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**State of New Mexico**  
**Office of the Secretary of State**

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*Financial Statements*  
*and*  
*Independent Auditor's Report*  
*June 30, 2015*



CPAs | Business & Financial Advisors

**State of New Mexico**  
**Office of the Secretary of State**

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**Office of the Secretary of State**

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**State of New Mexico**  
**Office of the Secretary of State**  
**Official Roster**  
**June 30, 2015**

<u>Name</u>	<u>Title</u>
Dianna J. Duran	Secretary of State
Mary Quintana	Deputy Secretary of State
Ken Ortiz	Chief of Staff
Veronica Albin	Chief Financial Officer

## Independent Auditor's Report

Tim Keller, New Mexico State Auditor and  
Ms. Mary Quintana, Acting Secretary of State  
State of New Mexico, Office of the Secretary of State

### **Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of 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 requests, the respective financial position of the governmental activities, and the aggregate remaining fund information and each major fund of the Office as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Office and do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the Office's financial statements and the budgetary comparisons. The other schedules required by Section 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 Section 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 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 schedule of vendor information 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 December 1, 2015, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of 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 *Governmental Auditing Standards* in considering the Office's internal control over financial reporting and compliance.

REDW LLC

Albuquerque, New Mexico  
December 1, 2015

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

As financial management of the State of New Mexico, Office of the Secretary of State (Office), we offer readers of the Office's financial statements this narrative overview and analysis of the financial activities of the Office for the year ended June 30, 2015. Please read it in conjunction with the financial statements and notes to the financial statements.

The mission of the Office 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.

**Financial Highlights**

- ◆ Total assets of the Office exceeded liabilities at June 30, 2015, by \$12 million (net position). The net position includes \$11.4 net investment in capital assets and restricted net position of \$0.5 million.
- ◆ Total expenses increased from \$10.2 million in 2014 to \$11.6 million in 2015. The increase is primarily due to a \$600 thousand increase in depreciation expense due to the voting tabulator machine purchases during the year.
- ◆ The Office received a capital outlay appropriation in order to purchase voting tabulator machines in the amount of \$6 million.

**Overview of the Financial Statements**

This discussion and analysis serves as the introduction to the Office's financial statements which are comprised of five components: 1) management's discussion and analysis (this section), 2) government-wide financial statements, 3) fund financial statements, 4) notes to the financial statements, and 5) supplementary information.

The government-wide financial statements report information about the Office that provide both long-term and short-term information. The fund financial statements focus on the individual funds of the Office reporting operations in more detail than the government-wide financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Office's finances in a manner similar to a private-sector business in that all activities are consolidated into a single column.

These statements report current financial resources of governmental activities with related governmental capital assets and long-term obligations.



**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

The statement of net position presents information on all of the Office's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Office is improving or deteriorating.

The statement of activities presents information showing how the Office's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, earned but unused vacation leave results in cash flow during future periods. The focus of the statement of activities is on both the gross and net cost of various activities. This is intended to summarize information and simplify the user's analysis of cost of various governmental services provided by the Office.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The Office presents the following major governmental funds:

- ◆ General Fund (SHARE 18000)—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.
- ◆ Public Elections 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 financing the campaigns of certified candidates for covered offices, paying administrative and enforcement costs of the Voter Action Act, and carrying out all other specified provisions of the Voter Action Act.
- ◆ Severance Tax Bond (STB) Capital Outlay (SHARE 89200)—The severance tax bond capital outlay fund provides 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 related to the Help America Vote Act.

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- ◆ 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 nonbudgeted fund for fiscal year 2015.

