

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
June 30, 2016**

James L. Hartogenesis, CPA LLC

Certified Public Accountant

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

OFFICIAL ROSTER

June 30, 2016

ADMINISTRATIVE OFFICIALS

Yvette Kaufman-Bell	Executive Director
Nicole Byrd	Deputy Director
Tanya Montoya-Ramirez	Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

Yvette Kaufman-Bell, Executive Director
State of New Mexico Office of African American Affairs
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the State of New Mexico Office of African American Affairs (Office), a component unit of the State of New Mexico, as of and for the year ended June 30, 2016, and the related notes 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 America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 Standards*, 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 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, I express no such opinion.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 2, the financial statements of the Office are intended to present the financial position and changes in financial position of only that portion of the governmental-type activities and the major fund of the State of New Mexico that are attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2016, 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 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.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
November 3, 2016

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2016

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 year 2016. 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 for the year ending June 30, 2016 as a whole. The Statement of Activities also 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. The Office does not have any business-type activities. 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.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2016

All of the Office's basic services are included in the category of Governmental Activities that consists of general fund used for general operations and other financial uses.

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 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
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2016

FINANCIAL ANALYSIS OF THE OFFICE AS A WHOLE

NET POSITION:

Table A-1 below summarizes the Office's comparative statement of net position. Net positions for Governmental Activities were deficits of \$10,120 and \$19,284 for the years ending June 30, 2016 and 2015, respectively. This deficit decreased 47.52%; 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

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
			<u>2015-2016</u>
Assets:			
Current assets	\$ 103,575	\$ 124,955	-17.11%
Capital assets	6,221	7,473	-16.75%
Total assets	<u>\$ 109,796</u>	<u>\$ 132,428</u>	-17.09%
Liabilities:			
Current liabilities	\$ 119,916	\$ 151,712	-20.96%
Total liabilities	<u>119,916</u>	<u>151,712</u>	-20.96%
Net position:			
Investment in capital assets	6221	7473	-16.75%
Unrestricted	<u>(16,341)</u>	<u>(26,757)</u>	-38.93%
Total net position	<u>\$ (10,120)</u>	<u>\$ (19,284)</u>	-47.52%

COMPARATIVE STATEMENT OF ACTIVITIES

Table A-2 below summarizes the comparative Statement of Activities for fiscal years ended June 30, 2016 and 2015. This report compliments the Statement of Net Position by showing overall change in the Office's net position.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2016

TABLE A-2
OFFICE'S COMPARATIVE STATEMENT OF ACTIVITIES

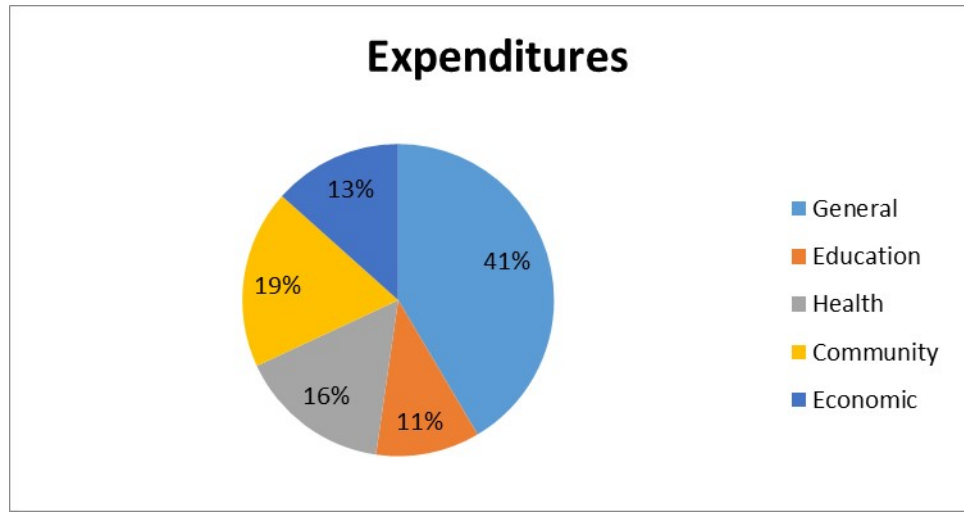
	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
			<u>2015-2016</u>
Revenues:			
Appropriation	\$ 803,200	\$ 809,100	-0.73%
Total revenues	<u>803,200</u>	<u>809,100</u>	-0.73%
Expenses:			
General	311,350	479,831	-35.11%
Economic	100,526	43,349	131.90%
Health	118,610	91,631	29.44%
Education	81,011	68,007	19.12%
Community outreach	139,036	85,489	62.64%
Total expenses	<u>750,533</u>	<u>768,307</u>	-2.31%
Reversion	<u>43,503</u>	<u>37,895</u>	14.80%
Increase in net position	9,164	2,898	216.22%
Beginning net position	<u>(19,284)</u>	<u>(22,182)</u>	-13.06%
Ending net position	<u>\$ (10,120)</u>	<u>\$ (19,284)</u>	-47.52%

