



# State of New Mexico Office of African American Affairs

*Financial Statements and Schedules  
with  
Independent Auditor's Report  
For the Fiscal Year Ended June 30, 2008*

Gwen K. Farner, CPA

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS**

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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS**

**OFFICIAL ROSTER**

**JUNE 30, 2008**

<u>Name</u>	<u>Title</u>
Dr. Harold Bailey	Executive Director
Gary D. Williams	Deputy Director
Stella Griffin	Budget Analyst
Donald L. Jordan	Project Manager, Performing Art Center
E. Hakim Bellamy	Community Service Coordinator
Koren Stewart	Business Operations Specialist

# *Gwen K. Farner*

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## **INDEPENDENT AUDITOR'S REPORT**

Dr. Harold Bailey, Executive Director  
Office of African American Affairs  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

I have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison for the general fund of the State of New Mexico Office of African American Affairs (Office), as of and for the year ended June 30, 2008, which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

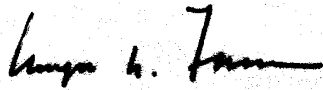
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 2. A. the financial statements of the Office are intended to present the financial position, and changes in financial position of only that portion of the government-type activities, each major fund of the State that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2008, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Office, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 27, 2008 on my consideration of the Office's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's discussion and analysis on pages 5 through 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Gwen K. Farner". The signature is written in a cursive style with a large, stylized initial 'G'.

Gwen K. Farner, CPA  
Corrales, New Mexico  
October 27, 2008

**STATE OF NEW MEXICO**  
**OFFICE OF AFRICAN AMERICAN AFFAIRS**  
**June 30, 2008**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and Analysis (MD&A) of the State of New Mexico Office of African American Affairs (Office) is designed to: (a) provide a brief overview of the Office's history and mission; (b) assist the reader in focusing on significant financial issues; (c) provide an overview of the Office's financial activity; (d) identify changes in the Office's financial position (ability to address future year challenges); (e) identify any material deviations from the financial plan (approved budget); and (f) identify fund issues or concerns. It focuses on the current year's activities, resulting changes and currently known facts.

### **FINANCIAL HIGHLIGHTS**

The Office has a general fund which is used to account for the Office's operational expenses, African American community outreach, health, and arts programs for fiscal 2008. The government wide financial statements and the government fund financial statements are presented in accordance with GASB #34. This GASB #34 reporting was required of the Office as of July 1, 2001. The government-wide financial statements report the Office's total assets and total liabilities and the difference is labeled as net assets on the statement of financial position. The Statement of Activities reports revenues and expenses of the Office's financial position as of June 30, 2008 as a whole. The Statement of Activities reports the direct expenses of the Office its appropriation.

### **OFFICE HIGHLIGHTS**

The Office is a state agency that works with the New Mexico African-American community providing them information to increase awareness of health issues, scholarships, financial assistance, and career development for youth.

The Office also has an agreement with the New Mexico State Fair to promote and develop a collection of African-America cultural arts. The Office oversees all issues relating to the African-American community throughout New Mexico. They research and recommend objects for inclusion in the collection for the Performing and Cultural Arts Exhibit Hall at the New Mexico State Fair. The Office shall: (1) expend the \$394,000 appropriation for the sole purpose of administering and promoting the culture and history collection intended for the African-American Performing and Cultural Arts Exhibit Hall at the State Fairgrounds; (2) collaborate and consult with the African-American community statewide, including the Charlie Morrissey Research Hall of the University of New Mexico (CMRH), to ensure the acquisition of a broad, historically accurate and culturally significant collection for the performing and cultural arts exhibit hall in Albuquerque; (3) administer the funds and selection process to ensure that the collection is appropriate for the African-American Performing and Cultural Arts Exhibit Hall; (4) transfer all items with appropriate documentation of each item purchased pursuant to the agreement to the CMRH for temporary custody, until completion by the New Mexico State Fair (SF) of the African-American Performing and Cultural Arts Exhibit Hall in Albuquerque; (5) ensure that ownership rights and obligations to items purchased under this agreement belong to SF; (6) create a database itemizing all purchases made and provide such database to the parties as necessary; and (7), to ensure that adequate storage and protection of the collection takes place on both a temporary and permanent basis.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

MD&A should provide an objective and easily read analysis of the government's financial activities based on currently known facts, decisions, or conditions. It should provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

**STATE OF NEW MEXICO**  
**OFFICE OF AFRICAN AMERICAN AFFAIRS**  
**June 30, 2008**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to be corporate-like in that all governmental type and business-type activities are consolidated into columns that add to a total for the primary government and consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Both statements distinguish between the governmental and business-type activities of the primary government. Fiduciary activities whose resources are not available to finance the government's program are excluded from government-wide statements. The Office does not have any fiduciary activities and therefore is unaffected by this financial report.

All of the Office's basic services are included in the category of Governmental Activities that consist of general fund used for general operations and other financial uses. For example: funding part of the annual New Mexico Exhibit Hall in Albuquerque, New Mexico.