The Office also presents the following funds that are fiduciary in nature:

- ◆ Notary 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's 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.
- ◆ Corporation Fees Fund (12210)—Established by Chapter 53, NMSA 1978, this fund is used to account for the collection of fees by the Corporations Bureau that are remitted to the State General Fund, with the exception of exception of credit card convenience fees, which are retained by the office to pay for the cost of the service to process credit card payments.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the Office's financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **Financial Analysis of the Office as a Whole**

The Office's net position increased by \$4.2 million during the year. Net position invested in capital assets increased by \$5.1 million during the year primarily due to the capital outlay appropriation received for the purchase of new voting machines. Table 1 summarizes the Office's net position:

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Table 1**  
**Condensed Statement of Net Position**  
**June 30,**

	<u>2015</u>	2014	Change
Assets			
Current assets	\$ 1,401,657	\$ 2,834,563	\$ (1,432,906)
Capital assets, net	<u>11,430,333</u>	<u>6,370,678</u>	<u>5,059,655</u>
Total assets	<u>12,831,990</u>	<u>9,205,241</u>	<u>3,626,749</u>
Liabilities			
Current liabilities	743,401	1,294,572	(551,171)
Long-term liabilities	<u>71,668</u>	<u>67,679</u>	<u>3,989</u>
Total liabilities	<u>815,069</u>	<u>1,362,251</u>	<u>(547,182)</u>
Net position			
Net investment in capital assets	11,430,333	6,370,678	5,059,655
Restricted	527,617	1,105,275	(577,658)
Unrestricted (deficit)	<u>58,971</u>	<u>367,037</u>	<u>(308,066)</u>
Total net position	<u>\$ 12,016,921</u>	<u>\$ 7,842,990</u>	<u>\$ 4,173,931</u>

Expenses increased approximately \$1.4 million in 2015. The increase is primarily due to an increase of \$600 thousand in depreciation expense. In the prior year the Office purchased \$6 million in voting machines which incurred a full year of depreciation in fiscal year 2015, and in the current year the Office purchased another \$6 million of voting machines that incurred partial year depreciation. General revenues increased approximately \$0.2 million primarily because the Office's reversion to the State General Fund was \$194 thousand less than prior year. Table 2 provides a condensed statement of activities.

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Table 2**  
**Condensed Statement of Activities**  
**For the Years Ended June 30,**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues			
Program revenue	\$ 38,142	\$ 33,837	\$ 4,305
General revenue, net of transfers	<u>15,698,943</u>	<u>15,541,777</u>	<u>157,166</u>
Total revenues	<u>15,737,085</u>	<u>15,575,614</u>	<u>161,471</u>
Expenses			
Program expenses	<u>11,563,154</u>	<u>10,209,764</u>	<u>1,353,390</u>
Total expenses	<u>11,563,154</u>	<u>10,209,764</u>	<u>1,353,390</u>
Change in net position	<u>4,173,931</u>	<u>5,365,850</u>	<u>(1,191,919)</u>
Net position, beginning of year	<u>7,842,990</u>	<u>2,477,140</u>	<u>5,365,850</u>
Net position, end of year	<u>\$ 12,016,921</u>	<u>\$ 7,842,990</u>	<u>\$ 4,173,931</u>

**Financial Analysis of the Office's Funds**

The focus of the Office's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Office's financing requirements.

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.

At June 30, 2015, the Office's total governmental funds reported an ending fund balance of approximately \$730 thousand, a decrease of \$878 thousand from the prior year. Expenditures exceeded revenues in the General Fund and the Public Elections Fund. The General Fund had increased expenditures related to professional and IT services. The Public Elections fund had increased expenditures related to rent of equipment.

**Capital Assets and Debt Administration**

Capital Assets—As of June 30, 2015, the Office had \$11.4 million, net of accumulated depreciation, invested primarily in voting systems under the care and custody of the Counties. The Office also had computer equipment, software, and furniture at year-end.

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**Office of the Secretary of State**  
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**For the Year Ended June 30, 2015**

Long-Term Liabilities—The Office's compensated absences balance increased from \$135 thousand to \$143 thousand during the year. Half of the balance, or \$72 thousand, is reported as due within one year.

**Economic Factors and Next Year's Budget**

The FY15 budget appropriation was \$9,407,300, and in addition, a special appropriation totaling \$200,000 for election expenses. As has been the case in prior years, the agency's ability to project its expenses with accuracy is hindered because of its statutory obligation to reimburse or provide counties with election related items and services without spending restrictions imposed on the counties.