The office's total revenues decreased by .73% to \$803,200 compared to prior fiscal year, and expenses decreased by 2.31% to \$750,533 (see table A-2 above for functional expenses for the fiscal year 2016). The decrease of revenues was in part due to the approved FY16 Operating budget and the 2016 Budget Reductions "Laws of 2016 CH11 HB 2 SEC 10. Original Operating budget of \$808,000 was reduced by \$4,800 to \$803,200 as of June 30, 2016.

For fiscal year 2016, \$803,200 was funded by General Fund appropriation, Law 2015, Chapter 101 Section 4 for general governmental expenditures and for 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 2016 shall revert to the State General Fund.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2016

OFFICE'S FUNCTIONAL EXPENSES FOR FISCAL YEAR 2016



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 unexpended balance remaining at the end of fiscal year is required to revert to the State General Fund.

SIGNIFICANT CAPITAL ASSET ACTIVITY

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

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2016

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
			<u>2015-2016</u>
Furniture and equipment	\$ 17,908	\$ 28,570	-37.32%
Less: Accumulated depreciation	(11,687)	(21,097)	-44.60%
Capital assets, net	<u>\$ 6,221</u>	<u>\$ 7,473</u>	-16.75%

For fiscal year 2016, the Office had disposition of capital assets amount to \$10,662. For current fiscal year depreciation amount was (\$1,252). The total net decrease was 16.75%.

CURRENT LIABILITIES

Current liabilities overall decreased by 20.96% to \$119,916 from the prior year as stated:

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
			<u>2015-2016</u>
Accounts payable	\$ 40,887	\$ 78,326	-47.80%
Accrued salaries payable	6,325	5,249	20.50%
Payroll taxes payable	2,397	1,792	33.76%
Payroll benefits payable	4,453	3,660	21.67%
Due to State General Fund	51,480	37,895	35.85%
Compensated absences payable	14,374	24,790	-42.02%
Total liabilities	<u>\$ 119,916</u>	<u>\$ 151,712</u>	-20.96%

Compensated absences account payable decreased by 42.02% due to due to decreased staffing. As of June 30, 2016 and 2015, the Office's compensated absences payable amounted to \$14,374 and \$24,790, respectively.

For fiscal years ended June 30, 2016 and June 30, 2015, the Office is required to revert unexpended and unencumbered cash balances of \$51,480 and \$37,895, respectively. The total unexpended and unencumbered cash balances for fiscal year ending 2016 was \$51,480 and should be reverted to New Mexico State General Fund, on or before September 30, 2016, as required by NMAC 2.2.2.12.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information
June 30, 2016

ECONOMIC OUTLOOK

For fiscal year ending June 30, 2017, the Legislative Finance Committee approved the operating budget for the Office for \$791,200. The agency will conduct African American awareness summits to share statistical data collected and implementation work accomplished regarding disparity in areas of community, 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.

CONTACT INFORMATION

New Mexico Office of African American Affairs
310 San Pedro NE, Suite 230
Albuquerque, NM 87108

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
STATEMENT OF NET POSITION
June 30, 2016**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Investment in State Treasurer General Fund Investment Pool	\$ 103,475
Petty cash	100
Total current assets	<u>103,575</u>
Non-current assets	
Capital assets, net of accumulated depreciation	<u>6,221</u>
Total assets	<u><u>\$ 109,796</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 40,887
Accrued salaries payable	6,325
Payroll taxes payable	2,397
Payroll benefits payable	4,453
Due to State General Fund	51,480
Current portion of compensated absences	14,374
Total current liabilities	<u>119,916</u>
NET POSITION	
Investment in capital assets	6,221
Unrestricted (deficit)	<u>(16,341)</u>
Total net position	<u><u>\$ (10,120)</u></u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

