

STATE OF NEW MEXICO

DIANNA J. DURAN

SECRETARY OF STATE

**Financial Statements and Schedules
With Independent Auditor's Report**

For Fiscal Year Ended June 30, 2013

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

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June 30, 2013

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**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

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**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Official Roster

June 30, 2013

<u>Name</u>	<u>Title</u>
Dianna J. Duran	Secretary of State
Mary Quintana	Deputy Secretary of State
Ken Ortiz	Administrator of Business Services
Rod Adair	Administrator of Public Policy and HR
Ellie Ortiz	Director of Finance and Administration

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Ms. Dianna J. Duran
New Mexico Secretary of State

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico, Office of the Secretary of State (Office) as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Office's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Office's nonmajor governmental fund as defined by the Government Accounting Standards Board as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and the major special revenue funds 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 financial position of each nonmajor governmental fund as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

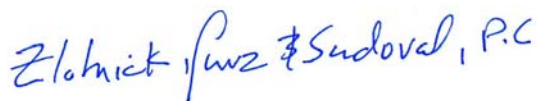
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the Office's financial statements. The other supplementary information as listed in the table of contents are 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 supplementary information 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, the other supplementary information required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2013 on our consideration of the Office'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* in considering the Office's internal control over financial reporting and compliance.



Zlotnick, Laws & Sandoval PC
November 22, 2013

State of New Mexico
Office of the Secretary of State
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

Management's discussion and analysis (MDA) of the Office of the Secretary of State is designed to assist the reader in focusing on significant issues, providing an overview of the Office's financial activity, and identifying changes in the Office's financial position for the fiscal year ended June 30, 2013. This discussion and analysis is designed to focus on current fiscal year activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-Wide Financial Statements

Government-wide financial statements report information about the Office of the Secretary of State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

Fund Financial Statements

The fund financial statements provide more detailed information about the Office of the Secretary of State's most significant funds. Funds are accounting devices that the Office of the Secretary of State uses to keep track of specific sources of funding and spending for particular purposes. The Office of the Secretary of State has four major funds and one non-major fund.

The Office of the Secretary of State has the following funds:

- Governmental funds - Most of the Office of the Secretary of State's basic services are included in governmental funds, which focus on how cash and other financial assets that can be easily converted to cash and the (nonreverting) balances left at year-end that are available for spending.
- Fiduciary funds - The Office of the Secretary of State maintains one fund to account for monies held on behalf of others. The fund is purely custodial in nature and is not included as a measurement of the results of operations.

Budget Comparison Statement

The budget comparison statement presents the original and final appropriated budget for the reporting period as well as actual inflows and outflows stated on the budgetary basis. A separate column reports the variance between the final budget and the actual amounts.

Government-Wide Financial Statements

The government-wide condensed financial information is displayed in the table below. Comparative information from the previous fiscal year is included for the reader's information.

State of New Mexico
Office of the Secretary of State

Management's Discussion and Analysis

June 30, 2013

Condensed Financial Information:

Statement of Net Position

Assets	2013	2012	Change
Current assets	\$ 2,659,150	2,786,541	(127,391)
Capital assets	465,917	820,028	(354,111)
Total assets	<u>3,125,067</u>	<u>3,606,569</u>	<u>(481,502)</u>
Liabilities			
Current liabilities	589,123	953,559	(364,436)
Long-term liabilities	58,804	62,900	(4,096)
Total liabilities	<u>647,927</u>	<u>1,016,459</u>	<u>(368,532)</u>
Net Position			
Invested in capital assets	465,917	820,028	(354,111)
Restricted	2,079,456	1,862,927	216,529
Unrestricted deficit	(68,233)	(92,845)	24,612
Total net position	<u>\$ 2,477,140</u>	<u>2,590,110</u>	<u>(112,970)</u>

Statement of Activities

Revenues	2013	2012	Change
Program revenues	\$ 334,281	95,441	238,840
General revenue, net of transfers	8,033,565	8,833,708	(800,143)
	<u>8,367,846</u>	<u>8,929,149</u>	<u>(561,303)</u>
Expenses			
Program expenses	8,480,818	9,065,528	(584,710)
Change in net assets	(112,972)	(136,379)	23,407
Net position, beginning of year	2,590,112	2,726,491	(136,379)
Net position, end of year	<u>\$ 2,477,140</u>	<u>2,590,112</u>	<u>(112,972)</u>

State of New Mexico
Office of the Secretary of State
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

FINANCIAL HIGHLIGHTS

The financial position and results from operation for the Office of the Secretary of State during the year ended June 30, 2013, are detailed above. Total assets at June 30, 2013, were \$3,125,067. This includes Interest in State General Fund Investment Pool, \$2,579,814; due from other state agencies, \$29,961; supplies inventory, \$49,375; and capital assets, \$465,917, net of accumulated depreciation of \$20,552,134. Total liabilities were \$647,927, which includes current liabilities of \$589,123 and long term liabilities of \$58,804. Net position include unrestricted net position of (\$68,233), restricted net position totaling \$2,079,456 and \$465,917 invested in capital assets.

Total revenues for the year ended June 30, 2013 were \$8,367,846. This includes state general fund appropriation of \$5,970,301, net of reversion; revenue from other financing sources, \$2,059,138; interest income, \$4,126; and charges for services, \$18,050; miscellaneous income \$3,307; and revenue from federal grants, \$312,924. Total expenses were \$8,480,818. The total change in net position for the year was (\$112,972), resulting in a net asset balance of \$2,477,140 as of June 30, 2013. The amount due to the state general fund was \$60,399.

Net position at the close of fiscal year 2013 was \$2,477,140 compared to \$2,590,110 at June 30, 2011. The decrease in net position was due to depreciation of capital assets. Restricted net position related to multi-year appropriations were \$629,733.

