

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

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS'
REPORT THEREON
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

OFFICIAL ROSTER

JUNE 30, 2016

Robert J. Torrez - Historian.....Chairman
Edwynn Burckle – Secretary, New Mexico General Services Department..... Member
Lynne S. Rhys – New Mexico State Law Librarian Secretary
Honorable Timothy Keller – New Mexico State Auditor Member
Jeff Pappas – Representative from the Department of Cultural Affairs Member
Honorable Brad Winter – New Mexico Secretary of State Member
Honorable Hector Balderas – New Mexico Attorney General..... Member

Administrative Personnel

Linda M. Trujillo..... State Records Administrator
Melissa Salazar..... Deputy State Records Administrator
Ruben Rivera CFO



Independent Auditors' Report

Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
And

Robert J. Torrez, Chairman
Commission of Public Records
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the proprietary fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and the proprietary fund of the Commission of Public Records (Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Commission's nonmajor governmental funds and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 on the Commission's internal control. Accordingly, we express no such opinion.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the proprietary fund, and the aggregated remaining fund information of the Commission, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the proprietary fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Commission as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for all nonmajor funds 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 required that the management's discussion and analysis on page 4 to page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit was conducted for the purpose of forming opinions on the Commission's financial statements, the combining and individual fund financial statements and the budgetary comparisons. The other schedules required by 2.2.2. NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Vendor Schedule required by 2.2.2.10(A)(2)(g) NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2016 on our consideration of the Commission's internal control over financial reporting and on 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 in considering the Commission's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Accountants – Business Consultants - CPAs

Albuquerque, New Mexico
November 18, 2016

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2016**

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's Discussion and Analysis* focuses on Fiscal Year (FY) 2016 activities and should be read in conjunction with the financial statements and notes that accompany it.

HIGHLIGHTS

Financial:

- The Commission's ending total net position for the year ended June 30, 2016 was \$1,018,697.
- Net program expenses were \$2,934,273, (total expenses of \$3,068,783 less revenues of \$134,510).
- The Commission's general fund appropriation was \$2,775,000.
- 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 during the year ended June 30, 2016.

During the year ended June 30, 2016, 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 appropriations 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 the year ended June 30, 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. During 2016, the publishing revenue continued to represent the major component of proprietary fund revenues. The Commission has a statutory mandate to produce both the New Mexico Register, which is

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information) - Continued
JUNE 30, 2016**

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 October, 2014; raising the columnar-inch charge for publishing in the New Mexico Register from \$2.00 to \$2.50, effective October 15, 2014.

Overall, proprietary fund revenues collected during the year ended June 30, 2016 totaled \$105,598. The Commission had budgetary authority to expend \$120,800 in new revenue. A total of \$43,166 was expended. Depreciation expense of \$9,392 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. Also, since the records center is full and unable to in-take boxes from agencies for storage, there are very few boxes being sold to agencies for storage.

For the year ended June 30, 2016, the Commission realized lower-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 internal business processes, which are factors beyond the control of the Commission.

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

During the year ended June 30, 2016, the Commission had 42 authorized, full-time equivalent (FTE) positions. The positions are located in two facilities – one at the State-owned Archives and Records Center in Santa Fe, and the other in a leased facility in Albuquerque. 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, CFO, Human Resources Bureau Chief and the Directors of the New Mexico

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information) - Continued
JUNE 30, 2016**

State Archives, 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, Archives and New Mexico History. The Commission is organized into six divisions: Administrative Services, Administrative Law, Archives, 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 appointed by the Commission is adjunct to the Commission. During the year ended June 30, 2016, as in previous years, a Grant Administrator provided support to the Advisory 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.

Management's Discussion and Analysis

The Purpose of the MD&A is to provide an objective and understandable analysis of the Commission's financial activities based on current knowledge, facts, decisions and conditions.

Government-wide Financial Statements

The statements of net position 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.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information) - Continued
JUNE 30, 2016**

Fund Financial Statements

Fund financial statements comprise a series of statements that center on information about the major governmental funds and 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 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.

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 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.