	Expenses	Program Revenues	Net (Expenses) Revenues and Changes in Net Assets
		Operating Grants and Contributions	
Governmental activities:			
General government	\$ 310,098	\$ -	\$ 310,098
Depreciation	1,252	-	1,252
Programs:			
Health	118,610	-	118,610
Education	81,011	-	81,011
Economic	100,526	-	100,526
Community outreach	139,036	-	139,036
Total expenses	\$ 750,533	\$ -	750,533
GENERAL REVENUES AND TRANSFERS:			
Transfers:			
State General Fund appropriation			803,200
Reversions to State General Fund - FY 2016			(43,503)
			759,697
Change in net position			9,164
Net position, beginning of year			(19,284)
Net position, end of year			\$ (10,120)

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2016**

	<u>General Fund 28400</u>
ASSETS	
Investment in State Treasurer	
General Fund Investment Pool	\$ 103,475
Petty cash	<u>100</u>
Total assets	<u><u>\$ 103,575</u></u>
 LIABILITIES	
Accounts payable	\$ 40,887
Accrued salaries payable	6,325
Payroll taxes payable	2,397
Payroll benefits payable	4,453
Due to State General Fund	<u>51,480</u>
Total liabilities	<u><u>105,542</u></u>
 FUND BALANCE (DEFICIT)	
Unassigned	<u>(1,967)</u>
Total fund balance (deficit)	<u><u>(1,967)</u></u>
Total liabilities and fund balance (deficit)	<u><u>\$ 103,575</u></u>

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2016

Total fund balance (deficit) - governmental funds		\$ (1,967)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets and related accumulated depreciation used in governmental activities are not current financial resources and, therefore, are not reported in the funds</p>		
Capital assets	\$ 17,908	
Accumulated depreciation	<u>(11,687)</u>	
Net capital assets		6,221
<p>Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds</p>		
		<u>(14,374)</u>
Net position of governmental activities		<u><u>\$ (10,120)</u></u>

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2016

	<u>General Fund 28400</u>
REVENUES:	
Miscellaneous	\$ <u>-</u>
EXPENDITURES:	
General government:	
Current:	
Personal services & employee benefits	449,571
Contractual services	173,992
Other costs	136,134
Capital outlay	<u>-</u>
Total expenditures	<u>759,697</u>
Excess (deficiency) of revenues over expenditures	<u>(759,697)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in (out):	
State General Fund appropriation	803,200
Other appropriation	-
Reversion to State General Fund FY 2016	<u>(43,503)</u>
Total other financing sources (uses)	<u>759,697</u>
Net change in fund balance	-
Fund balance (deficit), beginning of year	<u>(1,967)</u>
Fund balance (deficit), end of year	<u>\$ (1,967)</u>

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net change in fund balances - governmental funds	\$	-
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p style="padding-left: 40px;">Changes in accrued compensated absences are not recorded in the current year in the governmental funds, however the corresponding amount is recorded in the government-wide statement of activities:</p>		
(Increase) decrease in compensated absences		10,416
<p style="padding-left: 40px;">Capital outlays are reported as expenditures in the governmental funds. However, in the government-wide statement of activities, the cost of capital assets is allocated over their useful estimated lives as depreciation expense.</p>		
Capital outlay		-
Depreciation		<u>(1,252)</u>
Change in net position of governmental activities	\$	<u><u>9,164</u></u>

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>(Unfavorable)</u>
REVENUES:				
State General Fund appropriations	\$ 808,000	\$ 803,200	\$ 803,200	\$ -
Total revenues	<u>808,000</u>	<u>803,200</u>	<u>803,200</u>	<u>-</u>
EXPENDITURES:				
General government:				
Personal services & employee benefits	\$ 460,200	\$ 465,400	\$ 449,571	\$ 15,829
Contractual services	207,400	184,900	173,992	10,908
Other costs	<u>140,400</u>	<u>152,900</u>	<u>136,134</u>	<u>16,766</u>
Total expenditures	<u>\$ 808,000</u>	<u>\$ 803,200</u>	<u>759,697</u>	<u>\$ 43,503</u>
Net change in fund balance, budgetary basis			43,503	
Reversion to State General Fund FY 2016			<u>(43,503)</u>	
Net change in fund balance, GAAP basis, page 14			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – HISTORY, MISSION AND ORGANIZATION

The Office of African American Affairs (Office) was created by the Laws of 1999, Chapter 163 and the 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 POLICIES

The financial statements for the Office of African American Affairs (Office) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies are described below.