INDIVIDUAL FUND HIGHLIGHTS

The fund financial statements provide more detailed information about the Office of the Secretary of State, which include the public election fund, arbitration fund, capital outlay, and grants. The recurring general fund appropriation in fiscal year 2013 was \$4,580,700. Notwithstanding language was included in the General Appropriation Act authorizing \$1,696,000 from the public election fund to be used to cover election related expenses. A supplemental general fund appropriation of \$1,100,000 and a special appropriation from the public election fund of \$300,000 absorbed the 2012 general election related expenses. A special general fund appropriation of \$350,000 was for transition costs related to moving PRC corporations to the Secretary of State.

Total fund balances were \$2,128,831, which includes \$1,419,125 from the public election fund; \$49,375 nonspendable general fund; \$194 from Help America Vote Act (HAVA); \$30,364 from the arbitration fund; \$629,773 from multi-year appropriations including capital outlay and the computer systems enhancement fund. All the fund balances are restricted funds. The restricted funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The public election fund, HAVA and the arbitration fund are non-reverting funds.

The Office of the Secretary of State receives its revenues from general fund appropriations, public election fund appropriations, a capital outlay appropriation from the sale of severance tax bonds and federal revenue from HAVA. Federal funding under HAVA has been significantly reduced. It is no longer available for many of the types of assets previously purchased using HAVA funds, such as voting systems and HAVA disability funds have been eliminated.

The Office of the Secretary of State is responsible for monitoring and maintaining the notary fund. The fund is not an operating fund but is purely custodial and thus does not involve a measurement of results of operations. The fund is deposited into the State general fund.

State of New Mexico
Office of the Secretary of State
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to the Office of the Secretary of State (SOS). Budget adjustments require approval by the Department of Finance and Administration. Budget adjustments fall into the following categories:

1. Amendments approved early in the fiscal year to reflect the actual beginning account balances;
2. Requests to increase or decrease funds based on actual revenues; and
3. Increases or reallocations of appropriations to prevent budget shortfalls.

The SOS' FY13 budget request was \$6,610,900 and was appropriated \$6,276,700 of which \$4,580,700 was general fund and the remainder was from the Public Election Fund, which required the legislature to include notwithstanding language to allow its use for a purpose other than financing the election campaigns of certified candidates for covered offices. A \$1,100,000 general fund supplemental appropriation and a \$300,000 other state funds special appropriation was made during the 2013 Legislative Session to cover the shortfall associated with the Election Program.

As part of a constitutionally-mandated transfer, the SOS inherited the corporations division from the Public Regulation Commission. July 1, 2013 marks the transfer of responsibilities and employees to the SOS. To prepare for the new division to the SOS the legislature made a \$350,000 general fund special appropriation for the costs associated with the transfer.

Laws 2012, Chapter 19, Section 9(E) provided the SOS additional budget authority to request increases up to \$20,000 from internal services/interagency transfers and other state funds received from any political subdivision of the state to conduct seminars on the administration of the Election Code. The SOS increased its budget by \$18,050.

The SOS received two appropriations from the computer system enhancement general fund. Budget increases of \$220,000 and \$215,000 for the two appropriations were added to the agency's general fund.

Laws of 2011, Chapter 5, Section 13 included a capital outlay appropriation in the amount of \$500,000. The SOS expended much of the appropriation in FY12 and has a \$1,079 balance remaining.

The SOS was awarded a grant from the United States Department of Defense for the Uniform and Overseas Citizens Absentee Voting Act. The SOS increased its budget by the \$300,000 award amount and in FY13 spent and drew down \$279,632.44. The remaining balance from the grant award is \$20,368.

In a memorandum issued to all Secretaries of State on February 23, 2013, the United States Department of Health and Human Services, the SOS was made aware that the US Congress did not authorize funds to support the Help America Vote Act disabilities grants. The agency increased its federal funds by its remaining balance of \$60,767 and expects to expend it well before the funds expire.

State of New Mexico
Office of the Secretary of State
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

Capital Assets

The SOS' capital assets for the year ended June 30, 2013, increased by \$103,946 because of expenditures funded by the capital outlay appropriation. The voting systems remain on the inventory but fully depreciated in FY13. The Office does not own real property or infrastructure assets.

Long Term Liabilities

Long term liabilities consist entirely of accrued compensated absences. The long-term portion of accrued compensated absences is \$58,804.

Agency Highlights

The fund financial statements provide more detailed information about the Office of the Secretary of State's General Fund, Public Election Fund, Arbitration Fund, Capital Outlay Fund and federal fund.

Article V, Section 1, of the New Mexico Constitution created the Office of the Secretary of State. The Secretary of State may be elected for two consecutive four-year terms and is second in line behind the lieutenant governor to assume the responsibilities of the governor. The Secretary of State is the keeper of the Great Seal of the State of New Mexico and affixes the seal to all commissions issued in the name of the state and signed by the governor. Article V, Section 2, of the New Mexico Constitution requires the returns of every election for state officers be sealed and transmitted to the Secretary of State who, with the governor and State Supreme Court chief justice, constitute the state canvassing board. The Bureau of Elections is responsible for administering the state Election Code.

The mission of the Office of the Secretary of State is to administer elections and government ethics in accordance with state and federal law and to maintain and provide access to the laws, official acts, and other instruments vital to the efficient operation of state government. It is also the mission of the Secretary of State to file and maintain records vital to the interests of commerce and industry.

Economic Factors and Next Year's Budget

The fiscal year 2014 budget request was \$8,505,400, the appropriation was \$7,697,200. Appropriations for recurring costs have historically fallen short of meeting statutory obligations particularly in the Election Program. Contributing to the shortfall are statutes directing the Secretary of State to either reimburse or provide counties with a number of election related items and services but there are few spending caps restricting county expenditures, which place the SOS at a disadvantage when trying to project expenses.

Fiscal year 2014 marks the first year the SOS will oversee the corporations' division. The expansion has had a ripple effect on the workload and office space at the SOS. The FY14 appropriation will be stretched to accommodate the demands placed on the agency.

