

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS**

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS' REPORT THEREON
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS**

TABLE OF CONTENTS

JUNE 30, 2012

INTRODUCTORY SECTION:

Official Roster iii

FINANCIAL SECTION

Independent Auditors' Report 1 – 2
Management Discussion and Analysis 3 - 11

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Assets 12
Statement of Activities 13

Fund Financial Statements:

Balance Sheet – Governmental Funds 14
Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Assets 15
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds 16
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities 17
Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis) –
Major Governmental Funds 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities 19

STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
TABLE OF CONTENTS (continued)
JUNE 30, 2012

Statement of Net Assets – Proprietary Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Proprietary Fund.....	21
Statement of Cash Flows – Proprietary Fund.....	22
NOTES TO FINANCIAL STATEMENTS	23 – 39
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-Major Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Funds.....	42
Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary Basis) and Actual (Non-GAAP Budgetary Basis) – Proprietary Fund.....	43
Joint Power Agreement	44
Governmental Auditing Standards Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government</u> <u>Auditing Standards</u>	45 – 46
Schedule of Findings and Responses	47
EXIT CONFERENCE	48

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS**

OFFICIAL ROSTER

JUNE 30, 2012

Dr. Stanley M. Hordes, Ph.D. - Historian Chairman
Edwynn Burkle – Secretary, New Mexico General Services Department..... Member
Robert Mead – New Mexico State Law Librarian..... Secretary
Honorable Hector Balderas – New Mexico State Auditor Member
Frances Levine, Ph.D. – Director, Museum of New Mexico Member
Honorable Dianna J. Duran – New Mexico Secretary of State Member
Honorable Gary King – New Mexico Attorney General..... Member

Administrative Personnel

John Hyrum Martinez..... State Records Administrator
Linda M. Trujillo Deputy Administrator
Linda M. Trujillo Chief Financial Officer
Ruben Rivera Fiscal Officer
Scott Sheldon..... Procurement Officer

Kubiak & Melton, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and

Dr. Stanley M. Hordes, Chairman
Commission of Public Records
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons of the General Fund of the Commission of Public Records (Commission), as of and for the year ended June 30, 2012 which collectively comprises the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Commission are intended to present the financial position and changes of financial position of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2012 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 11 be presented as a supplement to 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, 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The additional schedules listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is presented fairly in all material respects in relation to the basic financial information taken as a whole.

Kubiak & Melton, LLC

Kubiak & Melton, LLC
Albuquerque, New Mexico
December 1, 2012

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

The Commission of Public Records' *Management Discussion and Analysis* is designed to: assist the reader in focusing on primary issues; offer an overview of the agency's financial activity during the fiscal year; discuss significant changes in the agency's financial picture that may impact the agency's ability to address future years' challenges; identify any material deviations from the financial plan (approved budget); and identify fund issues or concerns.

The *Management Discussion and Analysis* focuses on Fiscal Year (FY) 2012 activities and should be read in conjunction with the transmittal letter and financial statements and notes that accompany it.

HIGHLIGHTS

Financial:

- The Commission's total net assets in FY 2012 were \$291,057 (assets minus liabilities).
- Net program expenses were \$2,252,320 (total expenses of \$2,412,587 less revenues of \$160,267).
- The Commission's general fund appropriation was \$2,405,300 with reversions of \$233,935, for total general revenue of \$2,171,365.
- The Commission had budgetary authority for balances remaining in one special appropriation, which was recognized as cash in FY 2012. A centralized electronic records repository was authorized in the General Appropriations Act of 2008 at an amount of \$150,000. Of the original appropriation, \$114,700 was expended in fiscal years 2009, 2010 and 2011. The appropriation was initially scheduled to expire at the end of FY 2010, however, the General Appropriations Act of 2010 extended it until the end of FY 2012. The remaining \$35,300 was re-budgeted and \$35,211 was expended in FY 2011. The remaining balance of \$89 was reverted to the State general fund as part of the FY 2011 reversion.
- A total of \$50,000 of federal funds was included in the total operating fund budget as originally approved.
- The Commission has three on-going funds and fund types: a general operating fund; a proprietary (internal service) fund; and a non-budgeted special revenue gift and donation fund. In FY 2006, a Capital Outlay fund was created to record and account for capital appropriations. The Commission received no capital outlay funds in 2012.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

In FY 2012, reconciliations of deposits and other transactions were done for hard-copy documents and checking, where possible, against SHARE reports. Receivables were tracked through an Access database.

The Commission relies heavily on its general fund appropriation to support operations. It receives limited federal funding. The other significant source of revenue is money collected from the sale of certain goods and services, which is deposited in the Commission's statutory internal service fund. What is still perhaps the most significant change in proprietary fund revenues resulted from the publication of the New Mexico Register. In 2002, the legislature passed, and the governor signed into law, a bill amending the Public Records Act to clarify that revenues from the publication of the New Mexico Register were to be deposited into the internal service fund. By FY 2006, the money collected from publishing fees had become the primary source of non-appropriation revenue, surpassing the fees collected from the sale of archival and records storage boxes and supplies. In FY 2012, the publishing revenue continued to represent the major component of proprietary fund revenues and were once again the most productive outside revenue source. The Commission has a statutory mandate to produce both the New Mexico Register, which is the only official publication for executive-agency notices of intent of rule-making and final adopted rules, and the New Mexico Administrative Code (NMAC), the official compilation of those rules. The fees that are charged to agencies for publishing notices in the New Mexico Register were, prior to August, 2001, paid directly to a third-party publisher. In August of 2001, the Commission began publishing both the New Mexico Register and the NMAC in-house. An amendment to the Commission's fee schedule was adopted in June, 2009; raising the columnar-inch charge for publishing in the New Mexico Register from \$1.50 to \$2.00, effective July 1, 2009.

