

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

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

OFFICIAL ROSTER.....	2
INDEPENDENT AUDITOR’S REPORT	3
MANAGEMENT’S DISCUSSION & ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS	
GOVERNMENTAL-WIDE STATEMENTS	
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
FUND FINANCIAL STATEMENTS	
BALANCE SHEET - GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	15
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS.....	16
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS.....	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (BUDGETARY BASIS), GENERAL FUND	18
NOTES TO FINANCIAL STATEMENTS	19

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 <i>GOVERNMENT AUDITING STANDARDS</i>	32
SCHEDULE OF FINDINGS AND RESPONSES	34
OTHER DISCLOSURES.....	36

INTRODUCTORY SECTION

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

**OFFICIAL ROSTER
JUNE 30, 2014**

<u>Name</u>	<u>Title</u>
Yvette Kaufman-Bell	Executive Director
Darren Johnson	Deputy Director

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INDEPENDENT AUDITOR'S REPORT

Yvette Kaufman-Bell, Executive Director
Office of African American Affairs
and
Honorable Hector H. Balderas
New Mexico State Auditor

REPORT ON FINANCIAL STATEMENTS

We 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, 2014, and the related notes to the financial statements which collectively comprise the Office'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 American; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Office, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

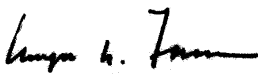
OTHER MATTERS

Accounting principles generally accepted in the United States of American require that the management's discussion and analysis on page 5 through 11 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.

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, 2014, and the changes in financial position thereof for the year then ended in conformity with accounting principles

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued my report dated December 03, 2014 on our consideration of the Office'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 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* in considering the Office's internal control over financial reporting and compliance.



Rio Rancho, New Mexico
December 03, 2014

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
June 30, 2014**

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 policy and advocacy, community outreach, economic, health, and education programs for fiscal 2014. 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 position on the statement of financial position. The Statement of Activities reports revenues and expenses of the Office's financial position as of June 30, 2014 as a whole. The Statement of Activities reports the direct expenses of the Office's appropriation.

OFFICE HIGHLIGHTS

The Office is a state agency that works with the New Mexico African American community and other stake holder agencies providing relevant information to increase awareness of the cultural history contributions and disparities in the areas of health care, economics and education.

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 significantly changes that occur in funds and significant budget variances.

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 transactions and consist of a statement of net position 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.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE OFFICE AS A WHOLE

NET POSITION:

Table A-1 below summarizes the Office's comparative statement of net position. Net position for Governmental Activities were deficit of \$22,182 and \$20,661 for the years ending June 30, 2014 and 2013 respectively. This deficit increased 7.36%; 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 POSITION**

	Governmental Activities		Percentage
	June 30, 2014	June 30, 2013	Change 2013-2014
Assets:			
Current assets and other assets	\$ 172,641	\$ 202,417	-14.71%
Capital and non-current assets	8,725	8,013	8.89%
Total assets	<u>181,366</u>	<u>210,430</u>	-13.81%
Total liabilities	<u>203,548</u>	<u>163,887</u>	24.20%
Net position:			
Investment in capital assets	8,725	8,013	8.89%
Unrestricted	(30,907)	(28,674)	7.79%
Total net position	<u>\$ (22,182)</u>	<u>\$ (20,661)</u>	7.36%

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
June 30, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPARATIVE STATEMENT OF ACTIVITIES

Table A-2 below summarizes the comparative Statement of Activities for fiscal years ended June 30, 2014 and 2013. This report compliments the Statement of Net Position by showing overall change in the Office's net position.

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

	June 30, 2014	June 30, 2013	Percentage change 2013-2014
Revenues:			
Appropriation	\$ 734,100	\$ 681,000	7.80%
Total revenues	<u>734,100</u>	<u>681,000</u>	7.80%
Expenses:			
General operating	488,429	464,509	5.15%
Economic	14,519	16,546	-12.25%
Health	21,590	21,863	-1.25%
Education	40,307	40,273	0.08%
Community outreach	80,840	107,780	-25.00%
Total expenses	<u>645,685</u>	<u>650,971</u>	-0.81%
Reversion	89,936	26,314	241.78%
Increase in net position	(1,521)	3,715	140.94%
Beginning net position	<u>(20,661)</u>	<u>(24,376)</u>	-15.24%
Ending net position	<u>\$ (22,182)</u>	<u>\$ (20,661)</u>	7.36%