The SOS received two capital outlay appropriations in FY14, a \$1,000,000 appropriation to install information technology hardware at the SOS and a \$6,000,000 to purchase and install voting tabulator systems.

State of New Mexico
Office of the Secretary of State
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

Requests for Information

This financial report is designed to provide a general overview of the Office of the Secretary of State. If you have questions regarding this report or need additional information, please contact Ellie Ortiz, Director of Finance and Administration, Office of the Secretary of State, 325 Don Gaspar, Suite 300, Santa Fe, New Mexico 87501.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Net Position
June 30, 2013**

	Governmental Activities
ASSETS	
Investment in SGFIP	\$ 2,579,814
Due from other state agencies	29,961
Supplies inventory	49,375
Capital assets, net	465,917
Total assets	\$ 3,125,067
 LIABILITIES	
Accounts payable	\$ 413,914
Accrued payroll	48,674
Due to other state agencies	145
Due to state general fund	65,695
Compensated absences - current	58,804
Other liabilities	1,891
Compensated absences - noncurrent	58,804
Total liabilities	647,927
 NET POSITION	
Invested in Capital Assets	465,917
Restricted	1,449,683
Unrestricted	561,540
Total net position	\$ 2,477,140

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Activities
For the Year Ended June 30, 2013**

	Governmental Activities
Expenses:	
Executive:	
Administrative services	\$ 3,390,175
Public election	1,916,279
Elections	2,716,307
Depreciation	458,057
Total expenses	8,480,818
 Program Revenues:	
Charge for services	18,050
Miscellaneous income	3,307
Federal grants - operating	312,924
Total program revenues	334,281
 Net program expenses	(8,146,537)
 General Revenues and Transfers:	
General fund appropriation	6,030,700
Other financing sources	2,059,138
Interest income	4,126
FY13 Reversion to state general fund	(60,399)
Total general revenues and transfers	8,033,565
 Change in net position	(112,972)
 Net position at beginning of year	2,590,112
 Net position at end of year	\$ 2,477,140

The accompanying notes are an integral part of these financial statements.

FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Balance Sheet -- Governmental Funds
June 30, 2013**

	Major Funds				Non-Major	Total Governmental Funds
	General Fund (18000)	Public Election (81200)	STB Capital (89200)	HAVA Fund (90300)	Arbitration Fund (02500)	
ASSETS						
Investment in SGFIP	\$1,030,686	\$1,375,850	\$ -	\$164,077	\$ 30,364	\$ 2,600,977
Due from other funds	163,883	43,284	-	-	-	207,167
Due from other state agencies	-	-	29,961	-	-	29,961
Supplies inventory	49,375	-	-	-	-	49,375
Total assets	\$1,243,944	\$1,419,134	\$ 29,961	\$164,077	\$ 30,364	\$ 2,887,480
LIABILITIES AND FUND BALANCES						
Liabilities:						
Overdrawn - Investment in SGFIP	\$ -	\$ -	\$ 21,163	\$ -	\$ -	\$ 21,163
Accounts payable	413,646	-	268	-	-	413,914
Accrued payroll	48,665	9	-	-	-	48,674
Due to other funds	43,284	-	-	163,883	-	207,167
Due to other state agencies	145	-	-	-	-	145
Due to State General Fund	65,695	-	-	-	-	65,695
Other liabilities	1,891	-	-	-	-	1,891
Total liabilities	573,326	9	21,431	163,883	-	758,649
Fund Balances:						
Nonspendable	49,375	-	-	-	-	49,375
Restricted	-	1,419,125	-	194	30,364	1,449,683
Committed	621,243	-	8,530	-	-	629,773
Total fund balances	670,618	1,419,125	8,530	194	30,364	2,128,831
Total liabilities and fund balances	\$1,243,944	\$1,419,134	\$ 29,961	\$164,077	\$ 30,364	\$ 2,887,480

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013**

Total fund balances of governmental funds	\$ 2,128,831
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Amounts reported for governmental activities in the statement of net position are different because:

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

Voting systems under the care and custody of the Counties	\$ 19,176,850	
Computer equipment	1,841,201	
Accumulated depreciation	<u>(20,552,134)</u>	
Total capital assets		465,917

Some liabilities are not due and payable in the current period, and therefore are not reported in the funds. These liabilities consist of the following:

Compensated absences	<u>(117,608)</u>
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Net Position of Governmental Activities	<u><u>\$ 2,477,140</u></u>
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Revenues, Expenditures and Changes in Fund Balances -- Governmental Funds
For the Year Ended June 30, 2013**

	Major Funds				Non-Major	Total Governmental Funds
	General Fund (18000)	Public Election Fund (81200)	STB Capital Outlay (89200)	HAVA Fund (90300)	Arbitration Fund (02500)	
REVENUES						
Charge for services	\$ 18,050	\$ -	\$ -	\$ -	\$ -	\$ 18,050
Miscellaneous income	2,800	507	-	-	-	3,307
Federal grants - operating	279,632	-	-	33,292	-	312,924
Interest income	-	3,824	-	236	66	4,126
Total revenues	<u>300,482</u>	<u>4,331</u>	<u>-</u>	<u>33,528</u>	<u>66</u>	<u>338,407</u>
EXPENDITURES						
Current:						
Personal services and benefits	2,285,625	-	-	-	-	2,285,625
Contractual services	1,442,295	-	18,720	33,528	-	1,494,543
Other costs	2,309,890	1,916,279	23,256	1,360	-	4,250,785
Capital outlay	30,314	-	73,632	-	-	103,946
Total expenditures	<u>6,068,124</u>	<u>1,916,279</u>	<u>115,608</u>	<u>34,888</u>	<u>-</u>	<u>8,134,899</u>
Excess (deficiency) of revenues over expenditures	(5,767,642)	(1,911,948)	(115,608)	(1,360)	66	(7,796,492)
OTHER FINANCING SOURCES (USES)						
General fund appropriation	6,030,700	-	-	-	-	6,030,700
Other financing sources (uses)	435,000	1,500,000	124,138	-	-	2,059,138
Reversion - FY13	(60,399)	-	-	-	-	(60,399)
Total other financing sources (uses)	<u>6,405,301</u>	<u>1,500,000</u>	<u>124,138</u>	<u>-</u>	<u>-</u>	<u>8,029,439</u>
Net change in fund balances	637,659	(411,948)	8,530	(1,360)	66	232,947
Fund balances at beginning of year	<u>32,959</u>	<u>1,831,073</u>	<u>-</u>	<u>1,554</u>	<u>30,298</u>	<u>1,895,884</u>
Fund balances at end of year	<u>\$ 670,618</u>	<u>\$1,419,125</u>	<u>\$ 8,530</u>	<u>\$ 194</u>	<u>\$ 30,364</u>	<u>\$ 2,128,831</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Reconciliation of the Change in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013**