Overall, proprietary fund revenues (charges for services) collected during FY 2012 totaled \$120,463, which was \$6,263 above the budget. The Commission had budgetary authority to expend \$114,200 in new revenue and up to \$91,500 in fund balance. A total of \$111,739 was expended. Depreciation expense of \$14,894 is not included because it is not a cash outlay. Some revenue sources have, over the past several years, been affected adversely by services which are now provided online.

In FY 2012, the Commission realized greater-than-anticipated revenues in the proprietary fund. Fees generated from the publication of the New Mexico Register can be difficult to project; such revenues are dependent on the extent of rule-making by state agencies. This, in turn, depends on changes in law and in internal business processes, which are factors beyond the control of the Commission. While box sales were the most productive revenue source, they were less than in the previous year. Accordingly, the Commission monitors revenues and expenses throughout the year and, if necessary, restricts purchases until revenues are assured.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

In August of 2003, DFA promulgated Rule 2.20.5 NMAC, Responsibility for Accounting Function. The rule was intended to establish responsibility for the accounting function in all state agencies and require the administrative head of each agency ensure that model accounting practices established by the Financial Control Division of DFA be followed. The effect of this rule was to limit the pre-audit function of DFA and place the responsibility for compliance on state agencies. The rule permitted an agency head to assign the responsibilities specifically outlined in the rule to a designated employee, who would be the agency's Chief Financial Officer. This designation is made annually.

Organizational

In FY 2012, the Commission had 42 authorized, full-time equivalent (FTE) positions. The positions are located in two facilities – one at the State-owned Library, Archives and Records Center in Santa Fe, and other in a leased facility in Albuquerque. The FTEs consisted of 40 permanent and 2 term positions; all but one FTE was supported through the general fund appropriation. The remaining position was paid for through the proprietary fund.

The management team includes the State Records Administrator, the Deputy State Records Administrator and CFO, and the Directors of the Archives and Historical Services, Administrative Law, Records Management, Office of the State Historian and the Information Technologies Divisions.

For purposes of the Accountability in Government Act, the Commission continues under a single program: records, information and archival management. Appropriations are made at the agency, or single-program level. The Commission has also identified four sub-programs: Administration, Administrative Law, Archive and Historical Services and New Mexico History. The Commission is organized into six divisions: Administrative Services, Administrative Law, Archives and Historical Services, Records Management, Office of the State Historian and Information Technology Management. In addition to this divisional structure, the New Mexico Historical Records Advisory Board, created through federal authorization and gubernatorial action, is adjunct to the Commission. In FY 2012, as in previous year, a Grant Administrator provided support to the Board.

USING THIS REPORT

With the implementation of GASB 34, presentation of financial statements has changed from summarized fund-type information to a concentration on both the Commission (government-wide) and the major individual funds. Although the Commission is but one of many agencies within New Mexico state government, it is the primary focus of this financial report.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

Management's Discussion and Analysis

The Purpose of the M D & A is to provide an objective and understandable analysis of the Commission's financial activities based on currently knowledge, fact, decisions and conditions.

Government-wide Financial Statements

The statements of net assets and activities depict information about the Commission as an entity, without displaying individual fund or fund types. Essentially, these statements differentiate among activities that are governmental and those that are business-like but exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statement of activities represents the gross and net costs per functional category that are otherwise supported by general government expenditures. It reduces gross expenses, including depreciation, by related program revenue and operating grants. The Commission has two governmental activity functions: general government, supported by general fund activities, and revenue-generating, supported by program revenues derived from charges for goods and services.

Fund Financial Statements

Fund financial statements comprise a series of statements that center on information about the major governmental funds and re 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 pre-GASB 34 accounting model. Emphasis is on the major funds in either the governmental or business-type categories. Non-major funds or fund types are summarized in a single column. The Commission has one major governmental fund, supported through the general fund appropriation and through federal grants, one non-major governmental fund, the special revenue gift fund, which is not budgeted except through the BAR process.

The Commission has one proprietary fund – an internal service fund – which is non-reverting, and derives its revenues from the resale of records and archival goods, the provision of various services, and the publication of the New Mexico Register.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information fundamental to an understanding of the basic financial statements.

Infrastructure Assets

Under GASB 34, infrastructure assets must be valued and reported within the governmental column of the statement of government-wide statements and governments must choose to either depreciate these assets over their estimated useful lives or develop a system of asset management designed to maintain service delivery potential. The Commission has no material interest in any infrastructure asset.

Budgetary Comparison

Budgetary comparison schedules are required under GASB 34 for each general fund and each major special revenue fund with a legally adopted budget. The statement of revenues and expenditures – budget and actual for the general fund is found on page 18. The agency's special revenue fund is a non-major fund that is not budgeted, except through the BAR process. These statements contain the year-end budget presentation for the general fund and the special revenue fund as required by DFA, as the internal service fund.

Statement of Net Assets

Page 20 shows the statement of net assets for the agency's proprietary fund.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

The following exhibit summarizes the Commission's net assets for the fiscal year ended June 30, 2012; total net assets (government-wide) were \$746,664 which is comprised of \$212,986 invested in capital assets, \$79,101 restricted (gift and donation fund) and a deficit of \$1,030 (unrestricted). This amount differs from the (\$34,419) in "total fund balance" for the Commission's governmental funds on the balance sheet, primarily due to the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance statements and from the addition of the net assets reported in the internal service fund on page 21. Comparative analysis with prior year is included for net assets and changes in net assets.

The amount of \$2,254,298 shown as "total expenditures for governmental funds" on page 16 varies from the "total expenses" amount for the governmental funds of \$2,412,587 reflected in the statement of activities on page 13. This difference results primarily from the current spending focus of the fund-type statements versus the long-term economic

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Required Supplementary Information)
 JUNE 30, 2012**

focus of the government-wide statements. The adjustment for the internal service fund "closes" those funds by charging additional amounts to the participating programs to cover internal service fund costs for the year.