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 COMMISSION OF PUBLIC RECORDS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Required Supplementary Information) - Continued
 JUNE 30, 2016**

Statement of Net Position

Page 19 shows the statement of net position for the agency's proprietary fund.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

The following exhibit summarizes the Commission's net position for the fiscal year ended June 30, 2016; total net position (government-wide) was \$1,018,697 which is comprised of \$149,328, net investment in capital assets, \$639,025 restricted. This amount differs from the \$627,293 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 position versus the current financial resources focus of the governmental fund balance sheets and from the addition of the net position reported in the internal service fund on page 19. Comparative analysis with prior year is included for net position and changes in net position.

The Commission's net position for the year ended June 30, 2016 and 2015:

Assets:	2016	2015	Change
Current Assets	\$ 1,263,289	\$ 1,620,347	\$ (357,058)
Capital Assets, Net	<u>149,328</u>	<u>214,061</u>	<u>(64,733)</u>
Total Assets	<u>1,412,617</u>	<u>1,834,408</u>	<u>(421,791)</u>
Liabilities:			
Current Liabilities	346,863	540,601	(193,738)
Non-Current Liabilities	<u>47,057</u>	<u>27,576</u>	<u>19,481</u>
Total Liabilities	<u>393,920</u>	<u>568,177</u>	<u>(174,257)</u>
Net Position:			
Net Investment in Capital Assets	149,328	214,061	(64,733)
Restricted	639,025	889,059	(250,034)
Unrestricted (Deficit)	<u>230,344</u>	<u>163,110</u>	<u>67,234</u>
Total Net Position	<u>\$ 1,018,697</u>	<u>\$ 1,266,230</u>	<u>\$ (247,533)</u>

Changes in the Commission's Net Position for the years ended June 30, 2016 and 2015:

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information) - Continued
JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 5,765	\$ 6,818	\$ (1,053)
Intergovernmental Revenues - Federal	29,245	31,910	(2,665)
Sales	<u>99,500</u>	<u>98,291</u>	<u>1,209</u>
Total Program Revenues	134,510	137,019	(2,509)
General Revenues:			
State General Fund Appropriations	2,775,000	2,746,800	28,200
Other Financing Sources	<u>69,307</u>	<u>1,179,393</u>	<u>(1,110,086)</u>
Total General Revenues	<u>2,844,307</u>	<u>3,926,193</u>	<u>(1,081,886)</u>
Total Revenues	<u>2,978,817</u>	<u>4,063,212</u>	<u>(1,084,395)</u>
Expenses:			
Program Expenses	<u>3,226,350</u>	<u>3,076,397</u>	<u>149,953</u>
Total Expenses	<u>3,226,350</u>	<u>3,076,397</u>	<u>149,953</u>
Change in Net Position	(247,533)	986,815	(1,234,348)
Beginning Net Position	<u>1,266,230</u>	<u>279,415</u>	<u>986,815</u>
Ending Net Position	<u>\$ 1,018,697</u>	<u>\$ 1,266,230</u>	<u>\$ (247,533)</u>

Fund Balance

At the close of the fiscal year, the total net position for governmental and proprietary funds equaled \$1,018,697.

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 BARs. During the year ended June 30, 2016, seven internal (within program area) BARs were used to move money among categories in the operating (general) fund and none in the proprietary (revolving) fund. The first BAR processed by the Commission increased operating (general) fund spending authority in the 300 category (Contractual Services) by \$3,910. The second BAR increased federal fund spending authority in the 300 category by \$11,592 and \$13,408 in the 400 category for a total

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information) - Continued
JUNE 30, 2016**

of \$25,000. The third BAR transferred budget authority of \$6,196 (#Z20709) in the operating (general) fund from the 400 (Other) category to the 300 (Contractual Services) category. The fourth BAR transferred budget authority of \$13,014 (#Z30709) in the operating (general) fund from the 300 (Contractual Services) category to the 400 (Other) category. The fifth BAR transferred budget authority of \$45,000 in the operating (general) fund from the 200 (Personal Services and Employee Benefits) to the 300 (Contractual Services) and the 400 (Other) category; \$35,000 was moved to the 300 (Contractual Services) and \$10,000.00 to the 400 (Other) category. The sixth BAR transferred budget authority of \$40,000 in the operating (general) fund from the 400 (Other) category to the 300 (Contractual Services). The seventh BAR transferred budget authority of \$15,000 in the operating (general) fund from the 200 (Personal Services and Employee Benefits) to the 400 (Other) category.