An additional capital outlay appropriation in FY15 totaling \$6 million completed Phase II of new vote tabulating equipment in all counties statewide. Counties are gradually moving away from traditional polling places in favor of Voting Convenience Centers, and while this in some cases provides a cost savings to the counties, it increases the costs to the Office. The Office is also in the process of meeting a statutory obligation to provide online voter registration, and is simultaneously working to improve the Voter Registration and Election Management system, costs that impact the FY15 budget, but which will potentially save costs on maintenance fees in future years.

The 2014 General Election results for the Office of Land Commissioner resulted in an automatic statewide recount, which was neither anticipated nor budgeted for. The Office was able to absorb the cost of this recount without requesting supplemental funding or Board of Finance loans by curbing spending, including maintaining staff vacancies. The overall cost of the recount was in excess of \$280 thousand.

In January 2015, the Bureau of Elections Director and the Administrator of Public Policy & HR both resigned their positions. Neither had been replaced through the end of the fiscal year. The CIO of the Office continues to serve as the Interim Bureau of Elections Director and the Administrator of Public Policy & HR has been reclassified to General Counsel.

As a result of upgraded IT and voting equipment technology in the agency, we expect new recurring costs for support and maintenance services that were previously covered in initial purchase and warranty coverage. These increases were not initially budgeted in FY16, and include database programming, license costs for voting tabulating systems, and election support and training costs. As a result, supplemental funding will be requested.

An online business filing system is being designed and implemented in FY16 to further streamline the business services provided by the office to the business community. A statutory change was made in the 2015 legislative session that allows the office to collect a convenience fee on credit card transactions and use that fee to pay for costs related to providing the service.

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

In October 2015, the Secretary of State, Dianna J. Duran, resigned her position. The administrative staff of the office as of the date of this submission has not changed. The appointment of a Secretary by the Governor is constitutionally mandated, but has not yet occurred. There are no significant budgetary impacts for FY16 anticipated, though salary savings are being incurred.

With reduced anticipated revenues to the state as a whole, the Office of the Secretary of State will continue to operate as efficiently as possible within its appropriations, and accommodate the demands placed on its budget to meet its obligations in overseeing and providing equipment and supplies for statewide elections, and providing services to the business community.

**Contacting the Office's Financial Management**

This financial report is designed to provide a general overview of the Office's finances and demonstrate accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Veronica Albin, 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, 2015**

	<u>Governmental Activities</u>
<b>Assets</b>	
Investment in State General Fund Investment Pool	\$ 1,334,774
Accounts receivable	2,583
Due from other state agencies	64,300
Capital assets, net	<u>11,430,333</u>
Total assets	<u>12,831,990</u>
 <b>Liabilities</b>	
Accounts payable	535,812
Accrued payroll	82,059
Due to other state agencies	90
Due to the State General Fund	53,771
Compensated absences – current	71,669
Compensated absences – noncurrent	<u>71,668</u>
Total liabilities	<u>815,069</u>
 <b>Net Position</b>	
Net investment in capital assets	11,430,333
Restricted	527,617
Unrestricted	<u>58,971</u>
Total net position	<u>\$ 12,016,921</u>

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, 2015**

	<u>Governmental Activities</u>
<b>Expenses</b>	
Executive	
Administrative and operations program	\$ 4,823,717
Elections program	5,627,189
Depreciation	<u>1,112,248</u>
Total expenses	<u>11,563,154</u>
 <b>Program Revenues</b>	
Federal grant revenue	27,475
Miscellaneous income	<u>10,667</u>
Total program revenues	<u>38,142</u>
Net program expenses	<u>(11,525,012)</u>
 <b>General Revenues (Losses) and Transfers</b>	
General fund appropriation	7,590,300
Severance tax bonds revenue	6,744,181
Distributions from the Public Regulations Commission	200,000
Distributions for the Tax Administration Suspense Fund	1,200,000
Compensation distribution	66,960
Interest income	563
Loss on disposal of assets	(73,913)
Reversion to the State General Fund	<u>(29,148)</u>
Total general revenues (losses) and transfers	<u>15,698,943</u>
Change in net position	4,173,931
Net position, beginning of year	<u>7,842,990</u>
Net position, end of year	<u><u>\$ 12,016,921</u></u>

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

**Governmental Funds  
Financial Statements**

**State of New Mexico**  
**Office of the Secretary of State**  
**Balance Sheet—Governmental Funds**  
**June 30, 2015**