The Commission's net assets for 2012 and 2011:

	<u>Governmental Activities</u>		
Assets:	FY 2012	FY 2011	Change
Current Assets	\$ 533,678	\$ 464,565	\$ 69,113
Capital Assets	<u>212,986</u>	<u>285,673</u>	<u>(72,687)</u>
Total Assets	<u>746,664</u>	<u>750,238</u>	<u>(3,574)</u>
Liabilities:			
Current Liabilities	450,792	347,431	103,361
Non-Current Liabilities	<u>4,815</u>	<u>30,795</u>	<u>(25,980)</u>
Total Liabilities	<u>455,607</u>	<u>378,226</u>	<u>77,381</u>
Net Assets:			
Invested in Capital Assets	212,986	285,673	(72,687)
Restricted	79,101	5,018	74,083
Unrestricted (Deficit)	<u>(1,030)</u>	<u>81,321</u>	<u>(82,351)</u>
Total Net Assets	<u>\$ 291,057</u>	<u>\$ 372,012</u>	<u>\$ (80,955)</u>

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

Changes in the Commission's Net Assets:

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 118,928	\$ 134,865	\$ (15,937)
Operating Grants and Contributions	<u>41,339</u>	<u>82,680</u>	<u>(41,341)</u>
Total Program Revenues	160,267	217,545	(57,278)
General Revenues:			
State General Fund Appropriations, net of reversions	2,171,365	2,325,880	(154,515)
Miscellaneous	<u>-</u>	<u>634</u>	<u>(634)</u>
Total General Revenues	<u>2,171,365</u>	<u>2,326,514</u>	<u>(155,149)</u>
Total Revenues	<u>2,331,632</u>	<u>2,544,059</u>	<u>(212,427)</u>
Expenses:			
General Government	<u>2,412,587</u>	<u>2,628,818</u>	(216,231)
Total Expenses	<u>2,412,587</u>	<u>2,628,818</u>	<u>(216,231)</u>
Change in Net Assets	(80,955)	(84,759)	3,804
Beginning Net Assets	<u>372,012</u>	<u>456,771</u>	<u>(84,759)</u>
Ending Net Assets	<u>\$ 291,057</u>	<u>\$ 372,012</u>	<u>\$ (80,955)</u>

Fund Balance

At the close of the fiscal year, total fund balance for governmental funds equaled \$(34,419).

General Fund Budgetary Highlights

The Commission receives annual appropriations from the New Mexico State Legislature. Adjustments to the appropriated budget are made through BARs and must fall within parameters set by law and require approval by DFA State Budget Division, with review by the Legislative Finance Committee (LFC). The Commission utilizes BARs to move money among appropriated categories, as allowed by law, and to increase the budget when unbudgeted federal or other grants are received and decrease it when revenues fall short of projections. Money from the gift and donation fund is also budgeted through

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

BARs. In FY 2012, internal (within program area) BARs were used to move money among categories in the operating (general) fund. One such BAR was processed to transfer budget authority of \$2,100 in federal grants from the 300 category (Contractual Services) to the 400 category (Other). The proprietary fund realized a net decrease of \$974 and no BAR was submitted.

Capital Assets and Debt Administration

The Commission's investment in capital assets totaled \$212,986, net of accumulated depreciation, as of June 30, 2012. This investment is primarily in information technology and other equipment. Depreciation expense for FY 2012 was \$72,686 for governmental activities.

At the end of FY 2012 the Commission had no bonded debt outstanding. Long-term compensated absences payable totaled \$4,815.

Economic Factors and Subsequent Budgets

The Commission depends on appropriations from the New Mexico State Legislature, supplemented by small federal and other grants. General Fund Appropriation for FY 2012, as originally authorized, was \$2,405,300; no additional money for employee compensation was appropriated. The General Fund Appropriation was \$99,800 less than the FY 2011 amount as reduced by the Laws of 2011, Chapter 6, Section 14.

The Commission did not receive any new special appropriations for FY 2012. However, as noted above, one previously authorized multi-year special appropriation was continued into FY 2012. However, none of the remaining funds were applied in FY 2012. The full amount was exhausted, expended and reverted in FY 2011.

Federal funds totaling \$50,000 was included in the FY 2012 operating budget. No BARs were processed to increase budget authority. For the internal service fund, based on revenue projections for FY 2012, \$114,200 was budgeted; the use of another \$91,500 from prior year fund balances was also authorized. The agency realized \$113,226 in new revenue and expended \$111,739.

The Commission had faced budgetary challenges in prior years as appropriations, especially in the "other" budget category, failed to keep pace with need. Budget reductions in FY 2011 continued in FY 2012. The vacancy rate for FY 2012 remained high with only three vacant positions being filled. On July 1, 2011, the Commission had eleven vacant positions. By June 30, 2012, the number of vacant positions was thirteen.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

FY 2012 and FY 2013

Budget reductions continued in FY 2012. Such severe reductions have forced the Commission to move all but its fixed costs to its internal service fund. Fortunately, this has allowed the Commission to cover the majority of its operating expenses. However, this is a short-term solution. The revenue generated in the Commission's internal service fund continues to decline. This means that the fund balance total for the fund is also shrinking and will not cover some expenses in FY 2013. If state revenue projections rebound to what they were in the recent past, the Commission will be able to shift most of its expenses back to the general fund.

The Commission continued to carry a high vacancy rate in FY 2012 due to continued budget issues.

The New Mexico Historical Records Advisory Board activities and its grant program have continued without serious interruption to date; however, those may be in jeopardy in FY 2013 and 2014 if the state match for the federal funds is not available.