Capital Assets and Debt Administration

The Commission's net investment in capital assets totaled \$149,328, net of accumulated depreciation, as of June 30, 2016. This investment is primarily in information technology and other equipment. Depreciation expense for the year ended June 30, 2016 was \$55,340 for governmental activities and \$9,392 for proprietary activities.

At June 30, 2016 the Commission had no bonded debt outstanding. Long-term compensated absences payable totaled \$97,032.

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 the year ended June 30, 2016, as originally authorized, was \$2,775,000. No additional money was appropriated. The General Fund Appropriation was \$28,200 more than the year ended June 30, 2015.

The Commission also received an extension to June 30, 2016 of the special appropriation of \$450,000 under the Laws of 2014, Chapter 63, Section 7, to continue implementation of the Centralized Electronic Records Repository (CERR). However, the remaining balance was only \$110,229.54 and spending authority expired June 30, 2016.

The Commission also has a special appropriation of \$822,400 under the Laws of 2013, Chapter 227, Section 7. This special appropriation was extended to June 30, 2017 under Laws 2015, Chapter 101, Section 7. None of these funds were expended until fiscal year 2016.

Federal funds totaling \$28,912 were included in the year ended June 30, 2016 operating budget. This funding was granted by the National Historic Publications and Records Committee (NHPRC), a branch of the National Archives and Records Administration for the

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information) - Continued
JUNE 30, 2016**

preservation of Historical Records. The full amount of the NHPRC two-year grant was expended and expired in fiscal year 2016.

For the internal service fund, based on revenue projections for FY 2016, \$120,800 was budgeted; the use of another \$97,500 from prior year fund balances was also authorized. The agency realized \$108,170 in revenue and expended \$24,241.

The Commission had faced budgetary challenges in prior years as appropriations, especially in the "other" budget category, failed to keep pace with need. However, the FY 2016 budget increased in the "personal services" budget category. This authorized the Commission to fill vacant positions that had been previously unfunded. However, due to anticipated budget reduction of over \$170,000 for fiscal year 2016, the Commission did not fill three vacant positions after the 2016 legislative session and the Governor's approval of the reduced budget in fiscal year 2016. If the positions had been filled the agency would have been forced to implement a reduction in force early in fiscal year 2017.

FY 2015 and FY 2016

State funding continues to be an operational challenge. During fiscal year 2016, the Albuquerque records center was moved from the Yale location to another site called Copper Point in Albuquerque. These expenses were unanticipated and cost significantly more than originally considered when making decisions to move. As such, all available funding in the general fund was pooled for moving expense. This included contracting with Correction industries to move the boxes off the shelves at the Yale location and back on to the shelves at the new Copper Point location and contracting with Unicor, a transportation and shredding company, to physically transport pallet of boxes from one location to the other. There are additional expenses that will be realized in fiscal year 2017.

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 POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
State General Fund Investment Pool	\$ 1,217,543
Petty Cash	200
Receivables, Net	15,312
Inventory	5,234
Due From Federal Government	<u>25,000</u>
Total Current Assets	1,263,289
Capital Assets, Net	<u>149,328</u>
Total Assets	<u>\$ 1,412,617</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 54,319
Accrued Liabilities	83,206
Due to State General Fund	157,736
Accrued Compensated Absences (due within one year)	<u>51,602</u>
Total Current Liabilities	346,863
Noncurrent Liabilities	
Accrued Compensated Absences	<u>47,057</u>
Total Liabilities	<u>393,920</u>
 NET POSITION	
Net Investment in Capital Assets	149,328
Restricted - Special Revenue Funds	5,928
Restricted - Proprietary Fund	11,732
Restricted - General Fund	621,365
Unrestricted	<u>230,344</u>
Total Net Position	<u>1,018,697</u>
Total Liabilities and Net Position	<u>\$ 1,412,617</u>