A. Reporting Entity

The Office is a department of the primary government, the State of New Mexico. These financial statements present the financial position and results of operations of only those Statewide Human Resources, Accounting and Management Reporting System (SHARE) funds over which the Office of African American Affairs has oversight responsibility. Even though the Governor appoints the executive director, the executive director has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Office does not have any component units.

The Office is a user organization of the State of New Mexico Statewide Human Resource, Accounting, and Management Reporting System (SHARE). The service organization is the Department of Finance and Administration (DFA).

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OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basic Financial Statements

The Office's basic financial statements include both government-wide (based on the Office as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental, business type, or fiduciary. The Office is a single purpose government entity and has no business type activities or fiduciary funds. In the government-wide statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations. The Office's net position is reported in three parts: invested in capital assets, restricted net position, and unrestricted net position.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government), which are otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues, operating and capital grants, if any. Program revenue must be directly associated with the function (general government). Program revenues include: 1) charges to applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations from the State General Fund are not included among program revenues and are reported instead as general revenues. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. The revenue recognition policy for grants occurs when the eligibility requirements have been met, and costs have been incurred.

The net cost by function is normally covered by general revenue.

The government-wide focus is more on the sustainability of the Office as an entity and the change in the Office's net position resulting from the current year's activities.

Restricted net position includes those assets with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Office would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis is on the major funds of the governmental agency. Non-major funds, if any, are summarized into a single column. The Office's major fund is the general fund.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Basic Financial Statements (continued)

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

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

The GASB 34 reporting model sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The Office, at its discretion, may elect to present a fund as a major fund.

The Office uses the following governmental fund:

General Fund - The General Fund is the general operating fund of the Office. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is made up of the following SHARE fund:

General Operating (Fund 28400) – This is the operating account for the Office. Except for special appropriations, which may extend into subsequent fiscal years, this is a reverting fund. There were no special appropriations during the fiscal year ending June 30, 2016.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on an accrual basis of accounting using an economic resources measurement focus. The governmental funds in the fund financial statements are presented on a modified accrual basis using a current financial resources measurement focus.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Basis of Accounting (continued)

Under the modified accrual method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. Available is defined as soon enough after year end to pay liabilities of the current period, usually within 60 days.

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

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are accrued as current liabilities, in the government-wide financial statements. Expenditures charged to federal programs, if any, are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

D. Deferred Inflows and Outflows

GASB Statement 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflow or 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 outflows or inflows of resources at June 30, 2016.

E. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Office for general operating expenses which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget and a financial control system. Expenditures may not legally exceed appropriations for each budget at the appropriation program level. Budgeted appropriations may be amended upon approval from the Budget Division of the State of New Mexico, Department of Finance and Administration, within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are the original and final authorized amounts as legally revised during the year and are presented under the modified accrual basis.

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June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Budgets and Budgetary Accounting (continued)

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

1. No later than September 1, the Office prepares a budget request for the subsequent fiscal year by appropriation unit to be presented to the next legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature for approval of the final budget plan.
5. Budgetary control is exercised by the Office at the appropriation unit level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
6. The budget for the General Fund is adopted on a modified accrual basis of accounting. Per the General Appropriations Act, Laws of 2014, the budgetary basis is modified accrual. However, there is a statutory exception. 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 require approval to pay prior year bills out of the next fiscal year's budget. At June 30, 2016, the Office did not have any payables that were paid subsequent to the statutory deadline.

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology. The Office did not receive or expend any multiple year appropriations for the year ended June 30, 2016.

The budgetary comparison statement for the major general fund is included with the basic financial statements.

F. Capital Assets

Capital assets of the Office include furniture and fixtures, equipment and machinery, and artwork. Capital assets are defined in Section 12-6-10 NMSA 1978. Per Section 12-6-10 NMSA 1978, items costing more than \$5,000 are capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment. The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Office does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Capital Assets (continued)

Capital assets of the Office are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

	Years
Furniture and fixtures	10
Equipment and machinery	7

Pieces of art are considered historical treasures and, accordingly, are not depreciated.

G. Compensated Absences

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Maximum Days of Accrual
1-3	6.16	0.83	30
4-6	7.38	1.00	30
7-10	9.22	1.25	30
11-14	11.08	1.50	30
15th/beyond	12.3	1.67	30

Thirty days of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is forfeited. When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of thirty days (240 hours). Accrued annual leave is recorded as a liability in the government-wide financial statements.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours on July 1 or January 1 of each year. However, sick leave is paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, the only leave which has been accrued represents the hours earned at June 30, 2016, over 600 hours up to 120 hours per employee. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the government-wide financial statements.

