacity to deal with future budget shortfalls.

DCA was one of a number of agencies that took large budget reductions for fiscal year 2017 due to a downturn in state revenues from oil and gas. Because the Department was aware of the looming FY17 issue in December 2015, it began to slow down hiring and operating expenditures the last 6 months of fiscal year 2016. Those trends continued in FY17 and the Department's FY18 budget is essentially flat compared to FY17. Looking ahead, minimal relief is expected in the FY19 budget process.

Requests for Information

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

State of New Mexico
New Mexico Department of Cultural Affairs

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Interest in State Treasurer General Fund Investment Pool	\$ 5,842,591	\$ 478,385	\$ 6,320,976
Restricted cash	345,377	-	345,377
Receivables:			
Due from federal government	516,935	-	516,935
Due from other state agencies	34,926	-	34,926
Due from local governments	121,024	-	121,024
Other, net	368,239	-	368,239
Inventory	239,853	-	239,853
Total Current Assets	7,468,945	478,385	7,947,330
Capital assets	183,198,584	501,116	183,699,700
Accumulated depreciation	(87,021,107)	(475,281)	(87,496,388)
	96,177,477	25,835	96,203,312
Total Assets	103,646,422	504,220	104,150,642
LIABILITIES			
Current Liabilities			
Accounts payable	1,573,455	-	1,573,455
Accrued payroll	972,511	-	972,511
Unearned revenue	15,828	-	15,828
Due to other state agencies	-	-	-
Due to state general fund	43,936	3,290	47,226
Due to beneficiaries	-	-	-
Other liabilities	72,229	-	72,229
Due within one year			
Compensated absences	1,041,428	-	1,041,428
Current portion of long-term debt	558,444	-	558,444
Accrued interest	18,925	-	18,925
Total Current Liabilities	4,296,756	3,290	4,300,046
Due in more than one year			
AFSCME Settlement	-	197,267	197,267
Long-term debt	2,835,183	-	2,835,183
Total Liabilities	7,131,939	200,557	7,332,496
NET POSITION			
Net investment in capital assets	92,783,850	25,835	92,809,685
Restricted for:			
Capital projects	380,699	-	380,699
Special projects and statutory requirements	1,393,321	-	1,393,321
Debt service	1,406,574	-	1,406,574
Unrestricted	550,039	277,828	827,867
Total Net Position	\$ 96,514,483	\$ 303,663	\$ 96,818,146

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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	
Primary government							
Governmental activities							
Museum services	\$ 31,669,772	\$ 4,878,391	\$ 254,537	\$ 97,722	\$ (26,439,122)	\$ -	\$ (26,439,122)
Preservation and library	7,626,902	1,313,920	2,275,852	289,412	(3,747,718)	-	(3,747,718)
Arts	2,023,059	-	725,470	-	(1,297,589)	-	(1,297,589)
Program support	3,909,046	40,026	-	-	(3,869,020)	-	(3,869,020)
Interest on long-term debt	73,584	-	-	-	(73,584)	-	(73,584)
Total governmental activities	<u>45,302,363</u>	<u>6,232,337</u>	<u>3,255,859</u>	<u>387,134</u>	<u>(35,427,033)</u>	<u>-</u>	<u>(35,427,033)</u>
Business-type activities							
Enterprise fund 53000	<u>228,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(228,630)</u>	<u>(228,630)</u>
Total business-type activities	<u>228,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(228,630)</u>	<u>(35,655,663)</u>
Total primary government	<u>\$ 45,530,993</u>	<u>\$ 6,232,337</u>	<u>\$ 3,255,859</u>	<u>\$ 387,134</u>			
General Revenues, special items and transfers							
State general fund appropriations					27,940,200	-	27,940,200
Transfers - reversions to state general fund					(13,633)	-	(13,633)
Transfer of bond proceed appropriations					6,452,860	-	6,452,860
Transfers from (to) other agencies					100,000	-	100,000
Interest and investment earnings					11,437	-	11,437
Total general revenues, special items and transfers					<u>34,490,864</u>	<u>-</u>	<u>34,490,864</u>
Change in net position					(936,169)	(228,630)	(1,164,799)
Net position, beginning of year					<u>97,450,652</u>	<u>532,293</u>	<u>97,982,945</u>
Net position, ending					<u>\$ 96,514,483</u>	<u>\$ 303,663</u>	<u>\$ 96,818,146</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	<u>19300</u>	<u>19400</u>	<u>69100</u>	<u>89200</u>		
	General Operating Fund	15% Museum Admission Funds	NMFA Projects Funds	Capital Projects Laws 10, 11, 12, 13	Non- Major Funds	Total
ASSETS						
Interest in State Treasurer General Fund Investment Pool	\$ 2,590,788	\$ 1,087,699	\$ 1,047,746	\$ 364,411	\$ 751,947	\$ 5,842,591
Other cash	21,283	-	324,094	-	-	345,377
Due from federal government	516,935	-	-	-	-	516,935
Due from other state agencies	192	-	34,734	-	-	34,926
Due from other local governments	121,024	-	-	-	-	121,024
Other receivables, net	368,239	-	-	-	-	368,239
Inventory	239,853	-	-	-	-	239,853
Total assets	<u>\$ 3,858,314</u>	<u>\$ 1,087,699</u>	<u>\$ 1,406,574</u>	<u>\$ 364,411</u>	<u>\$ 751,947</u>	<u>\$ 7,468,945</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,152,641	\$ 7,674	\$ -	\$ 368,873	\$ 44,267	\$ 1,573,455
Accrued payroll	972,511	-	-	-	-	972,511
Unearned revenue	15,828	-	-	-	-	15,828
Due to State General Fund	30,251	-	-	-	-	30,251
Due to beneficiaries	-	-	-	-	13,685	13,685
Other liabilities	42,454	-	-	29,775	-	72,229
Total liabilities	<u>2,213,685</u>	<u>7,674</u>	<u>-</u>	<u>398,648</u>	<u>57,952</u>	<u>2,677,959</u>
FUND BALANCES						
Nonspendable	239,853	-	-	-	-	239,853
Restricted	-	1,080,025	1,406,574	-	693,995	3,180,594
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	1,404,776	-	-	(34,237)	-	1,370,539
Total fund balances	<u>1,644,629</u>	<u>1,080,025</u>	<u>1,406,574</u>	<u>(34,237)</u>	<u>693,995</u>	<u>4,790,986</u>
Total liabilities and fund balances	<u>\$ 3,858,314</u>	<u>\$ 1,087,699</u>	<u>\$ 1,406,574</u>	<u>\$ 364,411</u>	<u>\$ 751,947</u>	<u>\$ 7,468,945</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

**RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

Year Ended June 30, 2017

	<u>Governmental Activities</u>
Total Fund Balance - Governmental Funds Governmental Fund Balance Sheet	\$ 4,790,986
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:</p>	
Cost of capital assets	183,198,584
Accumulated depreciation	<u>(87,021,107)</u>
Total capital assets	96,177,477
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>	
Long-term debt	(3,393,627)
Accrued interest	(18,925)
Compensated absences payable	<u>(1,041,428)</u>
Net position of governmental activities (Statement of Net Position)	<u>\$ 96,514,483</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	19300	19400	69100	89200		
	General Operating Fund	15% Museum Admission Funds	NMFA Projects Fund	Capital Projects Laws 10, 11, 12, 13	Non- Major Funds	Total
Revenues						
Fees and services	\$ 4,556,123	\$ 477,088	\$ -	\$ -	\$ 33,251	\$ 5,066,462
Interest revenue	7,028	-	3,326	-	1,083	11,437
Other state funds	200,029	-	810,283	-	-	1,010,312
Federal grants and contracts	3,327,281	-	-	-	-	3,327,281
Private gifts and grants	315,712	-	-	-	-	315,712
Miscellaneous	133,914	-	-	-	21,649	155,563
Total revenues	8,540,087	477,088	813,609	-	55,983	9,886,767
Expenditures						
Current:						
Personnel service and employee benefits	25,783,331	366,131	-	-	-	26,149,462
In-state travel	110,262	-	-	-	-	110,262
Maintenance and repairs	1,290,236	62,759	82,101	494,183	-	1,929,279
Supplies	558,246	10,911	-	49,017	324,168	942,342
Contractual services	2,350,160	215,116	1,953	329,121	309,213	3,205,563
Operating costs	4,221,023	17,831	7,298	13,629	-	4,259,781
Other costs	253,069	-	5,055	-	-	258,124
Out-of-state travel	19,509	-	-	-	-	19,509
Grants to other agencies, governments and entities	975,121	-	-	873,889	5,059	1,854,069
Capital outlay	116,011	-	103,278	3,586,535	838,454	4,644,278
Debt service						
Principal	183,307	-	516,145	-	-	699,452
Interest	5,222	-	64,670	-	-	69,892
Total expenditures	35,865,497	672,748	780,500	5,346,374	1,476,894	44,142,013
(Deficiency) excess of revenues over (under) expenditures before other financing sources (uses)	<u>(27,325,410)</u>	<u>(195,660)</u>	<u>33,109</u>	<u>(5,346,374)</u>	<u>(1,420,911)</u>	<u>(34,255,246)</u>
Other Financing Sources (Uses)						
State general fund appropriations	27,940,200	-	-	-	-	27,940,200
Transfers - reversions to state general fund	(13,633)	-	-	-	-	(13,633)
Transfer of bond proceed appropriations	-	-	-	5,432,168	1,020,692	6,452,860
Transfers from (to) other agencies	325,273	(316,477)	-	-	91,204	100,000
Total other financing sources (uses)	28,251,840	(316,477)	-	5,432,168	1,111,896	34,479,427
Net change in fund balances	926,430	(512,137)	33,109	85,794	(309,015)	224,181
Fund Balances, beginning of year	718,199	1,592,162	1,373,465	(120,031)	1,003,010	4,566,805
Fund Balances, end of year	\$ 1,644,629	\$ 1,080,025	\$ 1,406,574	\$ (34,237)	\$ 693,995	\$ 4,790,986

The accompanying notes are an integral part of this financial statement.