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, 2016**

	Governmental Activities
Program Expenses	
General Government:	
Personal Services and Employee Benefits	\$ 2,325,765
Contractual Services	340,859
Other Costs	332,836
Depreciation Expense	64,732
Compensated Absences Expense	4,591
Total Program Expenses	3,068,783
 Program Revenues	
Charges for Services	5,765
Intergovernmental Revenues - Federal	29,245
Sales	99,500
Total Program Revenues	134,510
Net Program Revenues (Expenses)	(2,934,273)
 General Revenues and Transfers	
State General Fund Appropriations	2,775,000
Other Financing Sources	69,307
Reversion to State General Fund FY 2016	(157,567)
Total Revenues and Transfers	2,686,740
Change in Net Position	(247,533)
Net Position, Beginning	1,266,230
Net Position, Ending	\$ 1,018,697

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
BALANCE SHEET
JUNE 30, 2016**

	<u>General Fund (17900)</u>	<u>Non-Major Funds (75800)</u>	<u>Total Governmental Funds</u>
ASSETS			
Current Assets			
State General Fund Investment Pool	\$ 891,576	\$ 5,928	\$ 897,504
Petty Cash	50	-	50
Due From Federal Government	25,000	-	25,000
Total Assets	<u>\$ 916,626</u>	<u>\$ 5,928</u>	<u>\$ 922,554</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 54,319	\$ -	\$ 54,319
Accrued Liabilities	83,206	-	83,206
Due to State General Fund	157,736	-	157,736
Total Liabilities	<u>295,261</u>	<u>-</u>	<u>295,261</u>
 FUND BALANCES			
Restricted	<u>621,365</u>	<u>5,928</u>	<u>627,293</u>
Total Fund Balances	<u>621,365</u>	<u>5,928</u>	<u>627,293</u>
Total Liabilities and Fund Balances	<u>\$ 916,626</u>	<u>\$ 5,928</u>	<u>\$ 922,554</u>

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016**

Total Fund Balances for Governmental Funds \$ 627,293

Amounts reported for governmental activities in the statement of net position 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 137,733

Internal service fund is used by management to charge for resale of records, goods, services and publications. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position: 352,330

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 (98,659)

Net Position of Governmental Activities \$ 1,018,697

**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, 2016**

	<u>General Fund (17900)</u>	<u>Non-Major Funds (75800)</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental Revenue - Federal	\$ 28,912	\$ -	\$ 28,912
Other Gifts and Grants	-	-	-
Miscellaneous Revenue	-	-	-
Total Revenues	<u>28,912</u>	<u>-</u>	<u>28,912</u>
EXPENDITURES			
Administrative Services:			
Personal Services & Benefits	2,325,765	-	2,325,765
Contractual Services	326,750	-	326,750
Other Costs	313,171	-	313,171
Capital Outlay	-	-	-
Total Expenditures	<u>2,965,686</u>	<u>-</u>	<u>2,965,686</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,936,774)</u>	<u>-</u>	<u>(2,936,774)</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers In			
General Fund Appropriations	2,775,000	-	2,775,000
Other Financing Sources	69,307	-	69,307
Transfers Out			
Reversion to the State General Fund - FY 2016	<u>(157,567)</u>	<u>-</u>	<u>(157,567)</u>
Total Other Financing Sources and (Uses)	<u>2,686,740</u>	<u>-</u>	<u>2,686,740</u>
Net Change in Fund Balances	(250,034)	-	(250,034)
Fund Balances, Beginning	<u>871,399</u>	<u>5,928</u>	<u>877,327</u>
Fund Balances, Ending	<u>\$ 621,365</u>	<u>\$ 5,928</u>	<u>\$ 627,293</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, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ (250,034)

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	(55,340)	
Excess of capital outlay over depreciation expense	(55,340)	(55,340)