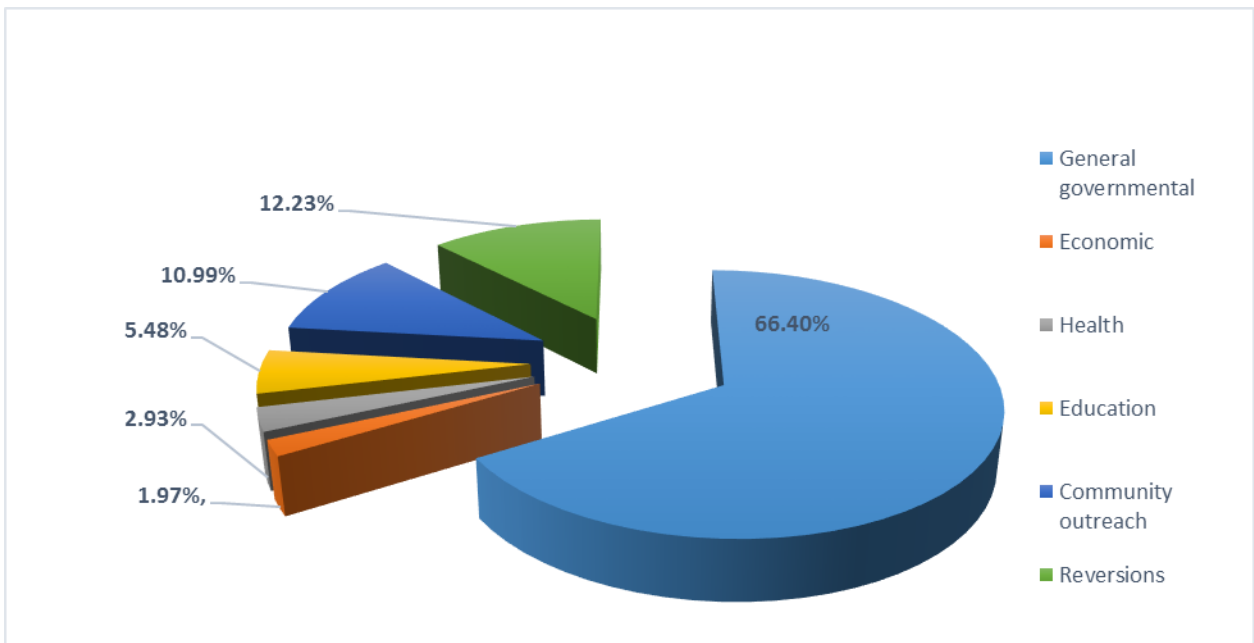
The office's total revenues increased by 7.8% to \$734,100 compared from prior fiscal year, and expenditures decreased by 0.81% to \$645,685 (see table A-2 above for functional expenses for the fiscal year 2014). The increase of revenues was due to additional special appropriation funding of \$30,000 by New Mexico State Legislature, Laws 2013 Chapter 227 Section 5(49), to fund disparity awareness summits.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
June 30, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For fiscal year 2014, \$700,800 was funded by General Fund appropriation, and additional \$30,000 was funded by special Appropriations, Law 2013, Chapter 227 Section 5, for disseminate statewide of disparity study. These combined funding of total \$734,100 was incumbent for general governmental expenditures and the public awareness programs to provide information and advocacy services to all New Mexicans and to empower African Americans of New Mexico to improve their quality of life. Any unexpended or unencumbered balance remaining at the end of fiscal year 2014 shall revert to the State General Fund.

Office's Functional expenses for fiscal year 2014



**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
June 30, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 budget adjustments which transferred funds between line items to reflect the line items expenditures. The General Fund actual expenditures were less than the final budgeted amounts by sixteen percent (12.23%). The unexpended balance remaining at the end of fiscal year is required to revert to the State 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 to be capitalized.