Net Change in fund balances - total governmental funds \$ 232,947

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

Certain outlays are reported as expenditures in governmental funds. However, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives. In the current period these amounts are:

Capital outlay	\$ 103,946	
Depreciation expense	(458,057)	
Excess of depreciation expense and loss on disposal over capital outlay		(354,111)

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

(Increase) decrease in compensated absences	<u>8,192</u>
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Change in Net Position of Governmental Activities \$ (112,972)

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)
Major Governmental Funds
For the Year Ended June 30, 2013**

	General Fund (18000)			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Charge for services	\$ -	\$ 18,050	\$ 18,050	\$ -
Miscellaneous income	-	-	2,800	2,800
Federal grants - operating	-	300,000	279,632	(20,368)
General fund appropriation	6,030,700	6,030,700	6,030,700	-
Other financing sources	435,000	435,000	435,000	-
	<u>6,465,700</u>	<u>6,783,750</u>	<u>6,766,182</u>	<u>(17,568)</u>
Total revenues	6,465,700	6,783,750	6,766,182	(17,568)
 EXPENDITURES				
Administrative Services:				
Personal services & benefits	2,530,000	2,530,000	2,285,625	244,375
Contractual services	848,600	898,600	471,484	427,116
Other costs	387,900	637,900	611,128	26,772
Election expenditures	2,699,200	2,717,250	2,716,307	943
	<u>2,699,200</u>	<u>2,717,250</u>	<u>2,716,307</u>	<u>943</u>
Total expenditures	\$6,465,700	\$6,783,750	6,084,544	\$ 699,206
Excess of revenue and other financing sources over expenditures and transfers			681,638	
Less reversion FY13			(60,399)	
Add supplies inventory			16,420	
			<u>681,638</u>	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis)			<u>\$ 637,659</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)
Major Governmental Funds
For the Year Ended June 30, 2013**

	Public Election Fund (81200)			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive
REVENUES				
Miscellaneous income	\$ -	\$ -	\$ 507	\$ 507
Interest income	-	-	3,964	3,964
Other financing sources	1,996,000	1,996,000	1,500,000	(496,000)
Total revenues	1,996,000	1,996,000	1,504,471	(491,529)
EXPENDITURES				
2012 election:				
Other costs	\$1,996,000	\$1,996,000	1,916,279	\$ 79,721
Excess of revenue and other financing sources over expenditures and transfers			\$ (411,808)	
Prior year accrued interest			(140)	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis)			(411,948)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)
Major Governmental Funds
For the Year Ended June 30, 2013**

Year 2	STB Capital Outlay (89200)			
	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive</u>
REVENUES				
Other financing source - STB Proceeds	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 498,921</u>	<u>\$ (1,079)</u>
EXPENDITURES				
Contractual services	150,000	71,476	18,720	52,756
Other costs	<u>350,000</u>	<u>428,524</u>	<u>96,888</u>	<u>331,636</u>
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>115,608</u>	<u>\$ 384,392</u>
Excess of revenue and other financing sources over expenditures and transfers			383,313	
Prior year receivable			<u>(374,783)</u>	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis)			<u>\$ 8,530</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)
Major Governmental Funds
For the Year Ended June 30, 2013**

	HAVA Fund (90300)			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Federal grants - operating	\$ -	\$ 60,767	\$ 72,525	\$ 11,758
Interest income	-	1,596	250	(1,346)
	-	62,363	72,775	10,412
	-	62,363	72,775	10,412
EXPENDITURES				
Elections program:				
Contractual services	-	41,815	33,528	8,287
Other costs	-	20,548	1,360	19,188
	-	62,363	34,888	27,475
	-	62,363	34,888	27,475
Excess of revenue and other financing sources over expenditures and transfers			37,887	
Prior year receivable			(39,247)	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis)			\$ (1,360)	
			\$ (1,360)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Statement of Fiduciary Assets and Liabilities - Agency Fund (79900)
June 30, 2013**

	<u>AGENCY FUND</u>
ASSETS	
Investment in State general fund pool	<u><u>\$ 3,639</u></u>
LIABILITIES	
Due to State general fund	<u><u>\$ 3,639</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

In accordance with the constitution and laws of the State of New Mexico, the Office of the Secretary of State (the Office) shall supervise, administer and furnish supplies for elections; publish the statistical Blue Book; act as depository for legislative records; supervise the publication of Session Laws; record and file all public official bonds, oaths and executive names and trademarks; commission notaries public; serve as statutory agent for services of process for non-resident motorists and foreign corporations; publish the Election Code and State Constitution with amendments; file musical copyrights; handle trading stamp registrations; administer Uniform Commercial Code, etc.; file instruments for Public Utilities and Railroads; furnish and file forms relating to the Conflict of Interest Act; and administer the Lobby Registration Act.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

A primary government is any state government or general purpose local government and the organization that make up its legal entity. The Office is not included in any other governmental "reporting entity" as defined by GASB. The Secretary is elected by the public and has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Criteria for determining the entity for financial reporting purposes are whether the governing body exercises oversight responsibility. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The financial statements include all the fund and account groups of the Office over which the Secretary exercises operational control. The Office has no blended or discretely presented component units.