**FUND FINANCIAL STATEMENTS**

Fund financial statements consist of a series of statements that focus on information about the major governmental fund. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in the governmental category. Non-major funds or fund type are summarized into a single column. Due to the limited fund structure of the Office, its one general fund is classified as a Major Fund.

**NOTES TO THE FINANCIAL STATEMENTS**

Notes to the financial statements consist of information essential to a user's understanding of the basic financial statements.

**INFRASTRUCTURE ASSETS**

As part of GASB #34, there is a new reporting requirement regarding local government's infrastructure (roads, bridges, etc.). The Office does not own any infrastructure assets and therefore is unaffected by this requirement.

**BUDGETARY COMPARISONS**

In addition to MD&A, GASB #34 requires budgetary comparison schedules for the general fund and for each major special revenue fund having a legally adopted annual budget be presented as Required Supplementary Information (RSI). 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 NMAC 2.2.2 the Statements of Revenues and Expenditures – Budget and Actual are also represented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Per General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budget is adopted on the modified accrual basis of accounting, except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid in a timely manner must be paid out to the next year's budget.



**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
June 30, 2008**

**FINANCIAL ANALYSIS OF THE OFFICE AS A WHOLE**

**NET ASSETS:**

Table A-1 below summarizes the Office's comparative statement of net assets. Net assets for Governmental Activities were deficit of \$26,553 and \$14,626 for the years ending June 30, 2008 and 2007 respectively. This deficit increased 81.5% to \$26,553; this does not mean the Office does not have resources available to pay its bills next year; rather, it is the result of having long-term commitments that are greater than currently available resources. Specifically, the Office did not include in past annual budgets the full amounts needed to finance future liabilities to pay for unused employee vacation and sick days.

**TABLE A-1  
THE OFFICE'S COMPARATIVE STATEMENT OF NET ASSETS**

	Governmental Activities		Total Percentage Change
	June 30, 2008	June 30, 2007	2007-2008
<b>Assets:</b>			
Current assets and other assets	\$ 278,819	\$ 304,660	-8.48%
Capital and non-current assets	12,453	16,128	-22.79%
<b>Total assets</b>	<u>291,272</u>	<u>320,788</u>	-9.20%
<b>Total liabilities</b>	<u>317,825</u>	<u>335,414</u>	-5.24%
<b>Net assets:</b>			
Investment in capital assets	12,453	16,128	-22.79%
Unrestricted	<u>(39,531)</u>	<u>(30,754)</u>	28.54%
<b>Total net assets</b>	<u>\$ (27,078)</u>	<u>\$ (14,626)</u>	85.14%

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
JUNE 30, 2008**

**COMPARATIVE STATEMENT OF ACTIVITIES:**

Table A-2 below summarizes the comparative Statement of Activities for fiscal years ended June 30, 2008 and 2007. This report compliments the Statement of Net Assets by showing overall change in the Office's net assets.

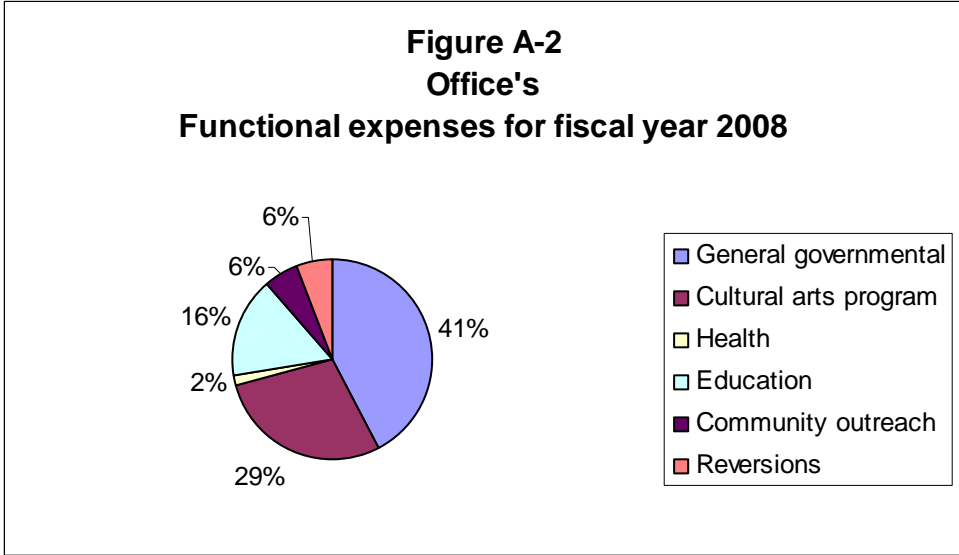
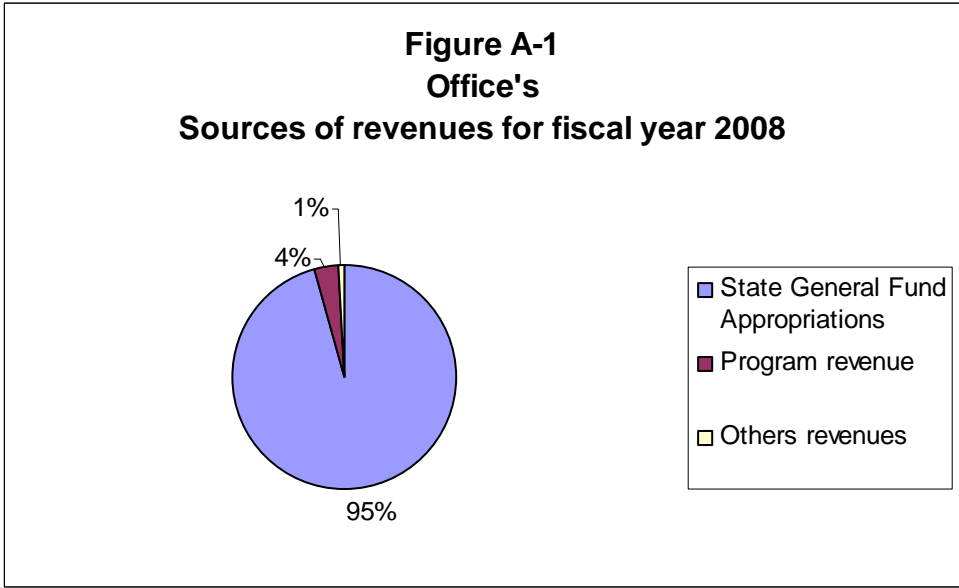
**TABLE A-2  
OFFICE'S COMPARATIVE STATEMENT OF ACTIVITIES**