Fair Labor Standards Act (FLSA) nonexempt employees accumulate compensatory time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensatory time at the same rate as the number of hours worked. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Compensated Absences (continued)

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

H. Fund Balance Classifications

Fund balances in the governmental fund statements are classified as follows:

Restricted - amounts that have constraints placed on the use of the resources either by external sources such as creditors, grantors, contributors, laws or regulations, or by enabling legislation.

Committed - amounts that have constraints placed on the use of the resources by formal action of the government's highest level of decision making authority, which is the Executive Director.

Assigned - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed; these assignments would be exercised by the Executive Director if there was need to do so.

Unassigned - represents amounts that do not meet the definition of restricted, committed, or assigned.

The agency has not developed an internal policy to determine whether amounts expended are considered to have been spent from committed, assigned, or unassigned fund balances when amounts from any of these fund balance types are available.

I. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investments in capital assets, restricted and unrestricted.

Investment in Capital Assets - Is intended to reflect the portion of net assets which are associated with non-liquid, capital assets, which amounted to \$6,221 as of June 30, 2016.

Restricted Assets - are liquid assets (generated from revenues and bond proceeds appropriations), which have third-party (statutory enabling legislation or granting agency) limitation on their use, and which are legally enforceable as to their use. The Office had no restricted assets as of June 30, 2016.

Unrestricted Assets - represent unrestricted liquid assets. The remaining net position is reported as unrestricted net position as of June 30, 2016.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Use of Estimates

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

NOTE 3 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL

The Office’s account on deposit with the State Treasurer in the State General Fund Investment Pool consists of the following:

SHARE Fund Number	Account Name	Balance Per Treasurer	Reconciling Items	Balance Per Books
28400	General Fund	\$ 103,475	\$ -	\$ 103,475
28400	General Fund Petty Cash	100	-	100
		<u>\$ 103,575</u>	<u>\$ -</u>	<u>\$ 103,575</u>

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged because they are deposits with another governmental entity. The Office is not authorized to make investments. However, certain cash accounts are authorized to earn interest and are deposited by DFA into the New Mexico State Treasurer's Office Interest Bearing Pool. The pool invests in repurchase agreements secured at 102% by U.S. Treasury notes and bills, certificates of deposit, and other interest bearing instruments. Because all monies are held by another governmental entity, Governmental Accounting Standards Board Statement #3, *"Deposit with Financial Institutions Investments (Including Repurchase Agreements)"*, and *"Reverse Purchase Agreements"* is not applicable. Deposits do not have to be classified according to custodial credit risk.

The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978, as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL – CONTINUED

- A. Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- B. Contracts for the present purchase and resale at specified time in the future, not to exceed one year or, in the case of bond proceeds appropriations, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. no such contract shall be invested in unless the contract is fully secured by obligations of the united states or other securities backed by the united states having a market value of at least one hundred two percent of the amount of the contract;
- C. Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm, or recognized institutional investor has a net worth in excess of five hundred million dollars;
- D. Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- E. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- F. Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.
- G. No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL – CONTINUED

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk - The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2016.

NOTE 4 – CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets Not Depreciated:				
Art work	\$ 3,000	\$ -	\$ -	\$ 3,000
Capital Assets Being Depreciated:				
Furniture and fixtures	16,806	-	(10,662)	6,144
Equipment and machinery	8,764	-	-	8,764
Total capital assets	<u>28,570</u>	<u>-</u>	<u>(10,662)</u>	<u>17,908</u>
Accumulated depreciation				
Furniture and fixtures	(16,806)	-	10,662	(6,144)
Equipment and machinery	(4,291)	(1,252)	-	(5,543)
Total accumulated depreciation	<u>(21,097)</u>	<u>(1,252)</u>	<u>10,662</u>	<u>(11,687)</u>
Net capital assets	<u>\$ 7,473</u>	<u>\$ (1,252)</u>	<u>\$ -</u>	<u>\$ 6,221</u>

The Office does not have any debt related to capital assets. Depreciation expense for the year ended June 30, 2016 was \$1,252.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences payable for the year ended June 30, 2016, is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>
Current compensated absences payable	<u>\$ 24,790</u>	<u>\$ 14,374</u>	<u>\$ (24,790)</u>	<u>\$ 14,374</u>	<u>\$ 14,374</u>

Historically, all compensated absences have been paid out of the general fund.