Request for Information

This financial report is designed to provide an overview of the Commission of Public Records' finances for all interested parties. If you have questions about this report or need additional information, contact:

**New Mexico Commission of Public Records
State Records Center and Archives
1205 Camino Carlos Rey
Santa Fe, New Mexico 87507-5166
(505) 476-7902**

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Investment in State General Fund Investment Pool	\$ 463,208
Petty Cash	200
Receivables (net)	13,876
Inventory	15,158
Due From Other State Agencies	5,615
Due From Federal Government	34,743
Prepaid Postage	878
Total Current Assets	533,678
Capital Assets, Net	212,986
Total Assets	\$ 746,664
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 30,320
Accrued Payroll	70,446
Other Liabilities	774
Due to Other State Agencies	41,031
Due to State General Fund	233,935
Accrued Compensated Absences (Due Within One year)	74,286
Total Current Liabilities	450,792
Noncurrent Liabilities	
Accrued Compensated Absences	4,815
Total Liabilities	455,607
 NET ASSETS	
Invested in Capital Assets	212,986
Restricted - Compensated Absences	79,101
Unrestricted	(1,030)
Total Net Assets	291,057
 Total Liabilities and Net Assets	 \$ 746,664

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities
Program Expenses	
General Government:	
Personal Services and Employee Benefits	\$ 1,954,888
Contractual Services	86,075
Other Costs	326,184
Depreciation Expense	72,686
Compensated Absences Expense	<u>(27,246)</u>
Total Program Expenses	<u>2,412,587</u>
Program Revenues	
Charge for Services	118,928
Intergovernmental Revenues	41,335
Operating Grants and Contributions	<u>4</u>
Total Program Revenues	<u>160,267</u>
Net Program Revenues (Expenses)	<u>(2,252,320)</u>
General Revenues and Transfers	
State General Fund Appropriations	2,405,300
Reversion to State General Fund FY 2012	<u>(233,935)</u>
Total Revenues and Transfers	<u>2,171,365</u>
Change in Net Assets	(80,955)
Net Assets - Beginning of Year	<u>372,012</u>
Net Assets - End of Year	<u><u>\$ 291,057</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
BALANCE SHEET
JUNE 30, 2012**

	General Fund (17900)	Non-Major Funds	Total Governmental Funds
ASSETS			
Current Assets			
Investment in State General Fund Investment Pool	\$ 304,364	\$ 5,822	\$ 310,186
Petty Cash	50	-	50
Accounts Receivable	-	-	-
Due From Federal Government	34,743	-	34,743
Prepaid Expenses	878	-	878
Total Assets	\$ 340,035	\$ 5,822	\$ 345,857
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 29,489	\$ -	\$ 29,489
Accrued Liabilities	71,478	-	71,478
Due to Other State Agencies	41,031	-	41,031
Due to the State General Fund	233,935	-	233,935
Other Liabilities	4,343	-	4,343
Total Liabilities	380,276	-	380,276
 FUND BALANCES			
Committed For:			
Prepaid and Petty Cash Expenses	-	-	-
Unassigned	(40,241)	5,822	(34,419)
Total Fund Balances	(40,241)	5,822	(34,419)
Total Liabilities and Fund Balances	\$ 340,035	\$ 5,822	\$ 345,857

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012**

Total Fund Balances for Governmental Funds \$ (34,419)

Amounts reported for governmental activities in the statement of net assets are different as follows:

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

Capital Assets, Net	212,986
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated Absences- General Fund	(79,101)
Compensated Absences - Proprietary Fund	<u>330</u>
Unrestricted Net Assets, Proprietary Fund	<u>191,261</u>

Net Assets of Governmental Activities	<u>\$ 291,057</u>
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**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund (17900)</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental Revenue	\$ 41,335	\$ -	\$ 41,335
Other Gifts and Grants	-	4	4
Miscellaneous Revenue	85	-	85
Total Revenues	<u>41,420</u>	<u>4</u>	<u>41,424</u>
EXPENDITURES			
Administrative Services:			
Personal Services & Benefits	1,901,952	-	1,901,952
Contract Services	84,964	-	84,964
Other Costs	267,382	-	267,382
Capital Outlay	-	-	-
Total Expenditures	<u>2,254,298</u>	<u>-</u>	<u>2,254,298</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,212,878)</u>	<u>4</u>	<u>(2,212,874)</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers In			
General Fund Appropriations	2,405,300	-	2,405,300
Transfers Out			
Reversion to the State General Fund - FY 2012	<u>(233,935)</u>	<u>-</u>	<u>(233,935)</u>
Total Other Financing Sources and (Uses)	<u>2,171,365</u>	<u>-</u>	<u>2,171,365</u>
Net Change in Fund Balances	(41,513)	4	(41,509)
Fund Balances, Beginning	<u>1,272</u>	<u>5,818</u>	<u>7,090</u>
Fund Balances, Ending	<u>\$ (40,241)</u>	<u>\$ 5,822</u>	<u>\$ (34,419)</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 RECONCILIATION OF THE CHANGE IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (41,509)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	-	
Depreciation Expense	(72,686)	
	(72,686)	
Excess of capital outlay over depreciation expense		(72,686)

Expenses recognized in the Statement of Activities, not reported in the governmental funds:

Internal Service Fund net change in assets recharacterized:

Change in Net Assets	(8,900)	
Depreciation expense	14,894	
	14,894	
		5,994

Decrease in compensated absences		27,246
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Change in Net Assets of Governmental Activities \$ (80,955)

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL -
 MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Approved Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Federal Funds	\$ 50,000	\$ 50,000	\$ 41,335	\$ (8,665)
State General Fund	2,405,300	2,405,300	2,405,300	-
Other Gifts and Grants	-	-	-	-
Other Revenue	-	-	85	85
Total	<u>2,455,300</u>	<u>2,455,300</u>	<u>\$2,446,720</u>	<u>\$ (8,580)</u>
Expenditures - All Organizations				
Personal Services	\$ 2,153,200	\$ 2,085,200	\$1,901,952	\$ 183,248
Contractual Services	57,400	92,300	84,964	7,336
Other Costs	244,700	277,800	267,382	10,418
Other Financing Uses	-	-	-	-
Total Expenditures	<u>\$ 2,455,300</u>	<u>\$ 2,455,300</u>	<u>\$2,254,298</u>	<u>\$ 201,002</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Revenue	Expenditures
Budget Basis	\$ 2,446,720	\$ 2,254,298
Adjustments:		
Adjustments	-	-
	\$ 2,446,720	\$ 2,254,298

Note:

The actual expenditures on a budgetary basis do not include any accounts payable that required a request to pay prior-year bills of the FY 2013 budget.