Internal service fund is used by management to charge for resale of records, goods, services and publications. The net revenue (expense) of the internal service fund is reported with governmental activities :		62,432
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Expenses recognized in the Statement of Activities, not reported in the governmental funds:

Compensated Absence Expense		(4,591)
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Change in Net Position of Governmental Activities \$ (247,533)

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL -
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Approved Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Federal Funds	\$ -	\$ 28,912	\$ 28,912	\$ -
State General Fund	2,791,700	2,775,000	2,775,000	-
Other Gifts and Grants	-	-	-	-
Other Revenue	-	-	-	-
Other Financing Sources	-	-	69,307	69,307
Total	<u>\$ 2,791,700</u>	<u>\$ 2,803,912</u>	<u>\$ 2,873,219</u>	<u>\$ 69,307</u>
Expenditures - All Organizations				
Personal Services	\$ 2,501,100	\$ 2,424,400	\$ 2,325,765	\$ 98,635
Contractual Services	481,036	537,734	326,750	210,984
Other Costs	517,474	549,686	280,575	269,111
Other Financing Uses	-	-	-	-
Total Expenditures	<u>\$ 3,499,610</u>	<u>\$ 3,511,820</u>	<u>\$ 2,933,090</u>	<u>\$ 578,730</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	Governmental Activities - Internal Service Fund (37100)
ASSETS	
Current Assets	
State General Fund Investment Pool	\$ 320,039
Petty Cash	150
Receivables, Net	15,312
Inventory	5,234
Total Current Assets	340,735
Capital Assets, Net	11,595
Total Assets	\$ 352,330
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ -
Due to State General Fund	-
Total Current Liabilities	-
 NET POSITION	
Net Investment in Capital Assets	11,595
Restricted	11,732
Unrestricted	329,003
Total Net Position	352,330
Total Liabilities and Net Position	\$ 352,330

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 POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Internal Service Fund (37100)
OPERATING REVENUES	
Charges for Services	\$ 5,765
Other Gifts and Grants	333
Sales	99,500
Total Operating Revenues	105,598
OPERATING EXPENSES	
Administrative Services:	
Personal Services and Benefits	-
Contractual Services	14,109
Other Costs	19,665
Depreciation Expense	9,392
Total Operating Expenses	43,166
Changes in Net Position	62,432
Net Position, Beginning	289,898
Net Position, Ending	\$ 352,330

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, 2016**

	Governmental Activities - Internal Service Fund (Fund 37100)
Cash Flows From Operating Activities:	
Receipts From Customers	\$ 108,170
Payments to Employees and Suppliers	(21,721)
Other Receipts	-
Net Cash Provided by (Used in) Operating Activities	86,449
Cash and Cash Equivalents, Beginning of Year	233,740
Cash and Cash Equivalents, End of Year	\$ 320,189
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 62,432
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	9,392
Change in Current Assets (Increase) Decrease:	
Receivables	9,766
Inventory	8,588
Change in Current Liabilities Increase (Decrease):	
Accounts Payable	(3,729)
Accrued Payroll	-
Net Cash Provided by (Used in) Operating Activities	\$ 86,449

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

(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 accounting policies of the Commission conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Commission's significant accounting policies follows:

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 (MD&A) section, written by management and providing an analysis of the Commission's financial position and results of operations.

See Independent Auditors' Report

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

- 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 position 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.

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

See Independent Auditors' Report

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 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 fund had no non-operating revenues and expenses during the year ended June 30, 2016.

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:

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

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 the year ended June 30, 2016.

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, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance

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.

Inventory

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

See Independent Auditors' Report

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 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 2.20.1.9 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 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.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

Deferred Outflows and Deferred Inflows of Resources

The Commission implemented the provisions of GASB statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 establishes reporting guidance for certain elements of the financial statements which are distinct from assets and liabilities.

In addition to assets, the statement of financial position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position which applies to a future period and so will not be recognized as an outflow of resources that is expensed, until then. The Commission does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until such time. The Commission does not have any of this type of item.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Net Position

Equity is classified as net position and is displayed in three components in the government-wide statement of net position:

1. **Net Investment in Capital Assets:** consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Commission has no outstanding debt relating to capital assets.
2. **Restricted Net Position:** consists of net position 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 Position:** are all other net position that do not meet the definition of restricted or net investment in capital assets.