	Governmental Activities		Percentage
	June 30, 2008	June 30, 2007	Change 2007-2008
<b>Revenues:</b>			
Appropriation	\$ 1,152,600	\$ 734,000	57.03%
Cultural arts revenue	45,230	-	N/A
Other - miscellaneous	9,174	56,620	-83.80%
Reversion	(70,547)	(107,564)	-34.41%
<b>Total revenues</b>	<u>1,136,457</u>	<u>683,056</u>	66.38%
<b>Expenses:</b>			
General expenses	514,049	629,720	-18.37%
Cultural arts	349,019	70,000	398.60%
Health	19,375	-	N/A
Education	197,678	-	N/A
Community outreach	68,788	-	N/A
	<u>1,148,909</u>	<u>699,720</u>	64.20%
Decrease in net assets	(12,452)	(16,664)	-25.28%
Beginning net assets	<u>(14,626)</u>	<u>2,038</u>	-817.66%
Ending net assets	<u>\$ (27,078)</u>	<u>\$ (14,626)</u>	85.14%

The office's total revenues increased by 66.46 percent to \$1,136,983 from prior fiscal year and expenditures increase by 64.20 percent to \$1,148,909 (see table A-2). The increase of revenues and expenses are due to increase in providing services to community outreach, health issues and cultural art programs.

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
JUNE 30, 2008**

For fiscal year 2008, \$1,152,600 was funded by General Fund appropriation. This funding included \$887,600 for support of statewide public awareness programs which provide information and advocacy services to improve quality of life for African Americans of New Mexico. Two hundred thousand dollars (\$200,000) is for a pilot project to address education and health care disparities for African American children and sixty-five thousand dollars (\$65,000) for the African American performing arts center and exhibit hall at the New Mexico state fair for administrative services and associated costs that support the center in providing programs, resources and events for the community and the state.



**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
JUNE 30, 2008**

**BUDGETARY HIGHLIGHTS**

The New Mexico State Legislature makes annual appropriations to the Office. 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, the Office adjusts its budget as authorized in the Appropriation Act. These budget adjustments fall into three categories:

- Supplemental and special appropriations that are reflected in the actual beginning account balances (correcting the estimated amounts in the budget adopted for the fiscal year).
- Budget adjustment requests made during the fiscal year to allow the Office to utilize funds where needed.
- Budget adjustment requests that increase or decrease other State funds based on actual revenues.

There were no changes between the original and final budgets.

There were no significant variances between final budget amounts and actual budget results for the General Fund. The General Fund actual expenditures were less than the final budgeted amounts by less than 2.45 percent (2.45%). There were no significant variances between final budget amounts and actual budget results for the General Fund.

**SIGNIFICANT CAPITAL ASSET**

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges etc. The Office does not own any infrastructure assets.

The Office's capitalization policy requires asset acquisitions equal to or exceeding \$5,000 be capitalized.

**TABLE A-3  
OFFICE'S CAPITAL ASSETS**

	Governmental Activities		% Change 2007-2008
	June 30, 2008	June 30, 2007	
Furniture and equipment	\$ 35,678	\$ 35,678	0.00%
less: Accumulated depreciation	<u>(23,225)</u>	<u>(19,550)</u>	18.80%
Total net capital assets	<u><u>\$ 12,453</u></u>	<u><u>\$ 16,128</u></u>	-22.79%

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
JUNE 30, 2008**

Office capital assets remain the same as prior year. As of June 30, 2008 net of accumulated depreciation was \$12,453. Office assets decreased 23%, in the amount of \$3,675, mainly due to depreciation.

GASB #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, and traffic signals. The Office does not own any infrastructure assets.