State of New Mexico
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, 2017

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 224,181
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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	3,793,824
Depreciation expense	<u>(5,640,555)</u>
	(1,846,731)

Disposal of capital assets less accumulated depreciation	(53,807)
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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	699,452
Change in accrued interest on long-term debt	(3,693)
Change in compensated absences	<u>44,429</u>
	<u>740,188</u>

Change in net position of governmental activities (Statement of Activities)	\$ <u>(936,169)</u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL OPERATING FUND - 19300**

For The Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General Fund appropriations	\$ 29,460,500	\$ 27,840,200	\$ 27,840,200	\$ -
Special appropriations	-	100,000	100,000	-
Intra-state transfers	125,000	125,000	100,000	(25,000)
Federal grants	3,130,000	3,574,202	3,327,781	(246,421)
Earned revenues	5,943,900	6,048,653	4,735,218	(1,313,435)
15% Museum Admissions Fund	587,600	313,700	477,088	163,388
Total revenue	<u>39,247,000</u>	<u>38,001,755</u>	<u>36,580,287</u>	<u>(1,421,468)</u>
Prioryear cash budgeted	250,000	407,550		
Total budget revenues	<u>39,497,000</u>	<u>38,409,305</u>		
Expenditures				
Current:				
Personnel services and benefits	27,597,600	26,729,979	25,580,604	1,149,375
Contractual services	3,318,100	3,057,754	2,516,437	541,317
Other operating costs	8,581,300	8,521,572	7,768,456	753,116
Other sources	-	91,204	91,204	-
Total Expenditures	<u>39,497,000</u>	<u>38,400,509</u>	<u>35,956,701</u>	<u>2,443,808</u>
Excess (deficiency) of revenues over expenditures:	<u>-</u>	<u>8,796</u>	<u>623,586</u>	<u>\$ 1,022,340</u>
Cash Balance Carryforward	<u>\$ -</u>	<u>\$ -</u>		
Reconciliation to GAAP Basis:				
Current year general fund reversion			\$ (18)	
Prior year general fund reversion			(13,615)	
Intra-state transfers			<u>316,477</u>	
Net change in fund balance			<u>\$ 926,430</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - 15% MUSEUM ADMISSIONS FUND - 19400**

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State general fund appropriations	\$ -	\$ -	\$ -	\$ -
Intra-state transfers	-	-	-	-
Federal grants	-	-	-	-
Earned revenues	587,600	313,700	477,088	163,388
Private gifts and grants	-	-	-	-
Miscellaneous	-	-	-	-
15% Museum admissions fund	-	-	-	-
	587,600	313,700	477,088	\$ 163,388
Total revenues	587,600	313,700	477,088	<u>\$ 163,388</u>
Prior year cash budgeted	-	157,550		
Total budgeted revenues	\$ 587,600	\$ 471,250		
 EXPENDITURES - current:				
Personnel services and benefits	\$ -	\$ 24,054	24,054	\$ -
Special Appropriation	-	342,076	342,076	-
Contractual services	-	168,750	167,940	810
Other operating costs	-	278,446	138,678	139,768
	-	278,446	138,678	139,768
Total expenditures	\$ -	\$ 813,326	672,748	\$ 140,578
 EXCESS REVENUE OVER EXPENSE			 (195,660)	
Reconciliation to GAAP basis				
Current year general fund reversion			-	
Prior year general fund reversion			(316,477)	
			(316,477)	
Net change in fund balance			\$ (512,137)	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

**STATEMENT OF NET POSITION
ENTERPRISE FUND (53000)**

June 30, 2017

ASSETS

Current Assets

Interest in state treasurer general fund investment pool	\$ 478,385
Total current assets	<u>478,385</u>

Noncurrent Assets

Capital assets:

Buildings and improvements	14,605
Information technology	454,561
Machinery and Equipment	31,950
Less accumulated depreciation	<u>(475,281)</u>
Total non-current assets	<u>25,835</u>

Total assets	<u>504,220</u>
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LIABILITIES

Current Liabilities

Accounts payable	-
Due to state general fund	3,290
AFSCME settlement	<u>-</u>
Total current liabilities	<u>3,290</u>

Non-Current Liabilities

AFSCME settlement, net of current	<u>197,267</u>
Total non-current liabilities	<u>197,267</u>

Total liabilities	<u>200,557</u>
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NET POSITION

Net investment in capital assets	25,835
Unrestricted	<u>277,828</u>

Total net position	<u>\$ 303,663</u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND (53000)**

Year Ended June 30, 2017

Operating Revenues	
Miscellaneous	\$ -
Total operating revenues	<u>-</u>
Operating Expenses	
Personnel services and employee benefits	73,220
Contractual services	(1,666)
Advertising	-
Other operating costs	-
Depreciation	<u>157,076</u>
Total operating expenses	<u>228,630</u>
Operation income (loss)	<u>(228,630)</u>
Change in net position	(228,630)
Net position, beginning of year	<u>532,293</u>
Net position, end of year	<u><u>\$ 303,663</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND (53000)**

Year Ended June 30, 2017

Cash Flows From Operating Activities	
Cash received from customers and others	\$ -
Cash paid for goods and services	<u>(219,654)</u>
Net cash used by operating activities	<u>(219,654)</u>
Net decrease in cash and cash equivalents	(219,654)
Cash and cash equivalents, beginning of year	<u>698,039</u>
Cash and cash equivalents, end of year	<u><u>\$ 478,385</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (228,630)
Adjustments to operating loss to net cash provided by operating activities:	
Depreciation expense	157,076
Change in assets and liabilities:	
Accounts payable	(148,100)
Due to other state agencies	<u>-</u>
Net cash used by operating activities	<u><u>\$ (219,654)</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

STATEMENT OF FIDUCIARY NET POSITION

Year Ended June 30, 2017

	61200	Agency		
		59300	20070	
	Bartlett Trust Fund	Historic Preservation Revolving Fund	Main Street Revolving Loan Agency Fund	Total
ASSETS				
Interest in State Treasurer Fund Investment Pool	\$ 116,016	\$ 411,550	\$ 66,408	\$ 593,974
Loans receivable, net of allowance for uncollectible	-	37,878	-	37,878
Total assets	116,016	449,428	66,408	631,852
 LIABILITIES				
Deposits held in custody for others	-	449,428	16,408	465,836
Other liabilities	-	-	50,000	50,000
Total liabilities	-	449,428	66,408	515,836
 NET POSITION				
	\$ 116,016	\$ -	\$ -	\$ 116,016

The accompanying notes are an integral part of this financial statement.

State of New Mexico
New Mexico Department of Cultural Affairs

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2017

	61200	
	Bartlett Trust Fund	Total
	<u> </u>	<u> </u>
REVENUE		
Interest income	\$ 672	\$ 672
	<u> </u>	<u> </u>
EXPENSE		
Operating costs	(14,657)	(14,657)
	<u> </u>	<u> </u>
Net change in net position	(13,985)	(13,985)
	<u> </u>	<u> </u>
Net position, beginning of the year	130,001	130,001
	<u> </u>	<u> </u>
Net position, end of year	<u>\$ 116,016</u>	<u>\$ 116,016</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – 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 FY2017, 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, El Camino Real International Heritage Center, and Fort Stanton.

New Mexico State Library Division – The collecting and maintaining of educational and informational materials, and acting as the center of reference, research and loan services for the State of New Mexico is the responsibility of this division.

Office of Archaeological Studies Division – The Office of Archaeological Studies performs archaeological studies for other governmental organizations that are mandated by laws and regulations to have an archaeological study performed.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE A – NATURE OF ORGANIZATION – CONTINUED

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.

NOTE B – 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity

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 an agency of the State of New Mexico, which is the primary government. 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.

2. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements – Government-Wide Statements – Continued

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.

3. Basic Financial Statements – Fund Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

The focus is on DCA as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary fund by category.

The financial transactions of DCA are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

Governmental Funds

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets, deferred outflows, current liabilities, and deferred inflows are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

General 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

Enterprise Fund

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

Fiduciary Funds

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

Major Funds

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

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

Special Revenue Funds

19400 - The *15% Museum Admissions Fund* is used to account for exhibit maintenance. This is a non-reverting fund per the Laws of 2005, Chapter 277, Section 7.

Capital Projects Funds

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

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 non-reverting fund.

Enterprise Funds

53000 - *Enterprise Fund* was created as a non-reverting fund in the state treasury. The fund was established in the 2013 regular session, per House Bill 417, 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 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 2017.

89900 – The *Farm and Ranch Registration Plate* is used to account for special registration plate fees distributed for farm and ranch heritage museum for educational programs. This is a non-reverting fund per the laws of 2009, Chapter 90, Section 1.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

Capital Projects Fund

69800 – The *Department of Cultural Affairs Art in Public Places (AIPP) Fund* is used to account for the acquisition of art as outlined by state law. The fund was established by Laws of 1986. This is a non-reverting fund per Arts in Public Places Laws of NMSA 13-4A-1 to 13-4A-11.