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

	Governmental Activities		Percentage
	June 30, 2014	June 30, 2013	Change 2013-2014
Furniture and equipment	\$ 28,570	\$ 42,643	-33.00%
Less: Accumulated depreciation	19,845	34,630	-42.69%
Total net capital assets	8,725	8,013	8.89%

For fiscal year 2014, the Office had disposition of capital assets amount to \$15,872; and capitalized additional assets for \$1,799. For current fiscal year depreciation amount was \$1,087. The total net increase was 8.89%.

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.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
June 30, 2014**

MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENT LIABILITIES

Current liabilities overall decreased by twelve percent (12%) to \$203,548 from the prior year as stated:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage change 2013-2014</u>
Accounts payable	\$ 77,073	\$ 32,112	140.01%
Accrual payroll	3,409	5,510	-38.13%
Payroll benefits payable	2,697	1,949	38.38%
Payroll tax payable	1,493	1,175	27.06%
Deferred Revenue	-	30,000	N/A
Compensated absences payable	28,940	27,879	3.81%
Due to State General Fund	89,936	132,466	-32.11%
Total current liabilities	<u>\$ 203,548</u>	<u>\$ 231,091</u>	-11.92%

Compensated absences account payable was increased by 3.81% due to employees have more accumulated unused vacation, sick and annual leaved times. As of June 30, 2014 and 2013, the Office's compensated absences payable amount \$28,940 and \$27,879, respectively.

For fiscal years ended June 30, 2014 and June 30, 2013, the Office is required to revert unexpended and unencumbered cash balances of \$89,936 and \$132,466, respectively. The total unexpended and unencumbered cash balances for fiscal year ending 2014 was \$89,936 should be reverted to New Mexico State General Fund, on or before September 30, 2014, as required by NMS 2.2.2.12.

ECONOMIC OUTLOOK

For fiscal year ending June 30, 2015, the Legislative Finance Committee approved operating budget for the Office in \$804,800 and Compensation Package for \$4,300. The agency will conduct African American awareness summits to share statistical data collected and implementation work accomplished regarding disparity in areas of economics, health and education. Encouraging more movement and action from local communities in the areas of parent engagement, health and wellness awareness, financial literacy, education advancement, economic empowerment, etc.... The general fund also includes a special appropriation for a pilot program to address African American infant mortality and maternal health.

CONTACT INFORMATION

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Executive Director
1050 Tijeras NW, Suite 102
Albuquerque, NM 87104

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Current assets:

Investment	\$	172,541
Petty cash		100

Total current assets		172,641
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Noncurrent assets:

Capital assets		28,571
Less: accumulated depreciation		(19,846)

Total noncurrent assets		8,725
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Total assets		181,366
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LIABILITIES

Current liabilities:

Accounts payable		77,073
Accrued payroll		3,409
Payroll tax payable		1,493
Payroll benefits payable		2,697
Due to State General Fund		89,936
Compensated absences payable		28,940

Total current liabilities		203,548
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Total liabilities		203,548
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NET POSITION

Invested in capital assets		8,725
Unrestricted		(30,907)

Total net position	\$	(22,182)
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**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues <hr/> Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:			
General governmental	\$ 487,342	\$ -	\$ (487,342)
Depreciation	1,087	-	(1,087)
Programs:			
Health	21,590	-	(21,590)
Education	40,307	-	(40,307)
Economic	14,519	-	(14,519)
Community outreach	80,840	-	(80,840)
Total governmental activities	<u>\$ 645,685</u>	<u>\$ -</u>	<u>(645,685)</u>
Transfers:			
General Fund appropriations			734,100
Transfers - reversion to State General Fund - FY14:			
Transfers			<u>(89,936)</u>
Total general revenues and transfers			644,164
Change in net position			<u>(1,521)</u>
Net position, beginning			<u>(20,661)</u>
Net position, ending			<u>\$ (22,182)</u>

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Assets	
Investment	\$ 172,541
Petty cash	<u>100</u>
Total assets	<u><u>172,641</u></u>
Liabilities and Fund balance	
Liabilities:	
Accounts payables	77,073
Accrued net payroll	3,409
Payroll tax payables	1,493
Payroll benefites payable	2,697
Due to State General Fund	<u>89,936</u>
Total liabilities	<u>174,608</u>
Fund balances:	
Unassigned	<u>(1,967)</u>
Total fund balances	<u>(1,967)</u>
Total liabilities and fund balances	<u><u>\$ 172,641</u></u>

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balances - Governmental Funds (Balance Sheet - Governmental Funds)	\$ (1,967)
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Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position.