**LONG-TERM DEBT**

Long-term debt increased by \$8,252 from the prior year due to increase in compensated absences to its employees. As of June 30, 2008, the Office's compensated absences payable amount to \$39,006.

**ECONOMIC OUTLOOK**

For fiscal year 2009, the Office was awarded \$866,000 by legislative appropriation. This funding will allow the Office to continue its mission of serving as an advocate for African American citizens of New Mexico and provide services in the areas of health, education, and community service. This appropriation does not include funding for the Office's New Mexico State Fair program which will be funded by the New Mexico EXPO.

Due to current economic events New Mexico's Governor requested all state agencies reduce spending by 5% across the board; therefore, the Office is adjusting its budget. Office management believes this cut will not significantly impact the Office's programs.

**CONTACT INFORMATION**

New Mexico Office of African American Affairs  
Dr. Harold Bailey  
1050 Tijeras NW, Suite 102  
Albuquerque, NM 87104

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

<b>ASSETS</b>	
Current assets:	
Investment	\$ 278,719
Petty cash	100
Total current assets	278,819
Noncurrent assets:	
Capital assets	35,678
Less: accumulated depreciation	(23,225)
Total noncurrent assets	12,453
<b>Total assets</b>	<b>291,272</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	79,500
Accrued payroll	11,594
Payroll tax payable	4,450
Payroll benefits payable	5,348
Due to State General Fund	173,682
Deferred revenue	4,770
Compensated absences payable	39,006
Total current liabilities	318,350
<b>Total liabilities</b>	<b>318,350</b>
<b>NET ASSETS</b>	
Invested in capital assets	12,453
Unrestricted	(39,531)
<b>Total net assets</b>	<b>\$ (27,078)</b>

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:			
General governmental	\$ 510,375	\$ 9,174	\$ (501,201)
Depreciation	3,674	-	(3,674)
Programs:			
Cultural arts	349,019	45,230	(303,789)
Health	19,375	-	(19,375)
Education	197,678	-	(197,678)
Community outreach	68,788	-	(68,788)
Total governmental activities	\$ 1,148,909	\$ 54,404	(1,094,505)
Transfers:			
General Fund appropriations			1,152,600
Transfers - reversion to State General Fund - FY08:			
Transfers			(70,547)
Total general revenues and transfers			1,082,053
Change in Net Assets			(12,452)
Net assets, beginning			(14,626)
Net assets, ending			\$ (27,078)

**STATE OF NEW MEXICO**  
**OFFICE OF AFRICAN AMERICAN AFFAIRS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

Assets	
Investment	\$ 278,719
Petty cash	<u>100</u>
<b>Total assets</b>	<u>278,819</u>
Liabilities and Fund balances	
Liabilities:	
Accounts payables	79,500
Accrued net payroll	11,594
Payroll tax payables	4,450
Payroll benefits payable	5,348
Due to State General Fund	173,682
Deferred revenues	<u>4,770</u>
<b>Total liabilities</b>	<u>279,344</u>
Fund balances:	
Fund balances	<u>-</u>
<b>Total fund balances</b>	<u>(525)</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 278,819</u></u>



**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
June 30, 2008**

Total fund balances for governmental funds \$ (525)

Total net assets reported for governmental activities in the statement of net assets is different because:

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

Total cost of capital assets is	\$ 35,678	
Accumulated depreciation is	<u>(23,225)</u>	12,453

Compensated absences accrued in the government-wide financial statements and not budgeted in the current period, therefore, excluded from the governmental funds.

Current portion of compensated absences (39,006)

Total net assets-governmental activities \$ (27,078)

**STATE OF NEW MEXICO**  
**OFFICE OF AFRICAN AMERICAN AFFAIRS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Revenues:		
Other - miscellaneous	\$	9,174
Program revenue		<u>45,230</u>
<b>Total revenues</b>		<u>54,404</u>
Expenditures:		
Current		
Personal services and employee benefits		419,336
Contractual services		310,644
Operating costs		208,272
Community State Fair programs		<u>198,730</u>
<b>Total expenditures</b>		<u>1,136,982</u>
Excess (deficiency) of revenues over expenditures		<u>(1,082,578)</u>
Other financing sources (uses):		
Transfers - State General Fund appropriations		1,152,600
Transfers - reversion to State General Fund - FY08		<u>(70,547)</u>
<b>Total other financing         sources (uses)</b>		<u>1,082,053</u>
<b>Net change in fund balances</b>		(525)
Fund balances - beginning		<u>-</u>
<b>Fund balances - ending</b>	<b>\$</b>	<u><u>(525)</u></u>

**STATE OF NEW MEXICO**  
**OFFICE OF AFRICAN AMERICAN AFFAIRS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Total net change in fund balances-governmental funds \$ -

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

Capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets as capital assets and are depreciated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital assets in the period.

	Depreciation expense	<u>\$ (3,675)</u>	
	Excess of capital assets over depreciation expense		(3,675)

Net Changes in Long-Term Debt:

In the governmental funds, expenditures are recorded for items and measured by the amount of financial resources used (essentially, the amounts are liable and will be paid).