The Office of the Secretary of State is a component unit of the State and these financial statements include all funds and activities over which the Office has oversight responsibility.

The financial statements of the Office of the Secretary of State have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Office's accounting policies are described below.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting / Measurement Focus

The accounts of the Office are organized on the basis of funds, 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, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

The basic financial statements include both government-wide 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 Office, 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. The Office has no business-type activities; therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

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 asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. Grants revenue is recorded when all applicable eligibility or reimbursement requirements are met.

B. Basis of Presentation - Fund Accounting

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified 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 estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting (continued)

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

The Office's fiduciary fund (agency fund) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

Governmental Funds

General Fund (SHARE 180000) – the general fund is the general operating fund of the Office. It is used to account for all financial resources except those required to be accounted for in another fund. Any unexpended balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. However, in fiscal year 2013, the Office received multi-year special and data processing appropriations; unexpended balances revert to the State general fund in fiscal year 2014 and 2015, respectively. Reversion is calculated using a modified accrual basis of accounting.

Special Revenue Funds

Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for operations of the Office. Unexpended amounts at year end are restricted for future program expenditures in the statement of Net Position.

Public Election Fund (SHARE 81200) - The public election fund is funded through State appropriations and was established by legislation at 1-19A-10 NMSA for the purposes of:

- a. Financing the campaigns of certified candidates for covered offices;
- b. Paying administrative and enforcement costs of the Voter Action Act (1-19A-1 to 1-19A-17 NMSA 1978); and
- c. Carrying out all other specified provisions of the Voter Action Act.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting (continued)

This is a non-reverting fund. The fund receives certain fee income from inspection and supervision fees pursuant to 62-8-8 NMSA 1978, utility and carrier inspection fees pursuant to 63-7-20 NMSA 1978, and insurance premium tax pursuant to 59A-6-2 NMSA 1978. See 1-19A-10D NMSA 1978.

Severance Tax Bond Capital Outlay (SHARE 89200) – Created by Laws of 2011, Chapter 5, Section 13, to provide for information technology upgrades, including computers, servers and disaster recovery upgrades.

Help America Vote Act Fund (HAVA) (SHARE 90300) - The HAVA fund is used to account for the Federal funds received relating to the Help America Vote Act. Federal funds received in advance are recognized as deferred revenue. Revenue is recorded when the expenditure is incurred, using the modified accrual basis of accounting. The HAVA fund also receives state funds pursuant to federal matching requirements. This is a non-reverting fund, restricted to specific purposes by the Help America Vote Act.

The Office's non-major special revenue fund is as follows:

Arbitration Fund (SHARE 02500) - Chapter 112 Laws 1997 - An arbitration hearing shall be conducted by a single arbitrator selected within ten days by the person against whom the penalty has been imposed from a list of five arbitrators provided by the Secretary of State. Neither the Secretary of State nor a person subject to the Lobbyist Regulation Act, Campaign Reporting Act, or Financial Disclosure Act may serve as an arbitrator. Arbitrators shall be considered to be independent contractors, not public officers or employees, and shall not be paid per diem or mileage. This is a non-reverting fund. This is a non-budgeted fund for fiscal year ending 2013.

Fiduciary Funds

Fiduciary fund types include trust and agency funds, which are used to account for assets held by the Office in the capacity of trustee or agent.

Agency Fund (SHARE 79900) - for Notary Public and other fees, an agency fund is used to report assets held for others that are not available to support the Office activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is used to collect various fees under 8-4-4 NMSA 1978 that are remitted to the State general fund.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity

Cash in Bank

The Office's bank account is used to deposit fees collected by the office; this account is swept nightly by the State Treasurer's Office.

Receivables

All receivables are fully collectible.

Supplies Inventory

Supplies inventory consists of non-resale paper, postage and office supplies. The Office uses the purchases method to account for its inventory. At year end, the Office had a net increase of \$16,420 to its supplies inventory.

Capital Assets

In the government-wide financial statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Capital assets acquired in the current year in the governmental funds are recorded as capital outlay expenditures in the governmental fund financial statements.

Capital assets of the Office are depreciated on the straight-line method over the estimated useful life of three years for computer equipment, and over five years for voting systems under the care and custody of the Counties.

Long-term Liabilities

Compensated Absences

The Office's policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current and noncurrent liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. Vacation and sick leave earned and not taken is cumulative; however, sick pay up to 600 hours is forfeited upon termination of State service and vacation time is limited to 240 hours. Sick leave accumulated in excess of 600 hours, not to exceed 120 hours, is payable semiannually to qualified employees at a rate equal to 50 percent of their hourly rate. Upon retirement, sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Historically, all compensated absences have been paid out of the general fund.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

Equity

Government-Wide Statements

Equity is classified as Net Position and displayed in three components:

- i. *Invested in capital assets* consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Office has no outstanding debt relating to capital assets.
- ii. *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.
- iii. *Unrestricted Net Position* represents unrestricted liquid assets.

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the Office first uses restricted resources then unrestricted resources.

Fund Financial Statements

In the governmental fund financial statements the Office classifies fund balances into spendable and non-spendable classifications. The non-spendable classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The spendable classifications are as follows:

Restricted Fund Balances

In the governmental fund financial statements restrictions of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. The amount of Net Position restricted due to enabling legislation at June 30, 2013 is summarized below:

Restricted for public election fund (81200)	\$1,419,125
Restricted for HAVA program (90300)	195
Restricted for arbitration fund (02500)	30,364
Total	<u>\$1,449,684</u>

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

Committed fund balances

Committed fund balances consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Secretary of State through policy action). The Office has \$629,773 in committed fund balances at year end consisting of Special and Data Processing appropriations.