	General Fund (18000)	Public Election Fund (81200)	STB Capital Outlay Fund (89200)
<b>Assets</b>			
Investment in State General Fund Investment Pool	\$ 703,139	\$ 602,392	\$ -
Accounts receivable	2,583	-	-
Due from other state agencies	-	44	64,254
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 705,722</u>	<u>\$ 602,436</u>	<u>\$ 64,254</u>
<b>Liabilities and Fund Balance</b>			
Current liabilities			
Due to State General Fund Investment Pool	\$ -	\$ -	\$ 1,478
Accounts payable	366,041	105,517	64,254
Accrued payroll	82,049	10	-
Due to other state agencies	75	-	-
Due to State General Fund	53,771	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>501,936</u>	<u>105,527</u>	<u>65,732</u>
Fund balance (deficit)			
Restricted	-	496,909	-
Committed	203,786	-	-
Unassigned (deficit)	-	-	(1,478)
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance (deficit)	<u>203,786</u>	<u>496,909</u>	<u>(1,478)</u>
Total liabilities and fund balance	<u>\$ 705,722</u>	<u>\$ 602,436</u>	<u>\$ 64,254</u>

HAVA Fund (90300)	Arbitration Fund (02500)	Total Governmental Funds
\$ 310	\$ 30,411	\$ 1,336,252
-	-	2,583
-	2	64,300
<u>\$ 310</u>	<u>\$ 30,413</u>	<u>\$ 1,403,135</u>
\$ -	\$ -	\$ 1,478
-	-	535,812
-	-	82,059
15	-	90
-	-	53,771
<u>15</u>	<u>-</u>	<u>673,210</u>
295	30,413	527,617
-	-	203,786
-	-	(1,478)
<u>295</u>	<u>30,413</u>	<u>729,925</u>
<u>\$ 310</u>	<u>\$ 30,413</u>	<u>\$ 1,403,135</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 Balance Sheet—Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2015**

**Fund balance of governmental funds** \$ 729,925

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	31,383,482
Computer equipment, software and furniture	2,180,361
Accumulated depreciation	(22,133,510)

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. (143,337)

**Net position of governmental activities** \$ 12,016,921

**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, 2015**

	General Fund (18000)	Public Election Fund (81200)	STB Capital Outlay Fund (89200)
<b>Revenues</b>			
Federal grants	\$ -	\$ -	\$ -
Interest income	-	538	-
Miscellaneous income	1,800	8,867	-
Total revenues	<u>1,800</u>	<u>9,405</u>	<u>-</u>
<b>Expenditures</b>			
Current			
Personal services and benefits	3,728,025	-	-
Contractual services	1,959,314	-	28,634
Other costs	2,672,421	1,826,338	200,720
Capital outlay	135,950	107,308	6,002,558
Total expenditures	<u>8,495,710</u>	<u>1,933,646</u>	<u>6,231,912</u>
Excess (deficiency) of revenues over expenditures	<u>(8,493,910)</u>	<u>(1,924,241)</u>	<u>(6,231,912)</u>
<b>Other Financing Sources (Uses)</b>			
General fund appropriation	7,590,300	-	-
Other financing sources	66,900	1,400,000	6,744,241
Reversion to the State General Fund	(29,148)	-	-
Total other financing sources (uses)	<u>7,628,052</u>	<u>1,400,000</u>	<u>6,744,241</u>
Net change in fund balances	(865,858)	(524,241)	512,329
Fund balance (deficit), beginning of year	<u>1,069,644</u>	<u>1,021,150</u>	<u>(513,807)</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ 203,786</u>	<u>\$ 496,909</u>	<u>\$ (1,478)</u>

HAVA Fund (90300)	Arbitration Fund (02500)	Total Governmental Funds
\$ 27,475	\$ -	\$ 27,475
-	25	563
-	-	10,667
27,475	25	38,705
-	-	3,728,025
-	-	1,987,948
27,475	-	4,726,954
-	-	6,245,816
27,475	-	16,688,743
-	25	(16,650,038)
-	-	7,590,300
-	-	8,211,141
-	-	(29,148)
-	-	15,772,293
-	25	(877,745)
295	30,388	1,607,670
\$ 295	\$ 30,413	\$ 729,925