Net change (Note 5), decrease in the liability for the year is: (8,252)

Change in net assets of governmental activities \$ (11,927)

**STATE OF NEW MEXICO**  
**OFFICE OF AFRICAN AMERICAN AFFAIRS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary	Favorable
			Basis	(Unfavorable)
<b>Revenues:</b>				
Miscellaneous revenue	\$ 9,100	\$ 9,100	\$ 9,174	\$ 74
Program revenue	-	-	45,230	45,230
Total revenues	<u>9,100</u>	<u>9,100</u>	<u>54,404</u>	<u>45,304</u>
<b>Expenditures:</b>				
General government:				
Current year:				
Personal services and				
Employee benefits	422,400	422,400	419,336	3,064
Contractual services	303,200	363,200	355,874	7,326
Operating costs	282,600	222,600	208,272	14,328
Total expenditures	<u>1,008,200</u>	<u>1,008,200</u>	<u>983,482</u>	<u>24,718</u>
Excess (deficiency) revenues over expenditures	<u>(999,100)</u>	<u>(999,100)</u>	<u>(929,078)</u>	<u>70,022</u>
Other financing sources (uses)				
State General Fund appropriations	1,152,600	1,152,600	1,152,600	-
New Mexico State Fairs	(153,500)	(153,500)	(153,500)	-
Net other financing sources (uses)	<u>999,100</u>	<u>999,100</u>	<u>999,100</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,022</u>	<u>\$ 70,022</u>

**RECONCILIATION TO GOVERNMENTAL FUND BALANCE:**

Transfers:

Reversion to State General Fund	<u>(70,547)</u>
Fund balances	<u>\$ (525)</u>

**STATE OF NEW MEXICO**  
**OFFICE OF AFRICAN AMERICAN AFFAIRS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1. HISTORY, MISSION AND ORGANIZATION**

- The Office of African American Affairs was created by the Laws of 1999, Chapter 163 and African American Affairs Act. The statutory authority is contained in Chapter 28, Article 21 (28-21-1 through 28-21-4 NMSA 1978).
- The director is appointed by and serves at the pleasure of the Governor. The Office, which works in conjunction with the Martin Luther King, Jr. Commission, serves the following purposes:
- Study issues important to African-Americans, including history and culture, education, scholarships and other financial assistance for education and career development; economic and social problems and issues such as jobs, housing, discrimination, family support, youth idleness and crime; and health care, maternal and child health, teen pregnancy, access and other health issues;
- Secure recognition of African-American's accomplishments and contributions to New Mexico and the United States;
- Cooperate with and assist public and private entities dealing with issues important to African-Americans;
- Direct the operation of the Office'
- Where appropriate, conduct periodic conferences throughout the state to inform African-Americans of the opportunities available to them through state and private sources; and
- Otherwise, act as an advocate for African-American citizens of New Mexico.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

The Office's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standard Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Office's accounting policies are described below.

**A. FINANCIAL REPORTING ENTITY**

The accompanying financial statements of the Office include all funds and activities over which the Office has oversight responsibility. The Office is an agency of the State of New Mexico and included in the Statewide Comprehensive Annual Financial Report (CAFR) as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the director, the director has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

According to the African American Affairs Act, the Office is administratively attached to the State of New Mexico Human Services Department. The Human Services Department and the Children, Youth and Families Department entered an agreement whereby the Office is administratively attached to the Children, Youth and Families Department. The administrative head of the Office of African American Affairs serves as director. The director solely conducts the functions of the entity with accounting and administrative assistance provided by the State of New Mexico Children, Youth and Families Department. There are no component units presented in the financial statements.

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**B. BASIS OF PRESENTATION**

GOVERNMENT-WIDE STATEMENTS: The statement of net assets and the statement of activities display information about governmental activities. These statements include primary activities, nothing that neither fiduciary funds nor component units that are fiduciary in nature are included. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and *business-type activities* of government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Office is a single-purpose government entity and has no business type activities. In the government-wide statement of net assets and statement of activities government activities are presented on a consolidated basis and are reflected on the full accrual basis of accounting, economic resource measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for the different type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include grants, donations and other state and local contributions that are restricted to meeting the operational or capital requirements of a particular program. General revenues are funded from General Appropriation Act, Law of 2007, and General Fund Compensation Package.

FUND FINANCIAL STATEMENTS: The governmental fund financial statements provide information about the Office's current financial resource measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 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 excludes 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 of fund liabilities.

All governmental activities of the Office follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinion, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

REVENUE RECOGNITION FOR NON-EXCHANGE TRANSITIONS: Revenue from nonexchange transactions should be recognized "in the accounting period when they become available and measurable." Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available

The Office reports the following governmental funds:

GENERAL FUND:

The *general fund* (SHARE Fund #28400) is the Office's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The operations of the Office are funded primarily by appropriations from the state general fund, which if not expended or accrued at year-end shall revert to the state general fund.

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**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

GOVERNMENT-WIDE, PROPRIETARY, AND FIDUCIARY FUNDS FINANCIAL STATEMENTS:

Government-wide, proprietary, and fiduciary funds financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Program revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. General Fund appropriations, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. For modified accrual presentation, property tax revenues are recognized when they become available; available means due or past due and receivable within the current period, usually within 60 days. However, the Office does not receive property taxes.