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012**

	Governmental Activities - Internal Service Fund (37100)
ASSETS	
Current Assets	
Investment in State General Fund Investment Pool	\$ 153,022
Petty Cash	150
Receivables (net)	13,876
Inventory	15,158
Prepaid Expenses	-
Due From Other State Agencies	5,615
Total Current Assets	187,821
Capital Assets, Net	62,272
Total Assets	\$ 250,093
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 831
Accrued Payroll	(1,032)
Due to Other Funds	-
Other Liabilities	(3,569)
Accrued Compensated Absences	330
Total Current Liabilities	(3,440)
 NET ASSETS	
Invested in Capital Assets	62,272
Unrestricted	191,261
Total Net Assets	253,533
Total Liabilities and Net Assets	\$ 250,093

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Fund (37100)
OPERATING REVENUES	
Charges for Services	\$ 73,873
Sales	44,969
Total Operating Revenues	118,842
 OPERATING EXPENSES	
Administrative Services:	
Personal Services and Benefits	52,936
Contract Services	1,111
Other Costs	58,801
Depreciation Expense	14,894
Total Operating Expenses	127,742
Changes in Net Assets	(8,900)
Net Assets, Beginning of the Year	262,433
Net Assets, End of Year	\$ 253,533

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Receipts From Customers	\$ 118,842
Payments to Employees and Suppliers	<u>(111,066)</u>
Net Cash Provided by (Used in) Operating Activities	7,776
Cash Flows From Capital Financing Activities:	
Additions to Equipment	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,776
Cash and Cash Equivalents, Beginning of Year	<u>145,246</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 153,022</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ (8,900)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	14,894
Change in Current Assets (Increase) Decrease:	
Receivables	8,346
Inventory	-
Due From Other State Agencies	992
Change in Current Liabilities (Decrease) Increase:	
Accounts Payable	(1,077)
Accrued Liabilities	(2,910)
Other Liabilities	<u>(3,569)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 7,776</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Commission (Commission) of Public Records was created under Section 14-3-3, NMSA 1978. The Commission consists of the Secretary of State, the Secretary of the General Services Department, the State Law Librarian, the Director of the Museum of New Mexico, the State Auditor, the Attorney General, and a recognized professionally trained historian in the field of New Mexico history who is a resident of New Mexico, appointed by the Governor for a period of six years. The Commission employs a records administrator who supervises and controls the records center.

The Commission is divided into six divisions: the Archives and Historical Services Division which organizes and maintains official archives and historical private collections and makes them accessible to all patrons; the Records Management Division, which has statutory responsibility for efficient and economical records management; the Administrative Services Division which is responsible for the administrative duties; the Administrative Law Division which implements the State Rules Act; the Information Technology Division which provides information and technology support; and the Office of the State Historian which promotes an understanding of New Mexico history.

The Commission is a component unit of the State of New Mexico and these financial statements include all funds and activities over which the Commission has oversight responsibility. The Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Commission is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. Additionally, the Commission has no component units that are required to be included in this report.

The Commission's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (where applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

In June, 1999, GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The significant changes in the statement include the following:

- A Management Discussion and Analysis (M D & A) section, written by management and providing an analysis of the Commission’s financial position and results of operations.
- Financial statements prepared using the full accrual method of accounting for all of the Commission’s activities.
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A summary of the Commission’s significant accounting policies follows:

A. Basis of Accounting- GASB Statement No. 34

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Commission, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements reflect both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function.

The net cost (by function) for general government activities is normally covered by general revenues (State General Fund appropriations) and program revenues generated by the internal service fund.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Other non-exchange revenues including intergovernmental revenues and grants are reported when all eligibility requirements have been met. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resource method using the modified accrual basis of accounting, and the internal service fund statements are presented using the accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably able to estimate the balances of the accounts. Available means collectible within the current period or soon enough thereafter to pay current liabilities (within sixty days). Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Commission’s actual experience conforms to the budget or fiscal plan. Since the governmental fund, and the proprietary fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission first uses restricted resources, then unrestricted resources.

The operating revenues and expenses of the proprietary funds are those transactions that constitute the funds’ principal ongoing operations. The Commission’s proprietary funds had no non-operating revenues and expenses during FY 2012.

B. Fund Accounting

The accounts of the Commission are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which spending activities are controlled. The following fund types are used by the Commission:

See Independent Auditors’ Report

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily through appropriations from the State of New Mexico General Fund and a small federal grant. The Statewide Human Resources, Accounting and Management Reporting System (SHARE) fund number and description is # 17900 – State Commission – Public Records. The General Fund is a reverting fund.

Special Revenue Fund – The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Special Revenue Fund receives money from private donations. The SHARE fund number and description is # 75800 – State Commission – Public Records. The Special Revenue Fund is non-reverting per Section 14-3-5, NMSA 1978. This is a non-budgeted fund.

Capital Projects Fund – The Capital Projects Fund was created by a FY 2005 State General Fund appropriation to the Commission to purchase furniture and equipment. The SHARE number is # 65800. A budget was not established for this fund during FY 2012.

Proprietary Fund:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the government (internal service funds). The Commission maintains one internal service fund which is reported within the governmental activities. The SHARE fund number and description is # 37100 – State Commission – Records Center.