The following capital projects funds had no activity during fiscal year 2016 and 2017: 26300, 58700, 64700, and 47800 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. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. 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.

Accrual Accounting

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

The Government-wide Financial Statements and the Fiduciary Financial Statements are presented on the accrual basis of accounting. 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.

Modified Accrual Accounting

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

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Basis of Accounting – Continued

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.

5. Budgets and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to DCA, which lapse at fiscal year-end but do not revert to the state general fund. Legal compliance is monitored through the establishment of a budget (modified cash-basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting – Continued

- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriations Act.
- The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- Not later than May 1, DCA submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.

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

- Formal budgetary integration is employed as a management control device during the fiscal year for the General and Capital Projects funds. The Trust Funds are not budgeted, as they have no expenditure activity.
- The Statement of Revenues and Expenditures – Budget and Actual for the General Operating Fund is presented at the departmental level.

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 other program budgets.

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

Cash Equivalents

Cash equivalents for the Statement of Cash Flows purposes includes cash securities and debt instruments whose initial maturity is three months or less.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance - Continued

Investments

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 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.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance – Continued

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 per 12-6-10 NMSA 1978. 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.

Special Appropriations and Bonds

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance – Continued

Net Position

The government-wide 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, 2017, DCA reported no deferred outflows or inflows of resources.

7. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE C – CASH ACCOUNTS AND INVESTMENT POLICY

1. Investments in the State Treasurer General Fund Investment Pool

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its third year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

The State Controller indicated on August 11, 2017 that as of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of DCA's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

State law (Section 8-6-3 NMSA 1978) requires DCA's cash to 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.

At June 30, 2017, DCA had the following invested in the General Fund Investment Pool, restricted cash for bonds at the NMFA and petty cash and cash drawers:

<u>Cash and cash equivalents</u>	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
General Fund Investment Pool	\$ 5,842,591	\$ 478,385	\$ 593,974	\$ 6,914,950
Restricted cash at NMFA	324,094	-	-	324,094
Petty cash and cash drawers	<u>21,283</u>	<u>-</u>	<u>-</u>	<u>21,283</u>
Total cash and cash equivalents	<u>\$ 6,187,968</u>	<u>\$ 478,385</u>	<u>\$ 593,974</u>	<u>\$ 7,260,327</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE C – CASH ACCOUNTS AND INVESTMENT POLICY – CONTINUED

1. Investments in the State Treasurer General Fund Investment Pool - Continued

As part of DCA's cash controls, all incoming funds and outgoing disbursements are tracked to ensure transactions are properly entered into SHARE and post to the general ledger. Additionally, at year-end DCA performs a cash analysis on all funds to ensure the activity affecting the cash accounts properly reflect the ending balances at year-end. DCA also does not issue third party disbursements that may materially affect DCA's financial statements.

2. 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.

3. 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.

4. Custodial Credit Risk-Deposit

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, 2017. 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.

5. Custodial Credit Risk-Deposit - Continued

For further information regarding the SGFIP, 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.

State of New Mexico
New Mexico Department of Cultural Affairs

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE D – CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2017 is as follows:

	Balance 6/30/2016	Additions	Disposals/ Transfers	Balance 6/30/2017
Land	\$ 5,801,746	\$ -	\$ -	\$ 5,801,746
Construction in Progress	7,427	145,122	-	152,549
 Total Non-Depreciable Assets	 <u>\$ 5,809,173</u>	 <u>\$ 145,122</u>	 <u>\$ -</u>	 <u>\$ 5,954,295</u>
 Buildings & Improvements	 \$ 158,724,549	 \$ 3,420,268	 \$ (95,170)	 \$ 162,049,647
Furniture and Fixtures	2,368,971	24,457	-	2,393,428
Information Technology	1,029,518	-	\$ (76,500)	953,018
Land Improvements	1,189,889	119,275	-	1,309,164
Libraries & Museums	970,342	-	-	970,342
Livestock	5,000	-	(5,000)	-
Machinery and Equipment	8,412,749	84,701	(6,478)	8,490,972
Vehicles	1,077,718	-	-	1,077,718
 Total Depreciable Assets	 <u>173,778,736</u>	 <u>3,648,701</u>	 <u>(183,148)</u>	 <u>177,244,289</u>
 Accumulated depreciation:				
Buildings & Improvements	(69,185,951)	(4,888,073)	41,362	(74,032,662)
Furniture and fixtures	(2,324,064)	(37,404)	-	(2,361,468)
Information Technology	(850,395)	(122,699)	76,500	(896,594)
Land Improvements	(104,928)	(39,994)	-	(144,922)
Libraries & Museums	(800,339)	(88,569)	-	(888,908)
Livestock	(5,000)	-	5,000	-
Machinery and Equipment	(7,211,850)	(450,310)	6,478	(7,655,682)
Vehicles	(1,027,365)	(13,506)	-	(1,040,871)
 Total Accumulated Depreciation	 <u>(81,509,892)</u>	 <u>(5,640,555)</u>	 <u>129,340</u>	 <u>(87,021,107)</u>
 Total Depreciable Capital Assets, Net	 <u>\$ 92,268,844</u>	 <u>\$ (1,991,854)</u>	 <u>\$ (53,808)</u>	 <u>\$ 90,223,182</u>
 Reconciliation of Capital Outlay to Capital Additions				
Capital Outlay		\$ 4,644,278		
Less Art in Public Places Items Capitalized on Recipient Books		(838,455)		
Short-term Exhibit not Capitalized		(12,000)		
		<u>\$ 3,793,823</u>		

State of New Mexico
New Mexico Department of Cultural Affairs

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE D – CAPITAL ASSETS – CONTINUED

Business-Type capital asset activity for the year ended June 30, 2017, is as follows:

	Balance 6/30/2016	Additions	Disposals	Balance 6/30/2017
Information Technology	\$ 454,561	\$ -	\$ -	\$ 454,561
Machinery and Equipment	31,950	-	-	31,950
Buildings & Improvements	14,605	-	-	14,605
Total Depreciable Assets	<u>501,116</u>	<u>-</u>	<u>-</u>	<u>501,116</u>
Accumulated depreciation:				
Information Technology	(304,362)	(150,199)	-	(454,561)
Machinery and Equipment	(12,869)	(6,390)	-	(19,259)
Building & Improvements	<u>(974)</u>	<u>(487)</u>	<u>-</u>	<u>(1,461)</u>
Total Accumulated Depreciation	<u>(318,205)</u>	<u>(157,076)</u>	<u>-</u>	<u>(475,281)</u>
Total Capital Assets, Net	<u>\$ 182,911</u>	<u>\$ (157,076)</u>	<u>\$ -</u>	<u>\$ 25,835</u>

Depreciation expense for fiscal year 2017 was charged to the following functions:

Government Activities	
Museum services	\$ 5,609,415
Preservation & Library	11,525
Program support	<u>19,615</u>
Total	<u>\$ 5,640,555</u>
Business-Type Activities	
Enterprise Fund 53000	<u>\$ 157,076</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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE D – CAPITAL ASSETS – CONTINUED

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, 2017. Major department facilities with substantial art and collection items include the: Museum of Art, Museum of International 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 E – 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 6/30/2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2017</u>	<u>Current Portion</u>
Compensated Absences	\$ 1,085,857	\$ 1,528,176	\$ (1,572,605)	\$ 1,041,428	\$ 1,041,428

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE F – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description.

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

2. Funding Policy.

The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements and contributions may be amended by acts of the Legislature. The contribution rate for employees that make \$20,000 or less in wages is 7.42% for the employee portion and 16.99% for the employer portion. The contribution rate for employees that make more than \$20,000 in wages is 8.92% for the employee portion and 16.99% for the employer portion.

DCA's contributions to PERA for the fiscal years ending June 30, 2017, 2016 and 2015 were \$3,005,728, \$3,294,936, and \$3,187,866, respectively, which equal the amount of the required contributions for each fiscal year.

3. GASB 68 - Financial Reporting and Disclosure for Multiple Employer Cost Sharing Pensions Plans by Employers

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard. DCA, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State, and as such, this information will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR, and will be available, when issued, from the Office of State Controller Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE G – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

1. 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 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.

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.

2. 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.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

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

2. Funding Policy – Continued

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, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the RHCA.

The DCA's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$353,820, \$388,160 and \$375,516, respectively, which equal the required contributions for each year.

NOTE H – 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.