Fund Financial Statements

Governmental fund equity is classified as fund balance. 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.

Governmental fund balances are 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

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

Unassigned represents the residual amounts 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 or 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 year end June 30, 2015 budget. At June 30, 2016, 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 of otherwise provided by law.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 shown 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, 2016, 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	\$ 891,576	\$ -	\$ 891,576	\$ 50
Capital Projects Fund	65800	-	-	-	-
Special Revenue Fund	75800	5,928	-	5,928	-
Internal Service Fund	37100	320,039	-	320,039	150
Total Cash		<u>\$ 1,217,543</u>	<u>\$ -</u>	<u>\$ 1,217,543</u>	<u>\$ 200</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
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016, could not be determined.

(3) RECEIVABLES, NET

Accounts receivable in the internal service fund at June 30, 2016, consisted of boxes and other items. The total net receivables at year-end were \$15,312. The allowance for uncollectable accounts was \$3,856 at June 30, 2016.

(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
FOR THE YEAR ENDED JUNE 30, 2016**

(5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Buildings and Structures	\$ 4,657	\$ -	\$ -	\$ 4,657
Computer Equipment	676,450	-	-	676,450
Equipment	329,999	-	-	329,999
Furniture	57,916	-	-	57,916
Land Improvements	1,289	-	-	1,289
Library and Museum Acquisitions	23,299	-	-	23,299
Total	<u>1,093,610</u>	<u>-</u>	<u>-</u>	<u>1,093,610</u>
Less Accumulated Depreciation for:				
Buildings and Structures	(3,241)	(233)	-	(3,474)
Computer Equipment	(552,058)	(39,858)	-	(591,916)
Equipment	(283,563)	(14,983)	-	(298,546)
Furniture	(57,916)	-	-	(57,916)
Land Improvements	(992)	(64)	-	(1,056)
Library and Museum Acquisitions	(2,767)	(202)	-	(2,969)
Total	<u>(900,537)</u>	<u>(55,340)</u>	<u>-</u>	<u>(955,877)</u>
Capital Assets, Net	<u>\$ 193,073</u>	<u>\$ (55,340)</u>	<u>\$ -</u>	<u>\$ 137,733</u>

Current year depreciation expense is \$55,340 for governmental funds (not including the internal service fund). There is no debt related to capital assets.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

The Internal Service Fund's capital asset activity for the year ended June 30, 2016 was as follows:

<u>Internal Service Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
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	(306,903)	(9,392)	-	(316,295)
Total	<u>(306,903)</u>	<u>(9,392)</u>	<u>-</u>	<u>(316,295)</u>
Capital Assets, Net	<u>\$ 20,987</u>	<u>\$ (9,392)</u>	<u>\$ -</u>	<u>\$ 11,595</u>

Depreciation for the year ended June 30, 2016 was \$9,392 for the Internal Service Fund. There is no debt related to capital assets.

(6) DUE TO STATE GENERAL FUND

The reversion to the state general fund for the year ended June 30, 2016 was \$157,567.

(7) LONG-TERM LIABILITIES

The following is a summary of changes in compensated absences at June 30, 2016:

	<u>Balance June 30, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2016</u>	<u>Amount Due in One Year</u>
Compensated Absences	\$ 94,068	\$ 52,020	\$ 47,429	\$ 98,659	\$ 51,602
Total	<u>\$ 94,068</u>	<u>\$ 52,020</u>	<u>\$ 47,429</u>	<u>\$ 98,659</u>	<u>\$ 51,602</u>

General fund is used to liquidate compensated absences.