C. Assets, Liabilities and Equity

Cash and Investments in the State Treasurer General Fund Investment Pool

All of the Commission's cash is held by the New Mexico State Treasurer. Deposits are non-interest bearing. The carrying value of all such cash deposits is shown on Note 2. Monies deposited by the Commission with the State Treasurer are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements which disclose collateral pledged to secure these deposits. For purposes of the Statements of Cash Flows, the Governmental Activities Internal Service Fund considers cash on hand and investment in the State Treasurer General Fund Investment Pool to be cash and cash equivalents.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Inventory

Inventories are reported at cost and the first-in, first-out method of determining inventory valuation is used.

Capital Assets

Capital assets of the Commission consist of computer equipment, furniture and fixtures, equipment and vehicles. The Commission does not have any infrastructure.

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment items costing more than \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated. Depreciation is shown over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building Improvements	10-20 years
Furniture and Fixtures	7-10 years
Equipment and Machinery	6-10 years
Automotive	5 years
Data Processing	6-7 years

Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased in conjunction with computer hardware is included as part of the capitalized computer equipment in accordance with 2.20.I.9 C (5). The cost of maintenance and repairs that do not add to the asset value or materially extend assets' useful lives are not capitalized. The Commission does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited and vacation pay is limited to payment for 240 hours. Vacation pay up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours for

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

each semi-annual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours, at 50 % of the individual's hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the government-wide financial statements.

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
1 Month - 3 Years	3.08
Over 3 - 7 Years	3.69
Over 7 - 11 Years	4.61
Over 11 - 15 Years	5.54
Over 15 Years - Beyond	6.15

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Commission allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Commission general fund resources and proprietary fund resources have been used to liquidate accrued compensated absences in the past.

Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. **Invested in capital assets, net of related debt**, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Commission has no outstanding debt relating to capital assets.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

2. **Restricted net assets**, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. *Unrestricted net assets* are all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition, was implemented by the Commission for the year ending June 30, 2011. Statement No. 54 replaces the previous fund balance terminology (“reserved”, unreserved”, “designated” and “undesignated”) with new financial reporting categories for fund balances of governmental funds.

Governmental fund balances are now divided into five classifications based on the extent to which government is bound to honor constraints on the specific purposes for which amounts in that fund can be spent.

Non-spendable includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

The spendable fund categories are as follows:

Restricted are amounts that are so due to enabling legislation, constitutional provisions, externally imposed by grantors, contributors, laws or regulations of other governments, or by creditors, such as through debt covenants.

Committed amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and removal of the constraint would require a formal action by the same authority.

Assigned consists of amounts that are intended to be used for a specific purpose established by the government’s highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the general fund; assigned fund balance represents the residual amount in the fund balance.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Unassigned represents the residual amount after all classifications have been considered for the government's general fund, and could report either a surplus or a deficit.

Program Revenues

Revenue items included in program revenue consists of federal grants, sales of storage boxes, archiving services and printing and productions.

D. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Commission of Public Records. Legal compliance is monitored through the establishment of annual budgets for the general fund and internal service fund. Budgets were not established for the capital projects fund nor the special revenue fund.

The following are the procedures followed in establishing the budgetary data presented in the financial statements:

1. The Commission of Public Records submits a proposed budget to the New Mexico State Legislature for the fiscal year commencing the following July 1. The State Legislature must approve the budget prior to its legal enactment.
2. Budgets are controlled at the appropriation unit level.
3. Any adjustment to the budget must be submitted to and approved by DFA in the form of a budget adjustment request.
4. The budget for the Commission is adopted on a modified accrual basis of accounting. Per the General Appropriations Act, Chapter 6, Laws of 2010, Section 3, paragraph M, 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 FY 2012 budget. At June 30, 2012, there were none.

Balances remaining at the end of the fiscal year from appropriations made from the state general fund shall revert to the appropriate fund, unless otherwise indicated in the appropriations act or otherwise provided by law.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

E. Operating Transfers

State general fund appropriations are recognized as operating transfers-in during the year the appropriation is made.

F. Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates where necessary.

G. Interfund Activity

Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. The interfund balances show on the balance sheets – governmental funds are for reimbursement of expenditures paid out of those funds.

(2) CASH ON HAND AND ON DEPOSIT

Cash on hand and on deposit with the New Mexico State Treasurer General Fund Investment Pool at June 30, 2012, is as follows:

<u>Account Name</u>	<u>Share Fund #</u>	<u>Balance per Depository</u>	<u>Adjustments</u>	<u>Balance per Books</u>	<u>Petty Cash</u>
General Fund	17900	\$ 304,364	\$ -	\$ 304,364	\$ 50
Capital Projects Fund	65800	-	-	-	-
Special Revenue Fund	75800	5,822	-	5,822	-
Internal Service Fund	37100	<u>153,022</u>	<u>-</u>	<u>153,022</u>	<u>150</u>
Total Cash		<u><u>\$ 463,208</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 463,208</u></u>	<u><u>\$ 200</u></u>

All cash, other than petty cash, is on deposit with the State Treasurer (STO) in the General Fund Investment Pool. In general, state statutes require that all deposits be collateralized at a minimum level of 50%. Collateral pledged to secure these deposits is monitored by STO and the STO issues separate financial statements which disclose the collateral pledged to secure these deposits.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Custodial Credit Risk

Custodial Credit Risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Commission does not have a policy for custodial credit risk. The Commission does not maintain any deposit accounts outside of the STO's and, therefore, custodial credit risk at June 30, 2012, could not be determined.

(3) RECEIVABLES, NET

Accounts receivable in the internal service fund at June 30, 2012, consisted of sales of boxes and other services. The total receivables at year end were \$13,876 and are considered to be collectible.

(4) ESTIMATES OF ARCHIVAL HOLDINGS

The Commission's archival holdings contain valuable collections which have been catalogued but have not been valued or appraised. These holdings do not meet the criteria for capitalization under GASB 34.