GOVERNMENTAL FUND FINANCIAL STATEMENTS:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, program revenues are recognized when measurable and available. "Available" means collectible within current period or soon enough thereafter to be used to pay liabilities of the current period. Program 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. The Office considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Program expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Office funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Office's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by the general revenues.

**D. BUDGETS AND BUDGETARY ACCOUNTING**

The Office has followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. By September 1<sup>st</sup>, the Office prepares a budget appropriation request by category to be presented to the next legislature.
- b. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
- c. DFA makes recommendations and adjustments to the appropriations request, which becomes the Governor's proposal to the Legislature.
- d. LFC holds hearings on the appropriations request, also submitting recommendations and adjustments before presentation to the Legislature.
- e. Both DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.

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- f. Per the General Appropriation Act of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation act of 2007 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed.

In accordance with the requirements of Section 2.2.2 10.A (2) (b) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the allowance made by GASB 34 footnote 53, the budgetary comparison statement for the General Fund and major special revenue funds have been included as part of the basic financial statements.

Budgetary control is exercised at the category level of the Office as a whole and changes are approved by DFA.

**E. ASSETS, LIABILITIES AND EQUITY**

(1). INTEREST IN STATE INVESTMENT POOL

The Office funds are held by the State Treasure as an interest in the State Investment Pool for purposes of cash flows, the Office considers all highly liquid investments, which are on deposit with the State Treasurer as interest in the state investment pool.

(2). INVENTORIES

Office supply inventory items are expensed when purchased. Therefore, the financial statements do not reflect inventories of office supplies on hand at June 30, 2008.

(3). 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 value 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 Section 12-6-10 NMSA 1978. There is no software included in Office capital assets.



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Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Office utilizes IRS Publication 946 to estimate the useful lives on fixed assets as follows:

Office Furniture, Fixtures & Equipment	10 years
Data Handling Equipment	6 years
Land Improvements	20 years
Real Property (Buildings)	40 years

(4). ACCOUNTS AND VOUCHERS PAYABLE

Accounts payable are amounts due for goods and services received before June 30, 2008 to be paid from subsequent year funds. Amounts due to the state general fund are unexpended and unencumbered state general fund appropriations that are generally reverted to the state general fund.

(5). ACCRUED PAYROLL

A portion of payroll expenditures (eleven days) pertaining to the year ended June 30, 2008. The pay period ending June 27, 2008 was paid on July 4, 2008, ten (10) working days from June 14 through 27, 2008), and period ending June 30, 2008 was paid on July 18, 2008 for one (1) working day. Since the disbursements did not occur until after fiscal year ended, accrued salaries, payroll taxes and benefit payables totaling \$19,753 was reflected in the balance sheet statements as of June 30, 2008.

(6). DUE FROM STATE GENERAL FUND AND REVERSIONS

Reversions -- Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end.

The following is a summary of the amounts due to/from the State General Fund and other agency at June 30, 2008:

	State General Fund	Department of Health
Beginning balance at July 1, 2007		
Due to other state agency	\$ 112,706	\$ 32,816
Refund to Department of Health	-	(32,816)
Reversion to General Fund	(9,571)	
Less: Current year reversion	70,022	
Less: Request to Pay Prior Year	525	-
	<hr/>	<hr/>
Ending balance at June 30, 2008		
Total due to other agencies	<u>\$ 173,682</u>	<u>\$ -</u>

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(7). DEFERRED REVENUES

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for amounts received from federal grants or donation prior to expenditures occurring or amounts identified as accounts receivable that have not been received within 60 days of the end of the fiscal year and are accounted for on the modified accrual basis in the fund financial statements.

As of June 30, 2008, the Office has deferred revenue in the amount of \$4,770:

<u>SHARE #</u>	<u>Fund Name</u>	<u>Explanation</u>	<u>Amount</u>
28400	General fund	Beginning balance at July 1, 2007	\$ 50,000
		Expenditures are incurred and revenue are recognized	<u>(45,230)</u>
		Balance as of June, 30, 2008	<u>\$ 4,770</u>

(8). COMPENSATED ABSENCES

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employees' hire date. A maximum of thirty working days (240 hours) of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave 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. Accumulated vacation leave is not expected to be liquidated with expendable available financial resources and is reported in the long-term liability account.

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid for 50% of accrued sick leave in excess of 600, up to 720 hours, not to exceed 120 hours (net 60 hours can be paid). In the case of retiring employees, up to 200 net hours can be paid. All sick leave balances from 600 to 720 hours have been recorded as 50% of the employee's current hourly rate in the long-term liability account 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. For fiscal year 2008, the compensated absences increased by \$8,252 bringing the total accrued compensated absences payable to \$39,006 and \$30,754 as of June 30, 2008 and June 30, 2007, respectively.

**F. REVENUES, EXPENDITURES AND EXPENSES**

Substantially, all government fund revenues are accrued and expenditures are recognized when the related fund liability is incurred.