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COMMISSION OF PUBLIC RECORDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

(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	\$2,775,000	General Fund Allotment
DFA	34100	85300	17900	69,307	Special Appropriation
Commission of Public Records	36900	17900	85300	<u>(157,567)</u>	Reversion
Total				<u>\$2,686,740</u>	

(9) OPERATING LEASE COMMITMENT

The Commission maintains an operating leases as follows:

The Commission's five year lease for warehouse space in Albuquerque expired in June, 2015 and was renewed, on a month-to-month basis through the end of fiscal 2016. In fiscal 2017, the Commission has a lease in effect for another building. The terms of this lease have not been finalized but will result in a yearly payment of \$73,423. The Commission signed a four year operating lease for a postage meter beginning June 30, 2014 and ending June 30, 2018 and has a variable annual interest rate. The Commission has a lease with Xerox for a copier that runs through fiscal 2020.

The future minimum lease payments for the life of the lease are:

<u>Year</u>	<u>Amount</u>
2017	\$ 83,696
2018	76,558
2019	76,168
2020	76,168
2021	<u>76,168</u>
Total	<u>\$ 388,758</u>

The lease expense for the year ended June 30, 2016 was \$90,399.

(10) PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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 II NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-

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FOR THE YEAR ENDED JUNE 30, 2016**

employer defined benefit public 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on the PERA website, www.pera.state.nm.us.

(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 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

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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 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 employees 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 plans 3, 4 or 5; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, 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 employers that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% 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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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 Commission's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014, respectively, were \$32,938, \$32,089 and \$31,232, respectively, which equal the required contributions for the year.

(13) SPECIAL APPROPRIATIONS

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

Laws	FY16 Appropriation Amount	Expended Through 6/30/2015	Expended During 6/30/2016	Unexpended Balance 6/30/2016	Date Appropriation Lapses
Laws of 2015	\$ 1,295,310	\$ 210,446	\$ 463,499	\$ 621,365	6/30/2017
	<u>\$ 1,295,310</u>	<u>\$ 210,446</u>	<u>\$ 463,499</u>	<u>\$ 621,365</u>	

(14) 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, 2015 through June 30, 2016.

(15) GASB 68 – FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSION 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 Commission, 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

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**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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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.

(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, 2016.

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 Office has in place to ensure that the Commission's cash balances in SHARE are correct.

The Department of Finance and Administration (DFA) has commissioned two reports that address state wide cash reconciliation issues. They are (1) *Current State Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. These reports are available on the DFA website (http://www.nmdfa.state.nm.us/Cash_Control.aspx).

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 Office 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.

For the year ended June 30, 2016, the following assertions are provided by the Department of Finance and Administration in a letter addressed to State Agency Chief Financial Officers on August 8, 2016:

1. The Calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (<\$200 thousand standard deviation) over the last twelve months;

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**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP.
3. All claims will be honored at face value.

(17) SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through November 18, 2016, the date which the financial statements were available to be issued.

(18) RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS FINANCIAL STATEMENTS

	<u>Fund 17900</u>	<u>Fund 37100</u>
Revenues Per Modified Accrual Basis	\$ 2,873,219	\$ 105,598
Prior Year Receivables	-	2,572
Current Year Receivables	-	-
Revenues per Budgetary Basis	<u>\$ 2,873,219</u>	<u>\$ 108,170</u>
Expenditures Per Modified Accrual Basis	\$ 2,965,686	\$ 43,166
Prior Year Payables	(32,596)	(9,533)
Depreciation Expense	-	(9,392)
Expenditures per Budgetary Basis	<u>\$ 2,933,090</u>	<u>\$ 24,241</u>

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 COMMISSION OF PUBLIC RECORDS
 COMBINING BALANCE SHEET – NONMAJOR FUNDS
 JUNE 30, 2016**

	Capital Projects (Fund 65800) - Nonmajor	Special Revenue (Fund 75800) - Nonmajor	Total Nonmajor Governmental Funds
ASSETS			
Investment in the State Treasurer			
General Fund Investment Pool	\$ -	\$ 5,928	\$ 5,928
Total Assets	\$ -	\$ 5,928	\$ 5,928
LIABILITIES			
Due to Other Funds	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
FUND BALANCES			
Fund Balances:			
Restricted	-	5,928	5,928
Total Fund Balances	-	5,928	5,928
Total Liabilities and Fund Balances	\$ -	\$ 5,928	\$ 5,928