The Commission has estimated the value of the archival holdings for insurance purposes. A report issued October 19, 1995 by the Deputy Administrator of the Commission values these holdings at \$273,815,000. This estimate is for information purposes only.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Buildings and Structures	\$ 4,657	\$ -	\$ -	\$ 4,657
Computer Equipment	571,151			571,151
Equipment	287,138			287,138
Furniture	57,916			57,916
Land Improvements	1,289			1,289
Library and Museum Acquisitions	23,299	-	-	23,299
Total	<u>945,450</u>	<u>-</u>	<u>-</u>	<u>945,450</u>
 Less Accumulated Depreciation for:				
Buildings and Structures	(2,309)	(233)		(2,542)
Computer Equipment	(466,437)	(35,161)		(501,598)
Equipment	(231,289)	(15,752)		(247,041)
Furniture	(34,346)	(6,347)		(40,693)
Land Improvements	(736)	(64)		(800)
Library and Museum Acquisitions	(1,827)	(235)	-	(2,062)
Total	<u>(736,944)</u>	<u>(57,792)</u>	<u>-</u>	<u>(794,736)</u>
Net Capital Assets	<u>\$ 208,506</u>	<u>\$ (57,792)</u>	<u>\$ -</u>	<u>\$ 150,714</u>

Current year depreciation expense is \$57,792 for governmental funds. There is no debt related to capital assets.

	Beginning Balance	Additions	Deletions	Ending Balance
Internal Service Fund				
Machinery and Equipment	\$ 327,890	\$ -	\$ -	\$ 327,890
Total	<u>327,890</u>	<u>-</u>	<u>-</u>	<u>327,890</u>
 Less Accumulated Depreciation for:				
Machinery and Equipment	(250,724)	(14,894)	-	(265,618)
Total	<u>(250,724)</u>	<u>(14,894)</u>	<u>-</u>	<u>(265,618)</u>
Net Capital Assets	<u>\$ 77,166</u>	<u>\$ (14,894)</u>	<u>\$ -</u>	<u>\$ 62,272</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Depreciation for the year ended June 30, 2012 was \$14,894 for the Internal Service Fund. There is no debt related to capital assets.

(6) DUE TO STATE GENERAL FUND

Cash Balance, June 30, 2012	\$	304,364
Add: Due from Federal Government, NHPRC, 6/30/2012		34,743
Amount Available (all state cash)		339,107
Less: Due to Other State Agencies (DFA), 6/30/2012		(41,031)
Accounts Payable, 6/30/2012	\$	(29,489)
Accrued Payroll Payable, 6/30/2012		(17,605)
Payroll Taxes Payable, 6/30/2012		(6,060)
Payroll Benefits Payable, 6/30/2012		(11,126)
Overreversion		139
Due to State General Fund, June 30, 2012	\$	233,935
Reversions by Fiscal Year Appropriation:		
FY 2012		233,935
Miscellaneous Revenue		-
Due to State General Fund	\$	233,935

The reversion to the state general fund for FY 2012 was \$233,935. The Commission reverted \$139 in excess of the amount due at June 30, 2012. As a result, the amount due to the state general fund at June 30, 2012 was \$233,796.

(7) LONG TERM LIABILITIES

The following is a summary of changes in compensated absences at June 30, 2012:

	Balance June 30, 2011	Increase	Decrease	Balance June 30, 2012
Current	\$ 75,552	\$ 74,286	\$ 75,552	\$ 74,286
Long-Term	30,795	4,815	30,795	4,815
Total	\$ 106,347	\$ 79,101	\$ 106,347	\$ 79,101

See Independent Auditors' Report

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

General fund revenues are used to liquidate compensated absences.

(8) INTER-AGENCY TRANSFERS

The following is a schedule of inter-agency transfers:

Transferring Agency	Agency #	From Fund #	To Fund #	Amount	Purpose
DFA	34100	85300	17900	\$2,405,300	General Fund Allotment
Commission of Public Records	36900	17900	85300	<u>(233,935)</u>	Reversion
Total				<u>\$2,171,365</u>	

(9) OPERATING LEASE COMMITMENT

The Commission maintains an operating lease as follows:

The Commission signed a five year lease for warehouse space in Albuquerque. The lease contains variable annual rate beginning July 1, 2010 and ending June 30, 2015. Rent is paid on a monthly basis. The future minimum lease payments for the life of the lease are:

2013	\$ 83,684
2014	86,651
2015	<u>89,618</u>
Total	<u>\$ 259,953</u>

Rent expense for the year ended June 30, 2012 was \$80,716.

(10) PERA RETIREMENT PLAN

Plan Description

Substantially all of the Commission'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

See Independent Auditors' Report

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 8.92% of their gross salary. The Commission is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Commission are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's contributions to PERA for the years ending June 30, 2012, 2011, and 2010 were \$185,038, \$234,427, and \$252,913, respectively, equal to the amount of the required contributions for each year.

(11) DEFERRED COMPENSATION

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 is available to all State employees and those local government and school district employees whose employers have elected to participate in the plan and 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 unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Commission nor the State of New Mexico contributes to the Deferred Compensation Plan. All contributions withheld from participants by the Commission has been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

(12) POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The Commission 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

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

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 Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.6% of each participating employee's annual salary; each participating employee is required to contribute .83% of their salary.

Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Legislature. The Commission's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$25,295, \$25,721 and \$21,718, respectively.