**G. NET ASSETS**

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

INVESTED IN CAPITAL ASSETS (NET RELATED DEBT) -- is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding debt.

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RESTRICTED ASSETS – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitation on their use.

UNRESTRICTED ASSETS – represent unrestricted liquid assets.

The Office allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

**H. USE OF ESTIMATES**

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

**NOTE 3. INVESTMENT – STATE TREASURER’S LOCAL GOVERNMENT INVESTMENT POOL**

GASB statement 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of governmental entities. The Statement is designed to inform financial statement users about deposit and investment risks that could affect a government’s ability to provide services and meet its obligations as they become due. Governments need to report deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk.

The Office maintains all funds with the New Mexico State Treasurer General Fund Investment Pool (STGFIP). The Office does not have an investment policy that limits investment interest rate risk.

The STGFIP is not SEC registered. The State Treasurer is authorized to invest the short-term investment fund, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through Section 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

In respect to credit risk, the New Mexico STGFIP, a government investment pool, is rated AAAM by Standard & Poor’s, or rated at AAA for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools; therefore the Office’s investment in New Mexico STGFIP is exempt from this requirement.

Concentration of credit risk is defined as investments of more than 5% in any one issuer. External investment pools, such as the New Mexico STGFIP, are excluded from the requirement of disclosing concentration of credit risk; therefore, investments in the New Mexico STGFIP are exempt from this disclosure.

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Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The following is the disclosure of the STGFIP investment rates:

June 30, 2008		Fair market value	
New Mexico STGFIP	AAAm rated	\$278,719	46 day WAM

According to GASB Statement 40, an acceptable method for reporting interest rate risk is WAM, which is the method used for reporting purposes for the New Mexico STGFIP investment report. The annual financial audit report may be obtained by writing to the State Treasurer Office P.O. Box 608 Santa Fe, New Mexico 87504-0608, and it also available on the State Treasurer's website: [www.stonm.org](http://www.stonm.org).

The New Mexico STGFIP has no foreign currency risk as all investments in the Investment Pool and is not rated for credit risk as of June 30, 2008. The Office's investment pool as of June 30, 2008 as follows:

Name of Depository	Account Name	Fund Type	SHARE Fund No.	Type of Account	Interest Bearing	Bank balance (Outstanding Items)	Reconciled Balance at June 30, 2008
State Treasury	Office of African						
	American Affairs	General	28400	STGFIP (money market account)	No	\$ 304,560	\$ 278,719
Petty cash		General	28400	Cash	No	100	100
Total							<u>\$ 278,819</u>

**CUSTODIAL CREDIT RISK -- DEPOSITS**

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Office does not have any funds held by outside party; therefore, the Office's cash balance as of June 30, 2008 is not exposed to custodial credit risk.

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**NOTE 4. CAPITAL ASSETS**

For fiscal year ended 2008 depreciation expense is \$3,675. Depreciation expenditure is charged to general governmental activity. The changes in capital assets for the year ended June 30, 2008 are as follows:

	Beginning Balance 7/1/2007	Additions	Deletions	Ending Balance 6/30/2008
<u>Capital assets not being depreciated</u>				
Artwork	\$ 3,000	\$ -	\$ -	\$ 3,000
<u>Other capital assets</u>				
Data processing equipment	1,915	-	-	1,915
Furniture and fixture	16,806	-	-	16,806
Equipment and machinery	13,957	-	-	13,957
Total capital assets	<u>32,678</u>	<u>-</u>	<u>-</u>	<u>32,678</u>
Less accumulated depreciation for:				
Data processing equipment	(1,915)	-	-	(1,915)
Furniture and fixture	(7,836)	(1,680)	-	(9,516)
Equipment and machinery	(9,800)	(1,994)	-	(11,794)
Total accumulated depreciation	<u>(19,551)</u>	<u>(3,674)</u>	<u>-</u>	<u>(23,225)</u>
Governmental activities net capital assets	<u>\$ 16,127</u>	<u>\$ (3,674)</u>	<u>\$ -</u>	<u>\$ 12,453</u>

**NOTE 5. CHANGE IN LONG-TERM DEBT**

A summary of changes in long-term debt for compensated absences payable as of June 30, 2008 is as follows:

	Balance 07/01/07	Increases	Decreases	Balance 06/30/08	Amount Due within One Year
Compensated absences payable:					
General Fund	\$ 30,754	17,249	8,997	\$ 39,006	\$ 39,006
Total compensated absences payable	<u>\$ 30,754</u>	<u>17,249</u>	<u>8,997</u>	<u>\$ 39,006</u>	<u>\$ 39,006</u>

Compensated absences typically have been liquidated in the general governmental funds. Claims liabilities typically have been liquidated in the general fund.

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**NOTE 6. OPERATING LEASE COMMITMENT**

The Office entered into non-cancelable operating leases primarily for office space and office equipment. Rental expense under all operating lease agreements was approximately \$62,629 for the twelve months ended June 30, 2008.