State of New Mexico
New Mexico Department of Cultural Affairs

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE I – DUE FROM AND DUE TO OTHER STATE AGENCIES

Agency No.	Due from State Agency	Due to DCA Fund No.		Total
		19300	69100	
		General Operating Fund	NMFA Projects Fund	
33300	NM Taxation & Revenue	\$ 192	\$ 34,734	\$ 34,926
	Total	<u>\$ 192</u>	<u>\$ 34,734</u>	<u>\$ 34,926</u>

NOTE J – DUE FROM AND DUE TO OTHER FUNDS AND OPERATING TRANSFERS

Operating transfers during the fiscal year ended June 30, 2017, were as follows:

Fund No.	Fund	Transfer In	Transfer Out
19300	General Operating	\$ 28,040,200	\$ -
69800	Arts in Public Places Fund	1,020,692	-
89200	Capital Projects Laws 10,11,12	5,432,168	-
		<u>\$ 34,493,060</u>	<u>\$ -</u>

NOTE K – OTHER RECEIVABLES

Other receivables not due from state or federal sources as of June 30, 2017, consisted of the following:

	19300
	General Operating Fund
Receivables:	
Charges for services	\$ 366,257
Other receivables	121,024
Payroll receivables	1,982
Allowance for doubtful accounts	-
Total	<u>\$ 489,263</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE K – OTHER RECEIVABLES - CONTINUED

Other receivables due from federal sources as of June 30, 2017, consisted of the following:

	<u>19300</u>
	General
	Operating
	<u>Fund</u>
Receivables:	
Due from federal government	
for federal awards and contracts	<u>\$ 516,935</u>

NOTE L – REVOLVING LOAN FUND

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

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

NOTE M – CAPITAL PROJECTS LIFE-TO-DATE ACTIVITY

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE N – 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 O – 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, 2017.

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

NOTE P – CONTINGENT LIABILITY FOR ENERGY EFFICIENCY BONDS

During 2009 the Department entered into an agreement with the New Mexico Finance Authority for the issuance of \$368,780 of Energy Efficiency Renewable Energy Bonds for energy efficiency improvements at three museums. As authorized by the Energy Efficiency and Renewable Energy Bonding Act (Chapter 6, Article 21D, NMSA 1978), debt service on the bonds is covered by gross receipts revenue transferred to the Energy Efficiency and Renewable Energy Bonding fund. However, after certification of energy efficiency savings from these projects by the Energy, Minerals, and Natural Resources Department in 2014, a provision was triggered requiring annual repayments to the State general fund from the Department until the debt including interest is extinguished. The source of the repayment was intended to be the savings from the energy efficiency improvements, but the Department contends that those savings were swept by reductions in the Department's general fund operating budget since 2009. No provision has been made in these financial statements for separate repayment of the bonds due to circumstances surrounding the transaction to this point including uncertainty in timing of repayment, source of repayment and possible need for special appropriation funding to provide for the bond liability.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE Q – 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:

Year Ended June 30,	Amount
2018	\$ 123,413
2019	104,570
2020	83,834
2021	52,451
2022	25,579
Total	\$ 389,847

Rent expense from operating leases was \$109,901 for the year ending June 30, 2017.

NOTE R – LONG-TERM DEBT

At June 30, 2017, long-term debt consisted of the following:

State Building Tax Refunding Revenue Bonds

Bonds issued by the New Mexico Finance Authority (NMFA), original amount \$2,789,054, payable from the State Building Bonding Fund, for the purpose of providing funds to refund and redeem the NMFA outstanding State Museum Tax Revenue Bonds issued in 2003. The bond issued is to provide funding to the Department of Cultural Affairs for the purpose of renovating and maintaining current structures and developing permanent exhibits at State museums and monuments, specifically authorized by legislative act and the 2003 regular session. The interest rate ranges from 0.46% the first year up to 1.42% in 2023, the year of maturity.

The State Museum Tax Revenue bonds were refinanced in fiscal year 2016 and are now part of the State Building Tax Refunding Revenue Bonds.

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 GGRT. Any GGRT 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.

State of New Mexico
New Mexico Department of Cultural Affairs

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE R – 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 2015, 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 loan repayable to NMFA requires annual principal and interest to be paid in the amount of \$43,822 due each June 30. 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, 2017, the following changes occurred in long-term debt: DCA's principal and interest requirements to retire the long-term obligations are as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
2016A State Building Revolving Fund	\$ 2,789,054	\$ -	\$ (388,899)	\$ 2,400,155	\$ 390,023
Public Project Revolving Fund Loan	1,008,459	-	(127,246)	881,213	132,272
Energy Efficiency Revolving Fund Loan	295,566	-	(183,307)	112,259	36,149
Total long-term debt	<u>\$ 4,093,079</u>	<u>\$ -</u>	<u>\$ (699,452)</u>	<u>\$ 3,393,627</u>	<u>\$ 558,444</u>

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

State of New Mexico
New Mexico Department of Cultural Affairs

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE R – LONG-TERM DEBT – CONTINUED

State Building Tax Refunding Bonds

Year ended June 30,	Principal	Interest
2018	\$ 132,272	\$ 37,565
2019	137,629	32,221
2020	143,341	26,523
2021	149,405	20,474
2022	155,861	14,035
2023	162,705	7,207
Total	<u>\$ 881,213</u>	<u>\$ 138,025</u>

Public Project Revolving Fund Loan

Year ended June 30,	Principal	Interest
2018	\$ 390,023	\$ 27,709
2019	392,664	24,627
2020	398,561	20,936
2021	400,992	16,632
2022	407,321	11,740
2023	410,594	6,241
Total	<u>\$ 2,400,155</u>	<u>\$ 107,885</u>

Energy Efficiency Revolving Fund Loan

Year ended June 30,	Principal	Interest
2018	\$ 36,149	\$ 4,108
2019	37,375	2,883
2020	38,735	1,522
Total	<u>\$ 112,259</u>	<u>\$ 8,513</u>

Restricted cash at June 30, 2017 in the amount of \$324,094 and \$7,028, held in the NMFA Projects Fund 69100 and the General Fund 19300, respectively, represents debt reserves held with the New Mexico Finance Authority and is restricted for that purpose.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE S – 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, 2017, were as follows:

Governmental Fund Description	Fund	Balance Due State General Fund
General Operating Fund	19300	\$ 30,251
Arts in Public Places Fund	69800	13,685
Enterprise Fund	53000	3,290
Total		\$ 47,226

* Stale dated warrants

NOTE T – 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; all restricted funds, \$3,497,257, are considered to be restricted by enabling legislation.
- 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

State of New Mexico
New Mexico Department of Cultural Affairs

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE T – FUND BALANCE – CONTINUED

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, 2017, is included in the table below.

<u>Fund/Program</u>	<u>Laws</u>	<u>Restricted</u>	<u>Unassigned</u>
General Fund:			
DCA General Operating Fund		\$ -	\$ 1,088,299
Total General Operating Fund:		<u>-</u>	<u>1,088,299</u>
Capital Improvement Projects:			
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	186	-
Art in Public Places Fund	Laws of 1986 Chapter 11	380,699	-
Farm & Ranch Licensee Fund	Laws of 2009, Chapter 90 Sect 1	<u>101,017</u>	<u>-</u>
Total Capital Projects:		<u>481,902</u>	<u>-</u>
Special Revenue:			
15% Museum Admissions Fund	Laws of 2005, Chapter 277	1,396,502	-
Museum Collections Fund	Laws of 2005, Chapter 121	211,379	-
Rural Libraries Development Fund	Laws of 2007, Chapter 83	<u>900</u>	<u>-</u>
Total Special Revenue:		<u>1,608,781</u>	<u>-</u>
Debt Service:			
NMFA Projects Fund	Laws of 2003, Chapter 430	<u>1,406,574</u>	<u>-</u>
Total Debt Service:		<u>1,406,574</u>	<u>-</u>
Total Fund Balance		<u>\$ 3,497,257</u>	<u>\$ 1,088,299</u>

\$239,853 in non-spendable fund balance within the general operating fund is a result of inventory held in that fund at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE U – DEFICIENT FUND BALANCE

The following fund had a deficient fund balance at June 30, 2017:

Capital Projects Laws 10, 11, 12, 13 (89200) \$34,237

DCA is addressing the negative fund balance and is planning to take the appropriate actions to eliminate the negative balance.

NOTE V – CONCENTRATION

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

NOTE W – RECENT ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 77, *Tax Abatement Disclosures*

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 80, *Blending Requirements for Certain Units – an amendment to GASB Statement No. 14*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 82, *Pension Issues (an Amendment of GASB Statements No. 67, No. 68, and No. 73)*

The Department will implement the new GASB pronouncements in the fiscal year no later than the required effective date. Management is evaluating the possible effects of the new pronouncements on its financial reporting.

SUPPLEMENTARY INFORMATION

State of New Mexico
New Mexico Department of Cultural Affairs

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	Special Revenue Funds			Capital Outlay Fund	Total Non-Major Governmental Funds
	25600 Museum Collections Fund	59100 Rural Libraries Development	89900 Farm & Ranch Fund	69800 Arts in Public Places Funds	
ASSETS					
Interest in state treasurer general fund investment pool	\$ 211,379	\$ 900	\$ 103,068	\$ 436,600	\$ 751,947
Other cash	-	-	-	-	-
Due from federal government	-	-	-	-	-
Due from other state agencies	-	-	-	-	-
Due from other local governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Other receivables, net	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	\$ 211,379	\$ 900	\$ 103,068	\$ 436,600	\$ 751,947
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 2,051	\$ 42,216	\$ 44,267
Accrued payroll	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Due to federal government	-	-	-	-	-
Due to other state agencies	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to State General Fund	-	-	-	13,685	13,685
Due to local governments	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total liabilities	-	-	2,051	55,901	57,952
FUND BALANCES:					
Fund balances					
Restricted	211,379	900	101,017	380,699	693,995
Unassigned (deficit)	-	-	-	-	-
Total fund balances	211,379	900	101,017	380,699	693,995
Total liabilities and fund balances	\$ 211,379	\$ 900	\$ 103,068	\$ 436,600	\$ 751,947