(13) DUE TO / DUE FROM OTHER STATE AGENCIES

	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
Fund 17900 - General Fund			
Due to DFA	Payroll tax and payroll benefits liability errors - SHARE	\$ -	\$ 41,031
Fund 37100 - Internal Service Fund			
Due From DFA	Payroll tax and payroll benefits liability errors - SHARE	\$ 5,615	

(14) SPECIAL APPROPRIATIONS

The activity and current status of prior and current year supplemental appropriations follows:

<u>Laws</u>	<u>Appropriation Amount</u>	<u>Expended Through 6/30/2011</u>	<u>Expended During FY 2012</u>	<u>Unexpended Balance 6/30/2012</u>	<u>Date Appropriation Lapses</u>
1 Laws 2010	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Purpose: Centralized Repository Systems

(15) RISKS OF LOSS

The Commission obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. This coverage is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Commission are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2011 through June 30, 2012.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(16) STATEWIDE CASH RECONCILIATION

In June 2012 an independent diagnostic report revealed that the State's cash balances have not been reconciled since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all New Mexico state agencies for financial statements issued for the fiscal year ended June 30, 2012. Please note that it is the responsibility of the Department of Finance and Administration to perform the monthly reconciliations of cash.

In conjunction with this directive, the Commission has provided copies of the required reports to the Independent Auditors. In addition, the Commission has explained to the Independent Auditors the policies and procedures the Commission has in place to ensure that the Commission's cash balances in SHARE are correct.

The Commission monitors cash receipts and cash deposits regularly. The Commission verifies and reconciles to the Trial Balance on a monthly basis with SHARE generated reports.

The Independent Auditors confirm that the Commission has performed these procedures with respect to cash reconciliations. Therefore, it is determined that there is little risk of misstatement of the Commission's cash accounts due to the issue raised here regarding statewide cash reconciliations to the SHARE system.

Our work and the client's response to these issues regarding cash reconciliations cause us to conclude that there is little risk of material misstatement with regards to cash.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 COMBINING BALANCE SHEET – NONMAJOR FUNDS
 JUNE 30, 2012**

	Capital Projects (Fund 65800) - Nonmajor	Special Revenue (Fund 75800) - Nonmajor	Total Nonmajor Governmental Funds
ASSETS			
Investment in the State Treasurer General Fund			
Investment Pool	\$ -	\$ 5,822	\$ 5,822
Total Assets	\$ -	\$ 5,822	\$ 5,822
LIABILITIES			
Due to Other Funds	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
FUND BALANCES			
Fund Balances:			
Unassigned	-	5,822	5,822
Total Fund Balances	-	5,822	5,822
Total Liabilities and Fund Balances	\$ -	\$ 5,822	\$ 5,822

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Capital Projects (Fund 65800) - Nonmajor	Special Revenue (Fund 75800) - Nonmajor	Total Nonmajor Governmental Funds
REVENUES			
Other Gifts and Grants	\$ -	\$ 4	\$ 4
Total Revenues	-	4	4
EXPENDITURES			
Current Operating:			
Personal Services and Employee Benefits	-	-	-
Contractual Services	-	-	-
Other Costs	-	-	-
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Net Change in Fund Balance	-	4	4
Fund Balance at Beginning of Year	-	5,818	5,818
Fund Balance at End of Year	\$ -	\$ 5,822	\$ 5,822

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
 (BUDGETARY BASIS)
 PROPRIETARY FUNDS – INTERNAL SERVICE FUND (37100)
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Approved Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for Services	\$ 79,200	\$ 79,200	\$ 73,873	\$ (5,327)
Sales	<u>35,000</u>	<u>35,000</u>	<u>44,969</u>	<u>9,969</u>
Total Revenues	114,200	114,200	<u>\$ 118,842</u>	<u>\$ 4,642</u>
Prior Year Fund Balance	<u>91,500</u>	<u>91,500</u>		
Total	<u>\$ 205,700</u>	<u>\$ 205,700</u>		
Expenditures - All Organizations				
Personal Services	\$ 52,800	\$ 52,800	\$ 52,936	\$ (136)
Contractual Services	10,000	10,000	1,111	8,889
Other Costs	142,900	142,900	58,801	84,099
Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 205,700</u>	<u>\$ 205,700</u>	<u>\$ 112,848</u>	<u>\$ 92,852</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2012**

Electronic Document Management System

Participants: The Human Services Department, Taxation and Revenue Department and the Commission of Public Records.

Responsible Party for Operations: The Human Services Department.

Description: The purpose of this agreement is to design, develop and implement an electronic document management system for use by all state agencies. The project was authorized and funded through House Bill 2, in which \$2 million was allocated to the project.

Beginning and endings dates of agreement: February 10, 2005; the ending date is still to be determined.

Total estimated amount of project: \$2 million. Funded through House Bill 2 with the Human Services Department as the lead agency.

The Commission of Public Records contributed no money in FY 2012.

The Human Services Department has audit responsibility.

The Human Services Department is the fiscal agent.

The Human Services Department reports all revenues and expenditures.

Kubiak & Melton, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and

Dr. Stanley Hordes, Ph.D., Chairman
Commission of Public Records
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund and the budgetary comparisons of the General Fund of the Commission of Public Records (Commission), as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 1, 2012. 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.

Internal Control Over Financial Reporting

It is the responsibility of the management of the Commission to establish and maintain effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Commission'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.

This report is intended solely for the information and use of management, others within the agency, the Office of the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

Kubiak & Melton, LLC

Kubiak & Melton, LLC
Albuquerque, New Mexico
December 1, 2012

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

There are no current or prior year findings.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
EXIT CONFERENCE
JUNE 30, 2012**

The contents of this report were discussed at an exit conference held December 11, 2012. The firm of Kubiak & Melton, LLC was represented by Don Wittman, CPA and Daniel O. Trujillo, CPA, CFE. The Commission was represented by the Dr. Stanley Hordes, Ph.D., Historian, Commission Chairman, John Hyrum Martinez, State Records Administrator, Linda Trujillo, Deputy State Records Administrator / CFO and Ruben Rivera, Fiscal Officer.

Preparation of Financial Statements

The audited financial statements were prepared by the Commission's staff with the assistance of the independent certified public accountants performing the audit. Management is responsible for ensuring the books and records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the information is current and in balance. Management has reviewed the approved the financial statements as presented.

The Commission's staff has prepared the Management Discussion and Analysis.