Capital assets total acquisition value	\$	28,571	
Accumulated depreciation is		(19,846)	
Total capital assets, net			8,725

Some liabilities (compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(28,940)
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Net Position of governmental activities (Statement of Net Position)	\$ (22,182)
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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, 2014

Revenues:	
Other - miscellaneous	\$ -
Total revenues	<u>-</u>
Expenditures:	
Current	
Personal services and employee benefits	364,764
Contractual services	147,713
Operating costs	<u>132,859</u>
Total expenditures	<u>645,336</u>
Excess (deficiency) of revenues over expenditures	<u>(645,336)</u>
Other financing sources (uses):	
Transfers:	
State General Fund appropriations	734,100
Reversion to State General Fund - FY14	<u>(89,936)</u>
Total other financing sources (uses)	<u>644,164</u>
Net change in fund balances	(1,172)
Fund balances - beginning	<u>(795)</u>
Fund balances - ending	<u><u>\$ (1,967)</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, 2014**

Net change in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (1,172)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	(1,087)
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Additions capital assets (Note 4)	1,799
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Net Changes in Long-Term Debt:

Some expenses reported in the statement of activities do not require the use of current financial resource, and these are not reported as expenditures in governmental funds:

Net Increase in compensated absences (Note 5)	<u>(1,061)</u>
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Change in net position of governmental activities	<u><u>\$ (1,521)</u></u>
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STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Budgetary	Favorable
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>(Unfavorable)</u>
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
General government:				
Current year:				
Personal services and				
Employee benefits	377,500	377,500	364,764	12,736
Contractual services	211,000	196,000	147,713	48,287
Operating costs	145,600	160,600	132,859	27,741
Total expenditures	<u>734,100</u>	<u>734,100</u>	<u>645,336</u>	<u>88,764</u>
Excess (deficiency) revenues				
over expenditures	<u>(734,100)</u>	<u>(734,100)</u>	<u>(645,336)</u>	<u>88,764</u>
Other financing sources (uses)				
State General Fund appropriations	704,100	704,100	704,100	-
Special appropriations	30,000	30,000	30,000	-
Net other financing sources (uses)	<u>734,100</u>	<u>734,100</u>	<u>734,100</u>	<u>-</u>
Net change in fund balance, before reversion	<u>\$ -</u>	<u>\$ -</u>	88,764	<u>\$ 88,764</u>
RECONCILIATION TO GOVERNMENTAL FUND BALANCE:				
Transfers:				
Reversion to State General Fund			(89,936)	
Fund balances - beginning			(795)	
Fund balances - ending			<u>\$ (1,967)</u>	

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 executive 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:

1. 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; health care, maternal and child health, teen pregnancy, access and other health issues;
2. Secure recognition of African American's accomplishments and contributions to New Mexico and the United States;
3. Cooperate with and assist public and private entities dealing with issues important to African Americans;
4. Where appropriate, conduct periodic conferences throughout the state to inform African Americans of the opportunities available to them through state and private sources; and
5. 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 Standards 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.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE STATEMENTS: The statement of net position and the statement of activities display information about governmental activities. These statements include primary activities, noting 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 position 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.

REVENUE RECOGNITION FOR NON-EXCHANGE TRANSITIONS: Revenue from non-exchange 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.

The Office manages a general fund, and it is a relatively simple state agency, since it does not engage in business-type activities and does not have any component units

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 term 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 position 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.

C. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period. The Office has no deferred outflow or inflow of resources at June 30, 2014.

D. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. By September 1st, the Office prepares a budget appropriation request by category to be presented to the next legislature.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

- b. The appropriation request is submitted to the Department of Finance and Administrations' 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.
- 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 accrued by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not paid timely or accrued by the statutory deadline must be paid out of the next year's budget. As previously stated in Paragraph (3) Subsection A of 2.2.2.12 NMAC (Accounts Payable), if goods and services were received by the end of the fiscal year but not paid for by the end of the fiscal year, an accounts payable should be recorded for the respective amount due in both the government-wide financial statements and the fund financial statements (NCGAS 1 Paragraph 70). If an agency needs to recognize additional accounts payable that were not accrued by the statutory deadline, then the budgetary statements and the fund financial statements will require a reconciliation of expenditures, see Paragraph (2) of Subsection O of 2.2.2.10 NMAC (Budgetary Presentation). Since SHARE is the book of record for the State, all transactions are recorded in SHARE under the modified accrual basis of accounting except for accounts payable not meeting the statutory deadline; therefore, the "actual" expenditures in the budgetary comparison schedules shall equal the expenditures as recorded in SHARE for the fund. 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 lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed in the notes to the financial statements. The Financial Control Division has prepared standardized budgetary comparison schedules for single year and multiple-year appropriations and a standard budgetary basis disclosure. These examples can be obtained from the Financial Control Division's website at www.dfafcd.state.nm.us under the CAFR Unit link.
- g. 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, 2014.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(3). CAPITAL ASSETS

Property, plant and equipment purchased or acquired are 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, are expensed as incurred. The State's capitalization policy, i.e. the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000, per Section 12-6-10 NMSA 1978. There is no software included in Office capital assets.

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	6-10 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, 2013 to be paid from subsequent year funds. Per Section 6-10-1 NMSA 1978, the "actual" expenditures in the budgetary comparison exclude any accounts payable that were not paid timely and therefore require a request to the Financial Control Division to pay prior year bills out of current year budget. They will be paid out of the budget of the following fiscal year. 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 pertaining to the year ended June 30, 2014 consisted of one pay period subsequent to year end: pay period covered from June 21 to July 4, 2014 were paid on July 11, 2014, which included five (6) working days through fiscal year ended June 30, 2014. Since the disbursements did not occur until after fiscal year ended, accrued salaries, payroll taxes, and benefit payables totaling \$2,697 were reflected in the balance sheet statements as of June 30, 2014.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

(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, 2014:

	Due to State General Fund
Beginning balance at July 1, 2013	\$ 132,466
Less:	
Transferred to State General Fund	(132,466)
Addition:	
Fiscal year ended June 30, 2014 reversion	89,936
Ending balance at June 30, 2014	\$ 89,936

(7). 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 employee's 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 2014, the compensated absences increased by \$1,061 bringing the total accrued compensated absences payable to \$28,940 and \$27,879 as of June 30, 2014 and June 30, 2013, respectively.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 POSITION

The government-wide and business-types fund financial statements utilize a net position presentation. Net position 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 position which are associated with non-liquid, capital assets less outstanding debt.

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 No. 40, *Deposit and Investment Risk Disclosures*, relates to how deposits and investments are reported in the annual financial statements of governmental entities. GASB Statement No. 40 disclosures 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. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk.

The State Treasurer’s Office provides the following information regarding the STGFIP:

1. CREDIT RISK

With respect to credit risk, the STGFIP, a government investment pool, is rated AAAM by Standard & Poor’s. Therefore, the STGFIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the STGFIP is exempt from this requirement.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. CONCENTRATION OF CREDIT RISK

GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the STGFIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the STGFIP is exempt from this disclosure.

The State investment portfolio is posted on the State Treasurer’s website www.nmsto.org and available for review by participants at any time.

3. FOREIGN CURRENCY RISK

With respect to foreign currency risk, all investments in the STGFIP are in U.S. dollar denominated assets. Therefore, the STGFIP has no foreign currency risk.

4. INTEREST RATE RISK

GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement, an acceptable method for reporting interest rate risk is weighted average maturity (“WAM”). The State Treasurer’s Office uses this method for reporting purposes for the STGFIP is identified on the monthly STGFIP investment report found on the State Treasurer’s Office website at www.nmsto.gov. As of June 30, 2014, the STGFIP WAM (R) is 48.6 days and WAM (F) is 116.20 days.

- *Value* – The value of state investment in the STGFIP as of June 30, 2014, is provided to you as the ending balance on your STGFIP statement.

In conclusion, for the Office investment in the STGFIP, the Office will need to simply report the credit rating of the STGFIP, the value of the Office investment and the WAM of the pool as of June 30th. As mentioned above, the STGFIP does not have any foreign currency risk due to all investment holding being denominated in US Dollars.