State of New Mexico
New Mexico Department of Cultural Affairs

**COMBINING STATEMENT OF REVENUES, EXPEDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	Special Revenue Funds			Capital Outlay Fund	Total Non-Major Governmental Funds
	25600 Museum Collections Fund	59100 Rural Libraries Development	89900 Farm & Ranch Fund	69800 Arts in Public Places Funds	
Revenues					
Fees and services	\$ -	\$ -	\$ 33,251	\$ -	\$ 33,251
Interest revenue	1,083	-	-	-	1,083
Other state funds	-	-	-	-	-
Federal grants and contracts	-	-	-	-	-
Private gifts and grants	-	-	-	-	-
Miscellaneous	21,649	-	-	-	21,649
Total revenues	<u>22,732</u>	<u>-</u>	<u>33,251</u>	<u>-</u>	<u>55,983</u>
Expenditures					
Personnel services and employee benefits	-	-	-	-	-
Maintenance and repairs	-	-	-	-	-
Supplies	1,002	-	-	323,166	324,168
Contractual services	-	-	18,379	290,834	309,213
Grants to other agencies	-	-	5,059	-	5,059
Capital outlay	-	-	-	838,454	838,454
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>1,002</u>	<u>-</u>	<u>23,438</u>	<u>1,452,454</u>	<u>1,476,894</u>
Excess (Deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>21,730</u>	<u>-</u>	<u>9,813</u>	<u>(1,452,454)</u>	<u>(1,420,911)</u>
Other Financing Sources (Uses)					
Transfers - Reversions to State General Fund	-	-	-	-	-
Transfer of bond proceed appropriations	-	-	-	1,020,692	1,020,692
Transfers, in (out)	-	-	91,204	-	91,204
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>91,204</u>	<u>1,020,692</u>	<u>1,111,896</u>
Net change in fund balances	21,730	-	101,017	(431,762)	(309,015)
Fund Balances, beginning of year	<u>189,649</u>	<u>900</u>	<u>-</u>	<u>812,461</u>	<u>1,003,010</u>
Fund balances, end of year	<u>\$ 211,379</u>	<u>\$ 900</u>	<u>\$ 101,017</u>	<u>\$ 380,699</u>	<u>\$ 693,995</u>

State of New Mexico
New Mexico Department of Cultural Affairs

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -
GENERAL OPERATING FUND - MUSEUM AND HISTORIC SITES (P536)**

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State general fund appropriations	\$ 19,801,400	\$ 19,101,588	\$ 19,101,588	\$ -
Special Appropriation	-	100,000	100,000	-
Intra-state transfers	125,000	125,000	100,000	(25,000)
Federal grants	92,500	92,500	97,722	5,222
Earned revenues	3,338,500	3,405,591	3,320,597	(84,994)
Private gifts and grants	-	-	-	-
Miscellaneous	-	-	-	-
15% Museum admissions fund	587,600	313,700	477,088	163,388
 Total revenues	23,945,000	23,138,379	23,196,995	\$ 58,616
Prior year cash budgeted	-	157,550		
Total budgeted revenues	\$ 23,945,000	\$ 23,295,929		
 EXPENDITURES - current:				
Personnel services and benefits	\$ 17,176,500	\$ 16,827,279	16,680,997	\$ 146,282
Contractual services	1,153,800	1,102,012	905,674	196,338
Other operating costs	5,614,700	5,266,638	4,756,211	510,427
Other sources	-	91,204	91,204	-
Total expenditures	\$ 23,945,000	\$ 23,287,133	22,434,086	\$ 853,047
 EXCESS REVENUE OVER EXPENSE	-	8,796	762,909	
 Cash balance carryforward	\$ -	\$ 91,204		
 GAAP basis reconciliation				
Current year general fund reversion			-	
Prior year general fund reversion			(13,615)	
Intra-state transfers			(316,477)	
 Net change in fund balance			\$ 432,817	

State of New Mexico
New Mexico Department of Cultural Affairs

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -
GENERAL OPERATING FUND - PRESERVATION (P537)**

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State general fund appropriations	\$ 657,200	\$ 621,100	\$ 621,100	\$ -
Intra-state transfers	-	-	-	-
Federal grants	1,062,500	1,062,500	917,328	(145,172)
Earned revenues	2,525,000	2,525,000	1,312,128	(1,212,872)
Private gifts and grants	-	-	-	-
Miscellaneous	-	-	-	-
15% Museum admissions fund	-	-	-	-
	4,244,700	4,208,600	2,850,556	\$ (1,358,044)
Total revenues				
Prior year cash budgeted	-	-		
Total budgeted revenues	\$ 4,244,700	\$ 4,208,600		
 EXPENDITURES - current:				
Personnel services and benefits	\$ 3,350,000	\$ 3,303,900	2,505,927	\$ 797,973
Contractual services	419,700	369,700	103,902	265,798
Other operating costs	475,000	535,000	356,319	178,681
Other sources	-	-	-	-
	\$ 4,244,700	\$ 4,208,600	2,966,148	\$ 1,242,452
Total expenditures				
EXCESS REVENUE OVER EXPENSE	-	-	(115,592)	
Cash balance carryforward	\$ -	\$ -		
 GAAP basis reconciliation				
Current year general fund reversion			-	
Prior year general fund reversion			-	
Net change in fund balance			\$ (115,592)	

State of New Mexico
New Mexico Department of Cultural Affairs

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -
GENERAL OPERATING FUND - LIBRARY SERVICES (P539)**

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State general fund appropriations	\$ 3,461,400	\$ 3,009,376	\$ 3,009,376	\$ -
Intra-state transfers	-	-	-	-
Federal grants	1,368,500	1,643,215	1,587,261	(55,954)
Earned revenues	47,000	55,500	62,467	6,967
Private gifts and grants	-	-	-	-
Miscellaneous	-	-	-	-
15% Museum admissions fund	-	-	-	-
	4,876,900	4,708,091	4,659,104	\$ (48,987)
Total revenues				
Prior year cash budgeted	-	-		
Total budgeted revenues	\$ 4,876,900	\$ 4,708,091		
 EXPENDITURES - current:				
Personnel services and benefits	\$ 2,572,400	\$ 2,341,000	2,312,660	\$ 28,340
Contractual services	272,000	115,891	114,347	1,544
Other operating costs	2,032,500	2,251,200	2,220,279	30,921
Other sources	-	-	-	-
	4,876,900	4,708,091	4,647,286	\$ 60,805
Total expenditures				
EXCESS REVENUE OVER EXPENSE	-	-	11,818	
Cash balance carryforward	\$ -	\$ -		
 GAAP basis reconciliation				
Current year general fund reversion			(7)	
Prior year general fund reversion			-	
Net change in fund balance			\$ 11,811	

State of New Mexico
New Mexico Department of Cultural Affairs

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -
GENERAL OPERATING FUND - PROGRAM SUPPORT (P540)**

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State general fund appropriations	\$ 4,148,700	\$ 3,810,536	\$ 3,810,536	\$ -
Intra-state transfers	-	-	-	-
Federal grants	-	-	-	-
Earned revenues	33,400	33,400	40,026	6,626
Private gifts and grants	-	-	-	-
Miscellaneous	-	-	-	-
15% Museum admissions fund	-	-	-	-
	4,182,100	3,843,936	3,850,562	\$ 6,626
Total revenues	4,182,100	3,843,936	3,850,562	\$ 6,626
Prior year cash budgeted	250,000	250,000		
Total budgeted revenues	\$ 4,432,100	\$ 4,093,936		
 EXPENDITURES - current:				
Personnel services and benefits	\$ 3,617,900	\$ 3,445,700	3,268,920	\$ 176,780
Contractual services	511,500	366,536	349,356	17,180
Other operating costs	302,700	281,700	267,846	13,854
Other sources	-	-	-	-
	\$ 4,432,100	\$ 4,093,936	3,886,122	\$ 207,814
Total expenditures	\$ 4,432,100	\$ 4,093,936	3,886,122	\$ 207,814
EXCESS REVENUE OVER EXPENSE	-	-	(35,560)	
Cash balance carryforward	\$ -	\$ -		
 GAAP basis reconciliation				
Current year general fund reversion			-	
Prior year general fund reversion			-	
Net change in fund balance			\$ (35,560)	

State of New Mexico
New Mexico Department of Cultural Affairs

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -
GENERAL OPERATING FUND - NEW MEXICO ARTS (P761)**

Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
State general fund appropriations	\$ 1,391,800	\$ 1,297,600	\$ 1,297,600	\$ -
Intra-state transfers	-	-	-	-
Federal grants	606,500	775,987	725,470	(50,517)
Earned revenues	-	-	-	-
Private gifts and grants	-	-	-	-
Miscellaneous	-	-	-	-
15% Museum admissions fund	-	-	-	-
Total revenues	1,998,300	2,073,587	2,023,070	\$ (50,517)
Prior year cash budgeted	-	-		
Total budgeted revenues	\$ 1,998,300	\$ 2,073,587		
EXPENDITURES - current:				
Personnel services and benefits	\$ 880,800	\$ 812,100	812,100	\$ -
Contractual services	961,100	1,081,453	1,043,158	38,295
Other operating costs	156,400	180,034	167,801	12,233
Other sources	-	-	-	-
Total expenditures	\$ 1,998,300	\$ 2,073,587	2,023,059	\$ 50,528
EXCESS REVENUE OVER EXPENSE	-	-	11	
Cash balance carryforward	\$ -	\$ -		
GAAP basis reconciliation				
Current year general fund reversion			(11)	
Prior year general fund reversion			-	
Net change in fund balance			\$ -	