Assigned fund balances

Assigned fund balances consist of fund balances which are constrained by the government intent to be used for specific purposes, but are neither committed nor restricted. Intent can be expressed by (a) the governing body itself, or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Office has no assigned fund balances as of June 30, 2013.

Unassigned fund balances

Unassigned fund balances consist of all other fund balances which have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund. The Office has no unassigned fund balances as of June 30, 2013. Generally, the policy of the Office is to first apply committed resources when an expense is incurred for purposes which have committed, assigned, or unassigned fund balances available for use.

D. Program Revenues

Program revenues include federal and state grants, charges for copies and other miscellaneous fees collected per statute designated for operations. Grant revenues are recognized when all eligibility requirements have been met.

E. Budgets and Budgetary Accounting

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

1. Prior to September 1, the Office submits to State Budget – Finance Control Division, Department of Finance and Administration (DFA), and the Legislative Finance Committee (LFC) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgets and Budgetary Accounting (continued)

2. Following their budget hearings with the Office, the DFA and the LFC prepare their own budget recommendations to the legislature.
3. Budget hearings are then scheduled before the finance committee of the New Mexico House of representatives and senate. The final outcome of these hearings is incorporated into the general appropriations act.
4. The Office then submits, on or before May 1, an annual operating budget request to the state Budget division which reviews the request and subsequently approves the budget based upon the appropriations made by the legislature. The DFA approved operating budget becomes effective on July 1. All subsequent budget transfers and increases must be authorized by the Director of the State Budget Division.
5. Budgetary control is exercised by the Office at the appropriations unit level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
6. Legal budgetary control for expenditures and encumbrances is by category or line item.
7. The non-budgeted funds for the Office are the Arbitration and the Agency funds.
8. Appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30th or are multi-year appropriations.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Inter-fund Activity

Amounts due to and due from other funds were created because special revenue funds were used to pay for matching requirements that should have been paid by the general fund. Inter-fund receivables or payables at year end are netted as part of the reconciliation to the government-wide financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(2) GENERAL FUND INVESTMENT POOL NOT RECONCILED

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the pool.

In June 2012 an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit/fund” level since the inception of the Statewide Human resources, Accounting, and Management Reporting system (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control”, also described differences between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State’s SHARE System configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(2) GENERAL FUND INVESTMENT POOL NOT RECONCILED (Continued)

DFA Management in FY 2012 recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that DFA management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

Since SHARE was implemented, the Office recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Office. The monthly internal reconciliation of cash receipts and disbursements flowing through the Office's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Office reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Office's share in the State General Fund Investment Pool account are accurate.

(3) INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Office's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Office consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2013 the Office had the following invested in the General Fund Investment Pool:

<u>SHARE Account</u>	<u>Fund Description</u>	<u>SHARE Balance</u>
18000	General Fund	\$ 1,030,686
81200	Public Election Fund	1,375,850
90300	HAVA Fund	164,077
02500	Arbitration Fund	<u>30,364</u>
	Total investment in SGFIP	<u>\$ 2,600,977</u>
89200	Severance Tax Bond Capital Outlay Fund (overdrawn)	\$ (\$21,163)

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(3) INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (Continued)

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

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

(4) DUE FROM / DUE TO

Due from in the Statement of Net Position consists of grants and other receivables from external parties at year end.

The due to State General Fund in the Statement of Net Position of \$65,695 includes \$5,296 for deposit posted to the wrong fund and \$60,399 for current fiscal year reversion.

Due from/to other funds represent program disbursements made from the wrong funds. The schedule below will restore assets and liabilities to the proper fund.

	Due To:	
	General Fund (18000)	Public Election Fund (81200)
Due From:		
General Fund (18000)	\$ -0-	\$ 43,284
HAVA Fund (90300)	163,883	-0-
Total	\$ 163,883	\$ 43,284

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Computer equipment, software and furniture	\$ 1,758,175	103,946	(20,920)	\$ 1,841,201
Voting systems under the care and custody of the Counties	<u>19,176,850</u>	<u>-0-</u>	<u>-0-</u>	<u>19,176,850</u>
Total capital asset	20,935,025	103,946	(20,920)	21,018,051
Less accumulated depreciation				
Computer equipment, software and furniture	(938,147)	(458,057)	20,920	(1,375,284)
Voting systems under the care and custody of the Counties	<u>(19,176,850)</u>	<u>-0-</u>	<u>-0-</u>	<u>(19,176,850)</u>
Total accumulated depreciation	<u>(20,114,997)</u>	<u>(458,057)</u>	<u>20,920</u>	<u>(20,552,134)</u>
Net capital assets	<u>\$ 820,028</u>	<u>(354,111)</u>	<u>-0-</u>	<u>\$ 465,917</u>

Depreciation expense for the year ended June 30, 2013 was \$458,057. The Office does not own any infrastructure assets as of June 30, 2013.

(6) CHANGES IN LONG-TERM OBLIGATION

The following is a summary of transactions for the compensated absences for the year ended June 30, 2013, which the general fund will pay in future years:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Annual leave	\$ 116,680	\$ 101,514	\$(105,570)	\$ 112,624
Sick leave	3,002	5,281	(3,299)	4,984
Compensatory leave	<u>6,118</u>	<u>-0-</u>	<u>(6118)</u>	<u>-0-</u>
Total	<u>\$ 125,800</u>	<u>\$ 106,795</u>	<u>\$(114,987)</u>	<u>\$ 117,608</u>

The current portion of the compensated absences balance is \$58,804.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(7) RETIREMENT BENEFITS – PERA

Plan Description

Substantially all of the Office's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Office is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Office are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 2013, 2012 and 2011 were \$243,176, \$214,432 and \$238,677, respectively, equal to the amount of the required contributions for each fiscal year.