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 Office’s investment in the STGFIP as of June 30, 2014:

June 30, 2014		Fair market value	
New Mexico STGFIP	AAAm Rated	\$172,541	48.6 days WAM(R); 116.20 days WAM(F)

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.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

The Office does not have any funds held by an outside party; therefore, the Office's cash balance as of June 30, 2014 is not exposed to custodial credit risk. The Office's investment pool as of June 30, 2014 as follows:

Account Name	Fund Type	SHARE Fund No.	Type of Account	Interest Bearing	Bank balance (Outstanding Items)	Reconciled Balance at June 30, 2014	
State Treasury	Office of African American Affairs	General	28400	STGFIP (money market account)	No	\$ 172,541	\$ 172,541
Petty cash		General	28400	Cash	No	100	100
Total						\$ 172,641	

The New Mexico Department of Finance and Administration (DFA) and Department of Information Technology (DoIT) are joint custodians for the operations and maintenance of SHARE (Statewide Human Resource, Accounting and Management Reporting System) which is utilized by the Office for financial reporting.

The State of New Mexico's (State) cash balances have not been reconciled since the inception of the Statewide Human resource, Accounting and Management Reporting System (SHARE) in July of 2006. Under the direction of the State Controller, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and Deloitte Consulting, LLC. The purpose of the Remediation Project is to design and implement the changes necessary to produce statewide cash reconciliation in a manner that is complete, accurate, and timely. This project will affect cash receipt and cash disbursement processes utilized by all State Agencies, including the Board. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. These changes will allow for the completion of timely and accurate reconciliation on a point-forward basis only.

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

On July 11, 2014, DFA/FCD commence the Historical Cash Reconciliation Project in partnership with Deloitte & Touche, LLP. The scope of this project is July 1, 2006 (SHARE implementation) to January 31,

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2013 (the point at which DFA/FCD began reconciling cash activity as noted in the paragraph above). While the final report will not be completed until mid-November-2014, preliminary results have confirmed the need for certain agencies' CFOs to formally disclose the following to their FY2014 external auditors to state that the Office's rollover balances have not been reconciled to the accounts maintained at the State Treasurer's Office since the implementation of the SHARE System. For fiscal year 2014, the Office did not implement policies and procedures to mitigate the risk that the office cash balances would be misstated.

NOTE 4. CAPITAL ASSETS

For fiscal year ended 2014 depreciation expense is \$1,087. Depreciation expenditure is charged to general governmental activity. The changes in capital assets for the year ended June 30, 2014 are as follows:

	Beginning Balance 07/01/13	Additions	Deletions	Ending Balance 06/30/14
<u>Capital assets not being depreciated</u>				
Artwork	\$ 3,000	\$ -	\$ -	\$ 3,000
Other capital assets				
Date processing equipment	1,915	-	1,915	-
Furniture and fixture	16,806	-	-	16,806
Equipment and machinery	20,922	1,799	13,957	8,764
Total other capital assets	<u>39,643</u>	<u>1,799</u>	<u>15,872</u>	<u>25,570</u>
Less accumulated depreciation for:				
Date processing equipment	(1,915)	-	(1,915)	-
Furniture and fixture	(16,768)	(38)	-	(16,806)
Equipment and machinery	(15,947)	(1,049)	(13,957)	(3,039)
Total other capital assets	<u>(34,630)</u>	<u>(1,087)</u>	<u>(15,872)</u>	<u>(19,845)</u>
Governmental activities net capital assets	<u>\$ 8,013</u>	<u>\$ 712</u>	<u>\$ -</u>	<u>\$ 8,725</u>

NOTE 5. CHANGE IN LONG-TERM DEBT

A summary of changes in long-term debt for compensated absences payable as of June 30, 2014 is as follows:

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14	Amount Due within One Year
Compensated absences payable:					
General Fund	\$ 27,879	40,237	39,176	\$ 28,940	\$ 28,940
Total compensated absences payable	<u>\$ 27,879</u>	<u>40,237</u>	<u>39,176</u>	<u>\$ 28,940</u>	<u>\$ 28,940</u>

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

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 \$72,427 for the twelve months ended June 30, 2014.