State of New Mexico
New Mexico Department of Cultural Affairs

SUPPLEMENTAL SCHEDULE OF INTEREST IN STATE GENERAL FUND INVESTMENT POOL

As of June 30, 2017

<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 June 30, 2017</u>
General Fund						
State Treasurer	General Operating Account	19300	General	State Treasurer	No	<u>\$ 2,122,892</u>
Special Revenue Funds						
State Treasurer	15% Museum Admission Funds	19400	Special Revenue	State Treasurer	No	1,087,699
State Treasurer	Museum Collections Funds	25600	Special Revenue	State Treasurer	No	211,379
State Treasurer	Rural Libraries Development	59100	Special Revenue	State Treasurer	No	900
State Treasurer	Farm & Ranch Licensee	89900	Special Revenue	State Treasurer	No	<u>103,068</u>
Total Special Revenue Funds						<u>1,403,046</u>
Capital Projects Funds						
State Treasurer	Capital Projects, Laws of 2007	26300	Capital Projects	State Treasurer	No	-
State Treasurer	Arts in Public Places Fund	69800	Capital Projects	State Treasurer	No	436,600
State Treasurer	Capital Projects, Laws 10,11,12	89200	Capital Projects	State Treasurer	No	<u>364,411</u>
Total Capital Projects Funds						<u>\$ 801,011</u>
Debt Service Fund						
State Treasurer	NMFA Projects Fund	69100	Debt Service	State Treasurer	No	<u>1,515,642</u>
Total Governmental Funds						<u>\$ 5,842,591</u>
Enterprise Fund						
State Treasurer	Enterprise Fund	53000	Enterprise	State Treasurer	No	<u>478,385</u>
Fiduciary Funds						
State Treasurer	Historic Preservation Revolving Agency	59300	Agency	State Treasurer	No	411,550
State Treasurer	Bartlett Trust Fund	61200	Trust	State Treasurer	Yes	116,016
State Treasurer	Main Street Revolving Loan Agency	20070	Agency	State Treasurer	No	<u>66,408</u>
Total Fiduciary Funds						<u>593,974</u>
Total Interest in State General Fund Investment Pool						<u>\$ 6,914,950</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, 2017

Open Projects/Appropriation Period	Appropriation ID	Original Appropriation	Expenditures to Date	Outstanding Encumbrances	Reversions	Reauthorized	Unencumbered Remaining Balance
Art in Public Places -							
Non-expiring, non-reverting							
CPF	A150083	\$ 1,720	\$ -	\$ -		\$ -	\$ 1,720
GF	A150035	687,031	350,503	141,456		-	195,072
GOB01	A150037	378,477	378,477	-		-	-
GOB03	A150018	623,804	623,804	-		-	-
GOB05	A150038	753,440	718,440	35,000		-	-
GOB07	A150019	1,221,450	891,808	-		-	329,642
GOB09	A150020	1,749,926	1,088,123	47,650		-	614,153
GOB11	A150039	36,120	12,993	-		-	23,127
GOB13		486,000	-	-		-	486,000
GOB15	A16A0033	1,212,123	242,700	-		-	969,423
STB98B	A150040	367,545	367,545	-		-	-
STB00	A150041	133,259	133,259	-		-	-
STB02A	A150042	265,139	265,139	-		-	-
STB03A	A150043	268,675	268,675	-		-	-
STB03SE	A150044	3,700	3,700	-		-	-
STB04A	A150045	87,925	87,925	-		-	-
STB05A	A150046	216,571	216,571	-		-	-
STB05SE	A150022	61,420	61,420	-		-	-
STB06A - STB06SA	A150023	774,145	770,980	3,165		-	-
STB06SC	A150047	85,900	85,900	-		-	-
STB07A	A150024	620,663	604,163	16,500		-	-
STB07SA	A150048	223,998	223,998	-		-	-
STB07SD	A150081	204,073	204,073	-		-	-
STB08A-1	A150025	879,089	420,812	-		458,277	-
STB08SA	A150082	143,046	65,453	5,425	67,168	-	5,000
STB08SD	A150027	103,660	32,100	-	69,560	-	2,000
STB09A	A150026	155,341	76,197	-		79,144	-
STB09SA		69,589	60,000	-	9,589	-	-
STB09SC	A150028	190,000	10,000	-	180,000	-	-
STB09SD	A150029	52,429	26,800	-	25,629	-	-
STB10A	A16A0034	28,900	-	1,050		25,050	2,800
STB10SA	A150030	192,200	108,875	-	83,325	-	-
STB11A-1	A150031	135,000	43,000	-		92,000	-
STB12A	A16A0035	231,900	119,315	2,800		103,685	6,100
STB12SA		18,001	-	-	18,001	-	-
STB13A	A16A0036	395,870	118,369	-		276,101	1,400
STB13SA	A16A0041	17,298	17,298	-		-	-
STB13SD	A16A0040	24,739	7,350	-	16,889	-	500
STB14A	A16A0037	166,857	19,530	-		147,327	-
STB14SA		10,733	-	-	10,733	-	-
STB14SC		1,250	-	-	1,250	-	-
STB15A	A16A0038	169,325	8,550	-		160,775	-
STB15SA		201,437	-	-	201,437	-	-
STB15SC		35,000	-	-	35,000	-	-
STB16A		212,840	-	-		212,840	-
STB16C		14,240	-	-		-	14,240
STB16D		18,792	-	-		-	18,792
STB16E		8,020	-	-		-	8,020
Total		<u>13,938,660</u>	<u>8,733,845</u>	<u>253,046</u>	<u>718,581</u>	<u>1,555,199</u>	<u>2,677,989</u>
Total Art in Public Places		<u>\$ 13,938,660</u>	<u>\$ 8,733,845</u>	<u>\$ 253,046</u>	<u>\$ 718,581</u>	<u>\$ 1,555,199</u>	<u>\$ 2,677,989</u>

State of New Mexico
Department of Cultural Affairs

**SCHEDULE OF CAPITAL PROJECT FUNDS - SPECIAL APPROPRIATIONS,
SEVERANCE TAX AND GENERAL OBLIGATION BONDS – CONTINUED**

As of June 30, 2017

Open Projects/Appropriation Period	Appropriation ID	Original Appropriation	Expenditures to Date	Outstanding Encumbrances	Reversions	Reauthorized	Unencumbered Remaining Balance
General Obligation Bonds							
Laws of 2014, Chapter 65, Section 10/B/1a-1b							
Appropriation Period FY14-FY18							
Expire 06/30/2018							
Statewide Non Tribal Library books, equipment & library resources acquisitions	A141289	\$ 3,000,000.00	\$ 1,266,481.00	\$ 1,719,925.00	\$ -	\$ -	\$ 13,594.00
Statewide Tribal Library books, equipment, library resources acquisitions and capital improvements	A141290	800,000	197,368	600,632	-	-	2,000
Total		<u>3,800,000</u>	<u>1,463,849</u>	<u>2,320,557</u>	<u>-</u>	<u>-</u>	<u>15,594</u>
Total General Obligations Bonds		<u>\$ 3,800,000</u>	<u>\$ 1,463,849</u>	<u>\$ 2,320,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,594</u>
Severance Tax Bonds							
Laws of 2008, Ch. 92, Sec 7/4							
Appropriation Period FY08-FY16 *16*14*12							
Expire 06/30/2016							
NHCC/Torreon Project including bldg.	A083030**	\$ 285,000	\$ 285,000	\$ -	\$ -	\$ -	\$ -
NHCC/Torreon Project including bldg.	A16A4018***	136,126	57,683	78,443	-	-	-
Total		<u>421,126</u>	<u>342,683</u>	<u>78,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
Laws of 2009, Ch. 125, Sec 9/2,3							
Appropriation Period FY09-FY15 *15*13							
Expire 06/30/2017							
Bosque Redondo Memorial Exhibits	A093096	563,000	562,961	-	-	-	39
NMF&RH Exhibits & Tortugas Hall	A093097	1,800,000	1,800,000	-	-	-	-
Total		<u>2,363,000</u>	<u>2,362,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>
Laws of 2013, Ch. 226, Sec. 11/1,2,3,4							
Appropriation Period FY13-FY17							
Expire 06/30/2017							
NM Museum of Space History Renovations	A131245	500,000	500,000	-	-	-	-
Santa Fe Childrens Museum Improvements	A131246	117,336	117,336	-	-	-	-
Cultural Facilities Complete & Equip	A131247	2,500,000	2,500,000	-	-	-	-
Museums & Monuments Critical Repairs SW	A131248	3,000,000	3,000,000	-	-	-	-
Total		<u>6,117,336</u>	<u>6,117,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Laws of 2014, Ch. 66, Sec. 7/2,3,4							
Appropriation Period FY14-FY18							
Expire 06/30/2018							
NHCC/Dividers	A141338	135,000	135,000	-	-	-	-
NHCC/Information and Welcome Center	A141339	564,000	53,435	510,565	-	-	-
CCA Center for Contemporary Arts Improvement	A141340	96,500	96,500	-	-	-	-
Total		<u>795,500</u>	<u>284,935</u>	<u>510,565</u>	<u>-</u>	<u>-</u>	<u>-</u>