(8) POST RETIREMENT BENEFITS - RETIREE HEALTH CARE PLAN

Plan Description

Office of the Secretary of State 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(8) POST RETIREMENT BENEFITS - RETIREE HEALTH CARE PLAN (Continued)

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 employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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

The Office's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$32,249, \$28,446 and \$26,876, respectively, which equals the required contributions for each year.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(9) 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, available to all State employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to the Deferred Compensation Plan. Neither the Office nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Office have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

(10) COMMITMENTS AND CONTINGENCIES

Operating Leases

The Secretary of State leases certain equipment under operating leases. Leases are subject to future appropriations and as such are cancellable by the Secretary of State at the end of a fiscal year. Rental expense for the year ended June 30, 2013 was \$2,191,884, of which, \$2.1 million was from rental of voting machine scanners and printers for the general election. Future lease payments are as follows:

2014	\$ 21,552
2015	17,176
2016	13,656
2017	13,656
2018	-0-
Total	<u>\$ 66,040</u>

Risk Management

The office is exposed to various risks of loss for which the office carries insurance (auto; unemployment compensation; crime; general liability, civil rights; property; and worker's compensation). The Office obtains coverage through the State of New Mexico Risk Management Division (RMD); claims are processed through RMD. There are no material matters outstanding at June 30, 2013. The Office expended \$66,435 for this coverage.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Notes To Financial Statements

June 30, 2013

(11) SPECIAL AND DEFICIENCY APPROPRIATIONS

The Office received a special appropriation under Laws of 2013, Chapter 227, Section 5 for \$350,000 for use in fiscal year 2013 and 2014, for transition costs associated with the transfer of responsibility for chartering and regulating corporations from the Public Regulatory Commission to the Secretary of State, contingent on enactment of House Bill 46 or similar legislation of the first session of the fifty-first legislature. As of June 30th, the Office had expended \$13,961, unexpended amounts are reflected as committed fund balance in the accompanying financial statements.

The Office also received a supplemental appropriation under Laws of 2013, Chapter 227, Section 6 for \$1,100,000 to cover the 2012 general election expenses and to reimburse some counties for 2012 primary expenses. The Office expended the entire amount as of year end.

Severance Tax Bond Capital Outlay Appropriations Laws of 2011, Chapter 5, Section 13: The Office received \$500,000 for information technology upgrades, including computers, servers and disaster recovery. As of June 30, 2013, \$8,530 remained unexpended; the project will end no later than the end of fiscal year 2016.

(12) MULTI-YEAR APPROPRIATIONS

At year end, the Office has three outstanding multi-year appropriations which are reported as restricted net position in the accompanying financial statements as follows:

- Laws 2012, 2S, Ch. 19, Sec. 7(10) - \$220,000 to replace network infrastructure, conduct a requirements assessment to replace the Secretary of State knowledgebase, and to complete the campaign finance information system. Unexpended amounts lapse in fiscal 2014. As of year end, the Office has unexpended balance of \$70,204.
- Laws 2013, 1S, Ch. 227, Sec. 7(10) - \$215,000 to purchase and implement new software and related information technology for the business services division of the Secretary of State. Unexpended amounts lapse in fiscal 2015. As of year end, the Office has unexpended balance of \$215,000.
- As stated above, the Office received a special appropriation under Laws of 2013, Chapter 227, Section 5 for \$350,000 for transition costs. Unexpended amounts lapse in fiscal 2014. As of year end, the Office has unexpended balance of \$336,039.

(13) SUBSEQUENT EVENTS

Under House Bill 46, the Secretary of State, pursuant to Article 11, Section 19 of the constitution of New Mexico, shall assume responsibility for chartering corporations as provided by law, including the performance of the functions of the former corporations bureau of the Public Regulation Commission. On July 1, 2013, all personnel and all money, appropriations, records, furniture, equipment, supplies and other property belonging to or used by the corporations bureau of the Public Regulation Commission are transferred to the Secretary Of State.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Schedule of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2013**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Assets -				
Interest in SGFIP	<u>\$ 3,293</u>	<u>\$ 648,412</u>	<u>\$ 648,066</u>	<u>\$ 3,639</u>
Liabilities -				
Due to State general fund	<u>\$ 3,293</u>	<u>\$ 648,412</u>	<u>\$ 648,066</u>	<u>\$ 3,639</u>

See Independent Auditor's Report.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Schedule of Operating Transfers
For the Year Ended June 30, 2013**

SHARE Fund	Agency	Transfer	
		In	Out
General Fund (18000)			
(1) 85300	Dept. of Finance & Administration	\$ 4,580,700	\$ -
(2) 85300	Dept. of Finance & Administration	220,000	-
(3) 85300	Dept. of Finance & Administration	215,000	-
(4) 85300	Dept. of Finance & Administration	350,000	-
(5) 85300	Dept. of Finance & Administration	1,100,000	-
(6) 85300	Dept. of Finance & Administration	-	60,399
STB Capital Outlay (89200)			
(7) 99500	Board of Finance	124,138	-
Public Election Fund (81200)			
(8) 71000	Taxation and Revenue Dept.	1,200,000	-
(9) 50800	Public Regulation Commission (PRC)	100,000	-
(10) 50600	Public Regulation Commission	200,000	-
Total		<u>\$ 8,089,838</u>	<u>\$ 60,399</u>

- (1) General fund appropriations, Laws of 2012, Chapter 19, Section 4.
- (2) Laws 2012, 2S, Ch. 19, Sec. 7(10).
- (3) Laws 2013, 1S, Ch. 227, Sec. 7(10).
- (4) Laws 2013, 1S, Ch. 227, Sec. 5(26).
- (5) Laws 2013, 1S, Ch. 227, Sec. 6(5)
- (6) Reversion to State general fund.
- (7) Severance tax bonds, Laws 2011 Chapter 5, Section 13.
- (8) Distribution from the Tax Administration Suspense Fund under Section 7-1-6.58 NMSA 1978.
- (9) Public election fund from PRC per Section 1-19A-10-NMSA 1978.
- (10) Public election fund from PRC per Section 1-19A-10-NMSA 1978.