NOTE 6 – REVERSIONS – DUE TO STATE GENERAL FUND

Unexpended cash balances at year end of State General Fund monies appropriated to the Office are reverted to the State General Fund, unless otherwise specified in the appropriation language.

The General Fund 28400 receives a State General Fund appropriation annually. Any unexpended funds at the end of the year revert to the State General Fund. In 2016, the Office received a general fund appropriation of \$803,200. Any other revenue received in the fund, which is not specifically appropriated by the legislature, also reverts to the State General Fund.

The following is a summary of the amounts due to/from the State General Fund at June 30, 2016:

	<u>Due to State</u> <u>General Fund</u>
Balance, June 30, 2015	\$ 37,895
Transferred to State General Fund	(29,918)
FY 2016 Reversion payable	<u>43,503</u>
Total due to State General Fund	<u>\$ 51,480</u>

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NOTE 7 – 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, 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, New Mexico 87504-2123. That report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy – Plan members are required to contribute 8.92% of their gross salary. The Office is required to contribute 16.59% of the gross covered salary. The contribution requirements of the plan members and the Board are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Office’s employer contributions to PERA for the years ending June 30, 2016, 2015, and 2014 were \$52,355, \$41,993, and \$42,914, respectively, equal to the amount of the required contributions for each year.

NOTE 8 – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The 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 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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NOTE 8 – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA 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, 2016, the statutes 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, 2016, 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, 2016, 2015, and 2014 were \$6,163, \$4,945, and \$5,182, respectively, which equal the required contributions for each year.

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June 30, 2016

NOTE 9 – TRANSFERS TO/FROM OTHER AGENCIES

The following are transfers to/ from other state agencies:

<u>From Agency/Fund</u>	<u>To Agency/Fund</u>	<u>Purpose</u>	<u>Amount</u>
34101/85300	60300/28400	General fund appropriation	\$ 803,200
60300/28400	34101/85300	General fund reversion - FY 2015	<u>(43,503)</u>
			<u><u>\$ 759,697</u></u>

NOTE 10 – OPERATING LEASES

The Office rents office space under an operating lease. The terms of the lease call for monthly payments of \$1,923. The lease expires October 31, 2020.

The Office also leases a copier. The terms of this lease call for monthly payments of \$425 and expires on August 31, 2017.

The Office also leases a postage meter. The lease terms call for monthly payments of \$134 and expires on December 31, 2019.

Lease expense under all operating leases was \$38,859 for the year ending June 30, 2016. Future minimum payments under all operating leases are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Minimum</u> <u>Payments</u>
2017	\$ 29,785
2018	25,531
2019	24,681
2020	23,877
2021	<u>7,691</u>
	<u><u>\$ 111,565</u></u>

NOTE 11 – RISK MANAGEMENT

The Office of African American Affairs is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the State. The Office pays premiums to participate in the program.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 – RISK MANAGEMENT - CONTINUED

The Office obtains its coverage through the Risk Management Division. This coverage includes liability and civil rights, property, vehicle, employee bond, workers' compensation, group insurance, and State unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. Risk management expenditures for the Office are accounted for in the general fund. Any claims are processed through RMD. All employees of the Office were covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2014 through June 30, 2016.

NOTE 12 - GASB 68 FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSIONS PLANS BY EMPLOYERS

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

The Office of African American Affairs, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are issued. The Office recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Office's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued. Transactions or events occurring after year-end may be disclosed if significant.

The Office has evaluated subsequent events through November 3, 2016, which is the date the financial statements are available to be issued. No matters were identified for recognition in the accounts.

SUPPLEMENTAL INFORMATION

OFFICE OF AFRICAN AMERICAN AFFAIRS

SCHEDULE OF VENDOR INFORMATION

For the Year Ended June 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
NONE								

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

Yvette Kaufman-Bell, Executive Director
State of New Mexico Office of African American Affairs
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the State of New Mexico Office of African American Affairs (Office), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued my report thereon dated November 3, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, I do not express an opinion on the effectiveness of the Office's internal control.

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

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. I consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978 and which is described in the accompanying schedule of findings and responses as item 2016-002.