State of New Mexico
Department of Cultural Affairs

**SCHEDULE OF CAPITAL PROJECT FUNDS - SPECIAL APPROPRIATIONS,
SEVERANCE TAX AND GENERAL OBLIGATION BONDS – CONTINUED**

As of June 30, 2017

Open Projects/Appropriation Period	Appropriation ID	Original Appropriation	Expenditures to Date	Outstanding Encumbrances	Reversions	Reauthorized	Unencumbered Remaining Balance
Laws of 2015, Ch. 03, Section 8/1,2,3,4,5,6,7, 8,9,10,11, 12, 13,14,15,16,17,18,19,20, 21, 22, 23, & 24 Appropriation Period FY16-FY19 Expire 06/30/2019							
Natl Hispanic Cultural Ctr Improve	A150197	424,000	421,292	-	-	-	2,708
Nm Museum Of Natural History & Science Impro	A150198	425,000	423,856	281	-	-	863
Bosque Redondo Mem & Ft Sumner Historic Site	A150199	75,000	29,828	13,737	-	-	31,435
NM Farm & Ranch Heritage Museum Improve	A150200	400,000	400,000	-	-	-	-
Taylor Reynolds Barela Mesilla Historic Site	A150201	187,500	152,733	34,767	-	-	-
Fort Selden Historic Site Improve	A150202	75,000	74,376	624	-	-	-
Ft Stanton Historic Site Barracks & Exhibit	A150203	40,000	39,016	-	-	-	984
Lincoln Historic Site Bldg Windows/Doors	A150204	20,000	19,999	-	1	-	-
Museum Of Space History Improve	A150205	400,000	298,273	95,544	-	-	6,183
Coronado Historic Site Ruins Footprint	A150206	38,600	38,600	-	-	-	-
Jemez Historic Site Giusewa Pueblo/Mission	A150207	25,000	24,750	-	-	-	250
CNMA Rolling Shelving	A150208	250,000	250,000	-	-	-	-
Museum Of Indian Arts & Culture Exhibit Improve	A150209	165,000	69,817	27,920	-	-	67,263
Museum Resources Div Halpin Bldg Infra Upgrad	A150210	300,000	147,793	1,167	-	-	151,040
NM Museum Of Art Improve	A150211	429,000	412,373	6,268	-	-	10,359
Palace Of The Governors Improve	A150212	680,000	350,980	213,661	-	-	115,359
Santa Fe Children's Museum Improvements	A150213	105,000	84,328	14,356	-	-	6,316
Santa Fe Ctr For Contemporary Arts Improve	A150214	65,000	65,000	-	-	-	-
Santa Fe Museum Hill Campus Improve	A150215	390,000	350,000	-	-	-	40,000
El Camino Real Historic Site Amphitheater Shadr	A150216	35,000	-	-	-	-	35,000
Bookmobile For Rural Library Services Statewide	A150217	81,190	-	81,190	-	-	-
CAD Bookmobile	A150218	300,000	-	300,000	-	-	-
CAD Historic Sites & Monuments	A150219	300,000	178,903	77,604	-	-	43,493
CAD Museums/Monuments/Sites/Resource Faci	A150220	300,000	295,450	-	-	-	4,550
Total		5,510,290	4,127,367	867,119	1	-	515,803
Laws of 2016, Ch. 81, Section 8/1,2,3,4,5,6,7, 8,9,10, 12, 13,14,15,16 & 17 Appropriation Period FY17-FY20 Expire 06/30/2020							
Alb Gun Violence Memorial	A16A2019	229,000	-	-	-	-	229,000
National Hispanic Cultural Ctr Annex & Site	A16A2020	639,500	486,822	19,515	-	-	133,163
Nm Museum Of Natural History & Science Impro	A16A2021	277,500	238,586	-	-	-	38,914
Fort Sumner Bosque Redondo Memorial Improve	A16A2022	50,000	40,812	8,760	-	-	428
Taylor-Barela-Reynolds- Mesilla Site Improve	A16A2023	25,000	18,415	-	-	-	6,585
Fort Selden Historic Site	A16A2024	50,000	36,642	13,043	-	-	315
Nm Museum Of Space History Restrooms	A16A2025	175,000	-	-	-	-	175,000
Coronado Historic Site Ruins Footprint	A16A2026	70,000	19,868	-	-	-	50,132
Museum Of Indian Arts & Culture Improve	A16A2027	50,000	-	-	-	-	50,000
Nm Museum Of Art Renovate	A16A2028	195,000	191,430	-	-	-	3,570
Palace Of The Governors Improve	A16A2029	417,175	-	-	-	-	417,175
Palace Of The Governors Photo Archive Equip	A16A2030	13,000	-	-	-	-	13,000
Santa Fe Children's Museum	A16A2031	62,000	-	-	-	-	62,000
Santa Fe Ctr For Contemporary Arts Improve	A16A2032	111,000	-	-	-	-	111,000
Santa Fe Museum Hill Campus	A16A2033	60,000	-	-	-	-	60,000
Cad Preservation & Improvements Statewide	A16A2034	2,000,000	295,450	-	-	-	1,704,550
Total		4,424,175	1,328,025	41,318	-	-	3,054,832
Laws of 2017, Ch. 133, Section 102 & 121 Appropriation Period FY17-FY19 Expire 06/30/2019							
Museum Of Indian Arts & Culture	A17B4099	300,000	-	-	-	-	300,000
State Museums Improvements	A17B4118	1,255,200	-	-	-	-	1,255,200
Total		1,555,200	-	-	-	-	1,555,200
Total Severance Tax Bonds		\$ 21,186,627	\$ 14,563,307	\$ 1,497,445	\$ 1	\$ -	\$ 5,125,874

*Reauthorizations

** A083030 - Total amount of \$285,000 was recouped through June 30, 2016.

*** A16A4018 - \$136,126 New Appropriation ID

State of New Mexico
New Mexico Department of Cultural Affairs

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS

June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Historic Preservation Revolving Fund (59300)				
ASSETS				
Interest in State Treasurer General Fund Investment Pool	\$ 404,868	\$ 6,682	\$ -	\$ 411,550
Loans receivable	42,982	-	(5,104)	37,878
Total Assets	\$ 447,850	\$ 6,682	\$ (5,104)	\$ 449,428
LIABILITIES				
Deposits held in custody for others	\$ 447,850	\$ 6,682	\$ (5,104)	\$ 449,428
Total Liabilities	\$ 447,850	\$ 6,682	\$ (5,104)	\$ 449,428
 Main Street Revolving Loan Fund (20070)				
ASSETS				
Interest in State Treasurer General Fund Investment Pool	\$ 66,408	\$ -	\$ -	\$ 66,408
Loans receivable	-	-	-	-
Total Assets	\$ 66,408	\$ -	\$ -	\$ 66,408
LIABILITIES				
Deposits held in custody for others	\$ 66,408	\$ -	\$ -	\$ 66,408
Other liabilities	-	-	-	-
Total Liabilities	\$ 66,408	\$ -	\$ -	\$ 66,408

State of New Mexico
Department of Cultural Affairs

SCHEDULE OF JOINT POWERS AGREEMENTS

June 30, 2017

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

Participant with Department of Cultural Affairs	Responsible Party	Description	Beginning Date	Ending Date	Total Amount of Agreement	Amount Applicable to DCA - FY17	Audit Responsibility	Agency Reporting Revenue/Expense
Albuquerque Public Schools	DCA/APS	JPA establishes role of APS and Museum of Natural History for operation of Sandia Mountain Natural History Center and programs for students and the public	8/31/2014	8/31/2019	N/A	\$ 210,912	DCA/APS	DCA/APS
NM Department of Veterans' Services	DCA/DVS	JPA with DVS to operate and maintain the Cemetary at Fort Stanton	3/20/2012	Termination with either party with 180 days notice	N/A	N/A	DCA/DVS	DCA/DVS
NM Energy Minerals and Natural Resources Department	DCA / EMNRD	JPA # 000...1612 between EMNRD and DCA/MNM/OAS to pay for all costs incurred under this agreement for archaeological services.	7/1/2004	Terms are contingent upon NM State Legislature and OSM appropriations	\$100,000 Annually	\$ 90,698	DCA / EMNRD	DCA / EMNRD

State of New Mexico
Department of Cultural Affairs

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

<u>Federal Agency / Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of the Interior				
Bureau of Land Management				
ARMS Cultural Resource Data Sharing #L14AC00189	15.224		\$ -	\$ 53,998
SiteWatch Agreement #L14AC00237 0001-0000	15.238		-	15,048
Total Bureau of Land Management			<u>-</u>	<u>69,046</u>
Bureau of Reclamation				
Cultural Resource Management #R12AC40028	15.511		-	10,000
Total Bureau of Reclamation			<u>-</u>	<u>10,000</u>
National Park Service				
HPD - 2015 Nat Parks Services HPF # P15AF00048	15.904		27,053	55,852
HPD - 2016 Nat Parks Services HPF # P16AF00047	15.904		11,265	572,059
Underrepresented Communities Pueblo Legacy & Summits #P15AP00015	15.904		50,803	50,803
Total National Park Service			<u>89,121</u>	<u>678,714</u>
Total U.S. Department of the Interior			<u>89,121</u>	<u>757,760</u>
National Endowment for the Arts				
NEA - Partnership Grant #14-6100-2030	45.025		-	2,800
NEA - Partnership Grant #15-6100-2033	45.025		-	36,700
NEA - Partnership Grant #16-6100-2019	45.025		476,800	685,969
Total National Endowment for the Arts			<u>476,800</u>	<u>725,469</u>
Institute of Museum and Library Services				
LSTA State Grant LS-00-15-0032-15	45.310		-	462,585
LSTA State Grant LS-00-16-0032-16	45.310		-	1,124,176
Total Institute of Museum and Library Services			<u>-</u>	<u>1,586,761</u>
Total Federal Expenditures			<u>\$ 565,921</u>	3,069,990
Amounts Received Under Contracts				
Fee for Services				<u>257,291</u>
Federal Revenue Grants and Contracts				<u>\$ 3,327,281</u>

State of New Mexico
New Mexico Department of Cultural Affairs

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the State of New Mexico Department of Cultural Affairs (the Department) under program of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards*. Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in net position of the Department. The Department elected not to use the 10% de minimis indirect cost rate.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

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

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, 2017, and the related notes to the financial statements, which collectively comprise DCA's basic financial statements, and have issued our report thereon dated October 31, 2017.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

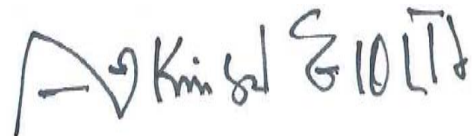
As part of obtaining reasonable assurance about whether DCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing 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 findings 2017-001 and 2017-002.