See Independent Auditor's Report.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Schedule of Memorandum of Understanding

For the Year Ended June 30, 2013

<u>Participants</u>	<u>Operation Responsibility</u>	<u>Description</u>	<u>Term</u>	<u>Total Estimated Amount</u>	<u>Secretary of State Contribution</u>	<u>Audit Responsibility</u>
Secretary of State &:						
Governor's Commission on Disability (GCD)	GCD	To provide accessibility training at the polling sites.	7/1/2011 - 6/30/2013	\$ 5,871	\$ 5,871	GCD

(1) Reporting is the responsibility of all parties involved.

(2) The revenues and expenditures are reported in the books of the responsible party.

See Independent Auditor's Report.

OTHER REPORTS

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

Mr. Hector H. Balderas
New Mexico State Auditor
and
Ms. Dianna J. Duran
New Mexico Secretary of State

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 aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the State of New Mexico, Office of the Secretary of State (Office) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, described as item 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, our test disclosed an instance of noncompliance that is required to be reported by Section 12-6-5 NMSA 1978 which is described in the accompanying schedule of findings and responses as item 2011-5.

The Office's Responses to Findings

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

Purpose of this Report

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



Zlotnick, Laws & Sandoval, P.C.
November 22, 2013

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Summary of Findings and Responses
For the Year Ended June 30, 2013**

No.	Title	Status of Prior Year Findings	Significant Deficiency	Material Weakness	Compliance	Other Matters
Prior Year Findings:						
2011-05	Cash Receipts	Revised and Repeated			x	
Current Year Findings:						
2013-1	Capital Assets	N/A	x	x		

See Independent Auditor's Report.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Schedule of Findings and Responses
Year Ended June 30, 2013**

MATERIAL WEAKNESS

**2013-01
Capital Assets Management**

Condition:

The Office maintains its IT equipment on an Access database created by the IT director that requires manual calculations of current year depreciation and accumulated depreciation amounts; as a result, current year depreciation calculations were understated by \$104,179 and ending accumulated depreciation was overstated by \$115,546. Also, there were some prior year assets that were listed at less than their original costs.

Criteria:

State agencies are required to have a complete and accurate capital asset inventory that includes accurate depreciation calculations.

Effect:

The Office has a depreciation schedule that contains many errors and if not corrected could be material to the financial statements.

Cause:

The IT director uses purchase orders instead of payment vouchers to account for some capital assets; as a result some assets on the listing are included at below cost. In addition, the IT director does not have the training to ensure accurate reporting of depreciation calculations in the depreciation schedule.

Recommendation:

The Office needs to acquire over-the-counter asset management software or find other means to ensure accurate reporting and management of capital assets.

Agency Response:

The depreciation error is the result of calculating an asset based on purchase order encumbrance instead of invoice amount. An Access database is used to track fixed assets and greater attention will be placed on entering in invoice amount for fixed assets to ensure accurate depreciation calculations. To further ensure accurate depreciation calculations a field will be added to the fixed asset database to specifically capture date of service so that partial year depreciation is clearly identified for future audits.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Schedule of Findings and Responses
Year Ended June 30, 2013**

COMPLIANCE - Other

**2011-5 (Revised & Repeated)
Cash Receipts**

Condition:

We selected 44 deposit days to test cash collected by the Office. We found four (4) instances where cash collection was not deposited within the 24 hour time requirement, an error rate of 9.09%.

The Office collected copying fees, blue books and other fees that were posted into miscellaneous accounts in its general fund. As a result, we found three (3) instances for \$6 where miscellaneous fees were remitted to the State general fund instead of the Office's general fund for eventual application against expenditures. Total miscellaneous fees collected during the year were \$3,307.

Criteria:

The Public Money Act [Chapter 6-10-3 NMSA 1978] requires that state agencies receiving any money for or on behalf of the state shall remit the money received to the State Treasurer before the close of the next succeeding business day after the receipt of money.

Proper accounting procedures requires consistent treatment of accounting policy adopted by the Office.

Effect:

The Office did not comply with the law.

The Office did not consistently post miscellaneous fees to its general fund accounts.

Cause:

Not all operators performed close-out and balanced their accounts on a daily basis.

Office personnel did not follow proper posting procedures.

Recommendation:

All operators collecting fees need to close-out and balance their accounts on a daily basis so that the deposit can be made timely.

Miscellaneous fees collected by the Office should be consistently posted to the appropriate accounts and funds.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

**Schedule of Findings and Responses
Year Ended June 30, 2013**

Agency Response:

The Secretary of State implemented procedures requiring operators to close out and balance their accounts daily to ensure funds are deposited with the State Treasurer before the next succeeding business day. Managers over operators collecting fees will be asked to review subordinates work and take in to consideration an operator's ability to comply with the Public Money Act.

Finding 2011-5 indicates a repeated finding related to collection of copying fees that were posted to the State general fund. Although this is not a repeat finding, staff will consistently account post copy fees to its general fund rather than remitting it to the State general fund.

**STATE OF NEW MEXICO
OFFICE OF THE SECRETARY OF STATE**

Financial Statement Preparation and Exit Conference

Year Ended June 30, 2013

Financial Statement Preparation

The financial statements were prepared by the auditors, Zlotnick, Laws & Sandoval, P.C.; however, the financial statements are the responsibility of management. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements and take responsibility for them.

Exit Conference

The contents of this report were discussed at an exit conference held on December 11, 2013 with the following in attendance:

Office of the Secretary of State

Dianna J. Duran, Secretary of State
Mary Quintana, Deputy Secretary of State
Ken Ortiz, Administrator – Business Services
Rod Adair, Administrator – Public Policy and HR
Ellie Ortiz, Director of Finance and Administration

Zlotnick, Laws & Sandoval, P.C.

Asa Laws, CPA
Ban Trinh, CPA