See Independent Auditors' Report

**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, 2016**

	<u>Capital Projects (Fund 65800) - Nonmajor</u>	<u>Special Revenue (Fund 75800) - Nonmajor</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Other Gifts and Grants	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current Operating:			
Personal Services and Employee Benefits	-	-	-
Contractual Services	-	-	-
Other Costs	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-
Fund Balance at Beginning of Year	<u>-</u>	<u>5,928</u>	<u>5,928</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 5,928</u>	<u>\$ 5,928</u>

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**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, 2016**

	<u>Original Budget</u>	<u>Approved Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for Services	\$ 11,300	\$ 11,300	\$ 5,765	\$ (5,535)
Other	2,500	2,500	333	(2,167)
Sales	107,000	107,000	102,072	(4,928)
Total Revenues	<u>120,800</u>	<u>120,800</u>	<u>\$ 108,170</u>	<u>\$ (12,630)</u>
Prior Year Fund Balance	97,500	97,500		
Total	<u>\$ 218,300</u>	<u>\$ 218,300</u>		
Expenditures - All Organizations				
Personal Services	\$ 57,600	\$ 57,600	\$ -	\$ 57,600
Contractual Services	7,300	47,300	14,109	33,191
Other Costs	153,400	113,400	10,132	103,268
Other Financing Uses	-	-	-	-
Total Expenditures	<u>\$ 218,300</u>	<u>\$ 218,300</u>	<u>\$ 24,241</u>	<u>\$ 194,059</u>

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**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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. It is funded through House Bill 2 with the Human Services Department as the lead agency.

The Commission of Public Records contributed no money during the year ended June 30, 2016.

- The Human Services Department has audit responsibility.
- The Human Services Department is the fiscal agent.
- The Human Services Department reports all revenues and expenditures.



**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**

Independent Auditors' Report

Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

Robert J. Torrez, Chairman
Commission of Public Records
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the proprietary fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and the proprietary fund of the Commission of Public Records (Commission) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Commission presented as supplementary information, and have issued our report dated November 18, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a significant deficiency. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a significant deficiency.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's Response to Finding

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Accountants – Business Consultants – CPAs

Albuquerque, New Mexico
November 18, 2016

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Section I – Financial Statement Findings

2016-001 — Internal Controls over Disbursements – Significant Deficiency

Condition: During our test work of cash disbursements, we noted 1 out of 25 purchases tested where the purchase was made without prior authorization. The amount of the purchase totaled \$3,848.

Criteria: NMAC 6.20.2.17 states that each governmental entity shall establish and implement written policies and procedures for purchasing, which shall be in compliance with the procurement code Section 13-1-21, NMSA 1978.

Effect: The CPR did not comply with NMSA 1978 Section 13-1-21 and NMAC 6.20.2.17. CPR received services prior to purchase authorization.

Cause: The CPR staff lacked knowledge of policies and procedures related to purchases.

Auditors' Recommendations: We recommend the CPR implement training on policies and procedures related to purchases.

Management's Response: After the procurement violation was recognized concerning this vendor, an internal procurement guide was drafted by ASD management describing the procurement process for all purchases along with screen shots of the various procurement forms and was issued to all staff members in the agency. Staff were informed that any additional explanation of procurement information would be explained in greater detail if requested. No additional violations were identified as the June 30, 2016.

Responsible Party: CPR staff, coordinated by CFO, implemented November 2016.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Section II – Status of Prior Year Findings

There are no prior year findings.

**STATE OF NEW MEXICO
COMMISSION OF PUBLIC RECORDS
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2016**

The contents of this report were discussed at an exit conference held November 18, 2016. The firm of Kubiak Melton & Associates LLC was represented by Daniel O. Trujillo, CPA, CFE, CGFM, CGMA.

The Commission was represented by:

Members Present:

- Robert J. Torrez, Chairman, Historian

Staff Present:

- Linda Trujillo, State Records Administrator
- Melissa Salazar, Deputy State Records Administrator
- Ruben Rivera, CFO

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 and approved the financial statements as presented.

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