DCA's Response to Findings

DCA's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. DCA's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department'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.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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 Compliance Supplement* that could have direct and material effect on each of DCA's major federal programs for the year ended June 30, 2017. DCA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards, applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Major Federal Program

In our opinion, DCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

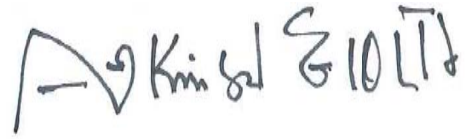
Management of DCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered DCA's internal control over compliance with the types of requirements 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DCA's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of 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 Department of Cultural Affairs' response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. DCA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", written in a cursive style.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ Yes <u> X </u> No
• Significant deficiency(s) identified?	_____ Yes <u> X </u> None Reported
• Non-compliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	_____ Yes <u> X </u> No
• Significant deficiency(s) identified?	_____ Yes <u> X </u> 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 2 CFR 200.516(a)?	_____ Yes <u> X </u> No

Identification of Major Programs:

<u>CFDA No.</u>	<u>Program</u>	
15.904	HPD National Parks Services	\$678,714
45.025	NEA – Partnership Grant	\$725,469

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
• Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

June 30, 2017

A. SUMMARY OF AUDITORS' RESULTS – CONTINUED

Current Year Findings Description

Findings – Financial Statement Audit

2017-001 Information Technology General Controls (Other Noncompliance)

Federal Award Findings and Questioned Costs

2017-002 Late Submission of Data Collection Form (Other Noncompliance)

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

None

Prior Year Findings Description

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

June 30, 2017

B. FINANCIAL STATEMENT AUDIT FINDINGS

**FINDING 2017-001 INFORMATION TECHNOLOGY GENERAL CONTROLS
(OTHER NONCOMPLIANCE)**

CONDITION

A review of information technology general controls revealed the following items.

- (1) The Department does not have an established and documented disaster recovery plan, which should be part of the overall IT Security Policy.
- (2) The Department restores system data on an as needed basis but does not have a testing schedule and correspondence documentation.

CRITERIA

Because the information technology system is an integral part of the internal control system for the Department, the New Mexico Department of Information Technology (DoIT) has issued a number of rules, guidelines and standards that state agencies are to follow. Specifically, NMAC 1.12.20 – Information Security Operations Management states the following related to the two conditions noted above:

- (1) Section 1.12.20.31 Business Continuity, requires each state agency to perform daily backups and to take actions to “minimize interruptions to normal agency business operations and critical agency business applications...”, but does not specifically state how often the backups or processes are required to be performed. However, NMAC 1.12.20 references implementation standards as promulgated by DoIT, one of which is Standard S-STD-003, IT Risk Management which includes an IT Security Assessment that each agency is supposed to complete and return to DoIT. Question F in Section 12 is as follows:

F. Backups are tested on a regular basis, as documented, for restorability, recoverability, and to ensure that restored information has not been compromised

- (2) Section 1.12.20.8 Documentation of Security Operations, states the following:

A. All agency IT technical operations shall have documented security operating instructions, management processes, and formal incident management procedures in place that define roles and responsibilities of individuals who operate or use agency IT technical operations and facilities.

CAUSE

The Department has not completed the above testing and documentation due to an oversight of these requirements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

June 30, 2017

B. FINANCIAL STATEMENTS AUDIT FINDINGS – CONTINUED

**FINDING 2017-001 INFORMATION TECHNOLOGY GENERAL CONTROLS
(OTHER NONCOMPLIANCE) – CONTINUED**

EFFECT

The IT security for the Department could be more vulnerable in a general sense or unknown vulnerabilities may exist, which could compromise the data and integrity of the Department's network and IT resources. Additionally, the Department does not know if they would be able to fully recover their IT systems if a system critical incident were to occur, and if so how long it would take.

RECOMMENDATION

We recommend that a formal security policy, including disaster recovery considerations, be documented and implemented to include testing of the ability to restore system operability from the backups and backup systems maintained.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

Management notes that Department operating procedures include regular and routine back-ups of all data on networked storage devices. These include four daily backups performed at four-hour intervals from 8:00am to 8:00pm and also include three daily backups and three weekly backups. Data has successfully been restored from back-ups and is routinely done so. DCA's IT staff performs visual inspection of these back-ups to ensure that they are completed successfully.

In response to the finding, the Department's CIO will seek guidance from the Department of Information Technology on best practices and model documents to establish an information security policy with incident management and disaster recovery as components. In addition, the Department will implement a process to properly document the completion of scheduled backups and testing for restorability, recoverability, and to ensure that restored information has not been compromised.

Timeline:

1. Begin regular testing of scheduled backups: December 15, 2017
2. Research on best practices: Completed by January 31, 2018
3. Establish updated information security policy: March 31, 2018
4. Implement documentation of scheduled backups and testing of restorability and recoverability: March 31, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

June 30, 2017

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FINDING 2017-002 LATE SUBMISSION OF DATA COLLECTION FORM
(OTHER NONCOMPLIANCE)**

CFDA Number: 15.094

Title: Historic Preservation Fund Grants-In-Aid

Agency: Department of the Interior, National Park Service

Period of Performance: July 1, 2016 to June 30, 2017

CFDA Number: 45.025

Title: Promotion of the Arts-Partnership Agreements

Agency: National Endowment for the Arts

Period of Performance: October 1, 2015 to September 30, 2017

CONDITION

The Department of Cultural Affairs, State of New Mexico did not submit its data collection form package to the Federal Audit Clearinghouse by the statutory deadline. It was submitted after the statutory deadline.

CRITERIA

The data collection form reporting package must be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the issuance of the auditor's report or nine months after the end of the audit period per 2 CFR 200.512 (a) (1). The fiscal year report for the year ending June 30, 2016 was release on January 31, 2017 by the Office of the State Auditor of New Mexico. The data collection form was submitted to the Federal audit clearinghouse on March 31, 2017, which is four weeks late.

CAUSE

There was not a clear understanding of the earlier reporting deadline for the data collection form by the agency or by external auditors who completed most parts of the submission. The prior data collection form reporting package was filed by the end of the nine-month period after the year end that was reported on.

EFFECT

The agency was out of compliance with the federal statute for reporting results of the single audit. Information was not available to funding and oversight agencies when required. The finding might prevent a low risk auditee determination in a future period.

RECOMMENDATIONS

We recommend that the filing requirement be reaffirmed to staff and that check in dates be scheduled in the DCA compliance calendar to assist in meeting an on-time filing. This finding should not repeat.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

June 30, 2017

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – CONTINUED

**FINDING 2017-002 LATE SUBMISSION OF DATA COLLECTION FORM
(OTHER NONCOMPLIANCE)**

CFDA Number: 15.094

Title: Historic Preservation Fund Grants-In-Aid

Agency: Department of the Interior, National Park Service

Period of Performance: July 1, 2016 to June 30, 2017

CFDA Number: 45.025

Title: Promotion of the Arts-Partnership Agreements

Agency: National Endowment for the Arts

Period of Performance: October 1, 2015 to September 30, 2017

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

The Chief Financial Officer has created calendar reminders to check with the audit firm starting one month after the submission deadline of November 1st through March 31st in order to ensure that both parties complete the tasks required to meet the Federal Clearinghouse deadline of the earlier of 30 days after the report is release by the State Auditor or nine months after the end of the audit period.

State of New Mexico
New Mexico Department of Cultural Affairs

EXIT CONFERENCE

Year Ended June 30, 2017

An exit conference was held on October 31, 2017. The following individuals were present:

Department of Cultural Affairs:

Veronica Gonzales, Cabinet Secretary
Michael Delello, Deputy Cabinet Secretary
Greg Geisler, Director, CFO, Administrative Services
Eve Banner, Account Manager
Gene Harris, Bureau Chief over Accounts Receivable and Cash Management

Atkinson & Co., Ltd.:

Marty Mathisen, CPA, CGFM	Audit Director
Renea L. Calhoon, CPA	Audit Manager

PREPARATION OF FINANCIAL STATEMENTS

Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are correct and in balance. The financial statements presented in this report have been prepared by the independent auditor with the assistance of the Department. Management has reviewed and approved the financial statements.

ATKINSON & CO. LTD
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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