Future annual minimum lease payments:

Due Year Ending June 30	Amount
2009	\$ 55,297
2010	56,956
2011	58,665
2012	61,795
2013	15,674
2014 - 2018	-
Total	\$ 248,387

**NOTE 7. DEFERRED COMPENSATION PLAN – STATE OF NEW MEXICO**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all State employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or beneficiary) solely the property and rights of the State of New Mexico (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account of each participant.

Neither the Office nor the State of New Mexico makes any contributions to the deferred compensation plan. All contributions withheld from participants by the Office have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan.

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**NOTE 8. PERA PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

PLAN DESCRIPTION

Substantially all of the Office'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](http://www.pera.state.nm.us).

FUNDING POLICY:

Plan members are required to contribute 7.42% of their gross salary. The Office is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Office are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contribution to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$54,185, \$34,548, and \$18,994, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

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

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

The 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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Office's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$3,070, \$2,392 and \$1,488, respectively, which equal the required contributions for each year.

**NOTE 10. EMPLOYEE FIDELITY BOND**

Public employee fidelity bonding coverage is insured through the State of New Mexico's General Services Department – Risk Management Division. The current policy year is July 1, 2007 to June 30, 2008. The limit of coverage is \$5,000,000 with \$1,000 deductible per occurrence. This bond covers all Office employees.

Section 15-7-2 NMSA 1978 requires the State of New Mexico, General Services Department – Risk Management Division (RSD) to be responsible for the acquisition and administration of all insurance purchased by the "state" including the Office. The Office purchases its insurance from the RSD for all coverage relating to torts; theft or damage to the destruction of assets; errors and omissions; and natural disasters.

**NOTE 11. VIOLATION OF FINANCE LEGAL OR CONTRACTUAL PROVISIONS**

The Office must place all its deposits with the State Treasurer or with the authorized banking institution by the close of the next business day after receipt. All checks or negotiable instruments must place a restrictive endorsement "for Deposit Only To" the Office's authorized account, and complete account information should be recorded as part of the endorsements to ensure that the monies are recorded accurately and to facilitate chargeback of items.



## **SUPPLEMENTARY INFORMATION**

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

Dr. Harold Bailey, Executive Director  
Office of African American Affairs  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

I have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison for the general fund of the State of New Mexico, Office of African American Affairs (Office) as of and for the year ended June 30, 2008, which collectively comprise Office's financial statements and have issued my report thereon dated October 27, 2008. I conducted my 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 State.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Office's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Office's financial statements that is more than inconsequential will not be prevented or detected by the Office's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Office's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

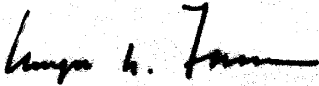
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that are require to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-2.

The Office's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Office's response and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of Office's management Office of the State Auditor, New Mexico Department of Finance and Administration, the Legislative body of the State of New Mexico, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Corrales, New Mexico  
October 27, 2008

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2008**

Prior year findings:

- 07-1 General ledger cash accounts are not being reconciled** (Resolved)
- 07-2 Office failed to revert funds to New Mexico, Department of Health** (Repeated and modified)

Current year findings:

- 07-2 Office Failed to revert funds to State General Fund**

CONDITION:

For fiscal year 2008, Office should revert \$112,706 by September 30 to general fund or the Office may adjust the reversion within forty-five days of release of the audit report; however, Office only reserved \$9,571 and failed to revert the \$103,135 to State General Fund.

CRITERIA:

According to 6-5-10 NMSA, State agency reversion; director powers; compliance with federal rules, Status Subsection A. states that except as provided in Subsections B and C of this section, all unreserved undesignated fund balances in reverting funds and accounts as reflected in the central financial reporting and accounting system as of June 30 shall revert by September 30 to general fund. The division may adjust the reversion within forty-five days of release of the audit report for that fiscal year. Subsection B. The director of the division may modify a reversion required pursuant to Subsection A of this section if the reversion would violate federal law or rules pertaining to supplanting of state funds with federal funds or other applicable federal provisions.

CAUSE:

The Office's accounting system has failed to post all the reversions transactions; and the staff was not monitoring the amount of reversion.

EFFECT:

The Office is not in compliance with the State statute.

RECOMMENDATION:

We recommend that the Office revert unused, unencumbered fund in accordance with State statute.

MANAGEMENT'S RESPONSE:

The Office submitted reversion documentation on February 13, 2008; inadvertently, journal was not posted, and the journal was resubmitted by the Office on June 30, 2008. Therefore, the reversion was completed and resolved on August 18, 2008.

**STATE OF NEW MEXICO  
OFFICE OF AFRICAN AMERICAN AFFAIRS  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2008**

**PREPARATION OF FINANCIAL STATEMENTS**

The basic financial statements and notes to the financial statements for the year ended June 30, 2007, were substantially prepared by the independent certified public accountant performing the audit; however, maintaining the audited entity's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

**EXIT CONFERENCE**

The exit conference was held on October 27, 2008, to discuss the audit. The following individuals were in attendance:

STATE OF NEW MEXICO, OFFICE OF AFRICAN AMERICAN AFFAIRS

Dr. Harold Bailey, Executive Director

Gary D. Williams, Deputy Director

Stella Griffin, Budget Analyst

Audit Firm

Gwen K Farner, CPA