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

The purpose of this report is solely to describe the scope of my 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 Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
November 3, 2016

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified? Yes

Significant deficiencies identified not considered
to be material weaknesses? No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? No

STATUS OF PRIOR YEAR FINDINGS

2015-001 – Internal Control Deficiency Over Fuel Purchases Resolved

2015-002 – Assets Capitalized That Cost Less Than \$5,000 Resolved

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
Year Ended June 30, 2016

CURRENT YEAR FINDINGS

2016-001 Lack of Monitoring General Ledger Balances (Material Weakness)

Criteria – 2.20.5.8 NMAC outlines responsibilities of the Chief Financial Officer, including monthly reconciliation of the agency's interest in the state treasurer general fund investment pool (SGFIP), and ensuring all accounting systems are recording transactions accurately. 2.2.2.10 M(3)(f) NMAC requires independent auditors to determine whether reconciliation procedures related to the agency's investment in SGFIP reduce the risk of material misstatement in the SGFIP.

Condition – Agency balances were materially misstated prior to audit adjustments. The SGFIP account was overstated by \$184,809, due from state government-prior year was understated by \$100,000, and fund balance was overstated by \$84,809. The additional FY2015 reversion payable of \$7,977 that was identified in the FY2015 audit was never posted to SHARE.

Cause – When SHARE balances were rolled forward from FY2015 to FY2016 on July 1, 2015, the account balances noted above were not rolled forward with the correct June 30, 2015 balances. The Office did not monitor or reconcile balance sheet balances during the year. An operating transfer was completed and remitted to DFA for the additional FY2015 reversion, but the funds were never transferred to the State General Fund.

Effect – Balances were materially misstated for the entire fiscal year. Management and oversight agencies did not have accurate financial information.

Recommendation – Management should perform monthly reconciliations for all balance sheet accounts.

Management's Response - The agency will conduct monthly general ledger reviews and insure the Budget Analyst, reclassified in FY17 to full time Chief Financial Officer, is fully aware and held accountable for reviewing monthly general ledger balances by the 15th of every month. We look forward to complying with 2.20.5.8 NMAC which outlines this responsibility. As of October 31, 2016, effective immediately. The agency did create the appropriate transactions and did follow up on 2/2/2016 to check the FY2015 reversion status but had no response from the Department of Finance. Therefore in the future the agency's Chief Financial Officer will keep constant communication with the Department of Finance until these types of items are fully processed. As of October 31, 2016, effective immediately.

2016-002 Capital Asset Disposals Noncompliance (other noncompliance)

Criteria – Section 13-6-1 B(2) requires that as a prerequisite to the disposition of any items of tangible personal property an agency must give notification at least thirty days prior to its action making the deletion by sending a copy of the proposed disposition of the property to the state auditor.

Condition – The Office disposed of furniture and equipment in the amount of \$10,662 without notifying the state auditor.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Year Ended June 30, 2016

CURRENT YEAR FINDINGS, CONTINUED

2016-002 Capital Asset Disposals Noncompliance (other noncompliance) - continued

Cause – The Office relocated to a new building and donated most of their old furniture to another state agency. The Office notified the NM General Services Department (GSD) of the proposed dispositions, but not the Office of the State Auditor as required.

Effect - By not being knowledgeable about state laws governing capital assets, the Office may be exposed to increased risk or fraud, waste or abuse.

Recommendation – The Office should strengthen their policies regarding the purchase, tracking and disposal of capital assets and designate one employee to oversee and be responsible for capital assets.

Management's Response - The agency worked with the General Service Department, as it had in prior years, and was unaware nor informed that the State Auditor needed to be notified of the disposal of office furniture to another State agency. In the future we look forward to complying with this rule, under the direction of the agency Chief Financial Officer. As of October 31, 2016, effective immediately.

STATE OF NEW MEXICO
OFFICE OF AFRICAN AMERICAN AFFAIRS
EXIT CONFERENCE
June 30, 2016

The basic financial statements have been prepared by James L. Hartogenesis, CPA LLC, with the assistance of the Office of African American Affairs. The content in this report is the responsibility of the Office of African American Affairs.

* * * * *

An exit conference was held on November 3, 2016 and attended by the following:

For the State of New Mexico Office of African American Affairs:

Yvette Kaufman-Bell	Executive Director
Nicole Byrd	Deputy Director
Tanya Montoya-Ramirez	Chief Financial Officer

For James L. Hartogenesis, CPA LLC:

James Hartogenesis, CPA, CGFM	Principal
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