Future annual minimum lease payments:

Due Year Ending June 30	Amount
2015	\$ 5,105
2016	5,105
2017	5,105
2018	851
2019 and thereafter	-
Total	\$ 16,164

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 (PERA), which administers the plan.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8. 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.

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 Office is required to contribution requirements of plan members and the Office are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$42,914, \$37,502, and \$29,621, 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.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Office's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$5,182 \$4,974 and \$4,052, respectively, which equal the required contributions for each year.

NOTE 10. RISK MANAGEMENT

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, 2011 to June 30, 2012. 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 insurance from the RSD for all coverage relating to torts; theft or damage to the destruction of assets; errors and omissions; and natural disasters.

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**

Yvette Kaufman-Bell, Executive Director
Office of African American Affairs
and
Honorable Hector H. Balderas
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, major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund, of the Office as of and for the year ended June 30 2014, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements and related budgetary comparisons of the Office, presented as supplemental information, and have issued our report thereon dated December 03, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

COMPLIANCE AND OTHER MATTERS

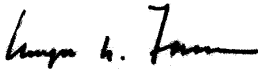
As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item list reference numbers of the related findings, 2013-001 and 2014-001.

THE OFFICE'S RESPONSES TO FINDINGS

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

PURPOSE OF THIS REPORT

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



Rio Rancho, New Mexico
December 03, 2014

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

Prior year findings:

2013-001 OFFICE FAILED TO REVERT FUNDS TO STATE GENERAL FUND - MODIFIED

CONDITION:

For fiscal years ended June 30, 2012 and 2013 undesignated fund balance should revert to State General Fund for \$106,151.76 and \$26,314.06, respectively by September 30, 2012 and 2013, after the fiscal years ended, or the Office may adjust the reversion within forty-five days of release of the audit report. Those two years of undesignated fund balances were completed and transferred to State General Fund, on December 11, 2013 for \$132,465.82.

CRITERIA:

According to NMAC 2.2.2.12A(6)(b) Section 6-5-10(A) NMSA 1978 requires "all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within forty five days of release of the audit report for that fiscal year." Failure to transfer reverting funds timely in compliance with the statute requires an audit finding.

EFFECT:

The Office is not in compliance with the State statute NMAC 2.2.2.12A (6)(b)) Section 6-5-10(A) NMSA 1978 as required.

CAUSE:

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

RECOMMENDATION:

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

MANAGEMENT'S RESPONSE:

The Office submitted reversion documentation on October 23, 2012 and \$132,465.82 was transferred on December 11, 2013. The Office will continue to make an effort to assure the annual reversion journal is submitted on or before the due day.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

Current year findings:

2014-001 OFFICE FAILED TO DELIVER A COMPLETED AUDIT CONTRACT TO THE STATE AUDITOR BY THE DEADLINE TO REVERT FUNDS TO STATE GENERAL FUND

CONDITION:

For fiscal year 2014, the Office did not submit a completed signed IPA Recommendation Form for audit contract to the State Auditor by the deadline June 1st, 2014. The Office instead submitted the Recommendation Form on June 11, 2014.

CRITERIA:

According to NMAC 2.2.2.8 G (6)(c) the agency shall deliver the fully completed and signed IPA Recommendation Form for Audit and the completed audit contract to the State Auditor by June 1st, 2014.

EFFECT:

The Office is not in compliance with the State statute for IPA recommendation and Contract Deadlines.

CAUSE:

Personnel changes resulted in an inexperienced staff who were unaware of the deadline.

RECOMMENDATION:

We recommend that the Office implement training for its staff and establish a calendar schedule for tracking pertinent required events.

MANAGEMENT'S RESPONSE:

The Office will comply and have already begun a newly outlined training program.

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2014**

PREPARATION OF FINANCIAL STATEMENTS

The basic financial statements and notes to the financial statements for the year ended June 30, 2014, 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 December 03, 2014, to discuss the audit. The following individuals were in attendance:

STATE OF NEW MEXICO, OFFICE OF AFRICAN AMERICAN AFFAIRS

Yvette Kaufman-Bell, Executive Director

Tanya Ramirez, Budget Analyst

Audit Firm

Gwen K Farner, CPA

Merwin Valdez, Staff Accountant