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

**State of New Mexico**  
**Office of the Secretary of State**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

**Net change in fund balances – total governmental funds** \$ (877,745)

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	\$ 6,245,816	
Loss on disposal of capital assets	(73,913)	
Depreciation expense	<u>(1,112,248)</u>	
		5,059,655

Expenses recognized in the statement of activities, not reported in governmental funds:

Increase in compensated absences	<u>(7,979)</u>
Change in net position of governmental activities	<u><u>\$ 4,173,931</u></u>



**State of New Mexico**  
**Office of the Secretary of State**  
**Statement of Revenues, Expenditures—Budget and Actual (Budgetary Basis)**  
**Major Governmental Funds**  
**For the Year Ended June 30, 2015**

	General Fund (18000)			Variance with Final Budget - Favorable (Unfavorable)
	Budget Original	Budget Final	Actual Amounts	
<b>Revenues</b>				
General fund appropriation	\$ 7,457,200	\$ 7,590,300	\$ 7,590,300	\$ -
Other financing sources	-	66,900	66,900	-
Miscellaneous income	-	-	1,800	1,800
Total revenues	<u>7,457,200</u>	<u>7,657,200</u>	<u>7,659,000</u>	<u>1,800</u>
<b>Expenditures</b>				
Administrative services				
Personal services and benefits	4,151,300	3,744,111	3,728,025	16,086
Contractual services	1,795,708	2,115,120	1,959,314	155,806
Other costs	2,531,989	2,819,766	2,808,371	11,395
Total expenditures	<u>8,478,997</u>	<u>8,678,997</u>	<u>8,495,710</u>	<u>183,287</u>
Excess (deficiency) of revenues over expenditures	<u>(1,021,797)</u>	<u>(1,021,797)</u>	<u>(836,710)</u>	<u>185,087</u>
Less reversion to the State General Fund	-	-	(29,148)	(29,148)
Net change in fund balance	<u>\$ (1,021,797)</u>	<u>\$ (1,021,797)</u>	<u>(865,858)</u>	<u>\$ 155,939</u>
Prior year fund balance to balance budget	\$ 1,069,644	\$ 1,069,644	1,069,644	
Fund balance, end of year			<u>\$ 203,786</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, Expenditures—Budget and Actual (Budgetary Basis)**  
**Major Governmental Funds**  
**For the Year Ended June 30, 2015**

	Public Election Fund (81200)			
	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues</b>				
Other financing sources	\$ 1,950,000	\$ 1,950,000	\$ 1,400,000	\$ (550,000)
Interest income	-	-	538	538
Miscellaneous income	-	-	8,867	8,867
Total revenues	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,409,405</u>	<u>(540,595)</u>
<b>Expenditures</b>				
Other costs	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,933,646</u>	<u>16,354</u>
Total expenditures	<u>1,950,000</u>	<u>1,950,000</u>	<u>1,933,646</u>	<u>16,354</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(524,241)</u>	<u>(556,949)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (524,241)</u>	<u>\$ -</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, Expenditures—Budget and Actual (Budgetary Basis)**  
**Major Governmental Funds**  
**For the Year Ended June 30, 2015**

	STB Capital Outlay Fund (89200)			
	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
<b>Revenues</b>				
Other financing sources	\$ 7,500,000	\$ 7,500,000	<b>\$ 6,744,241</b>	\$ (755,759)
Total revenues	<u>7,500,000</u>	<u>7,500,000</u>	<b><u>6,744,241</u></b>	<u>(755,759)</u>
<b>Expenditures</b>				
Contractual services	750,000	163,370	<b>28,634</b>	134,736
Other costs	6,750,000	7,336,630	<b>6,203,278</b>	1,133,352
Total expenditures	<u>7,500,000</u>	<u>7,500,000</u>	<b><u>6,231,912</u></b>	<u>1,268,088</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<b><u>512,329</u></b>	<u>512,329</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<b><u>\$ 512,329</u></b>	<u>\$ 512,329</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, Expenditures—Budget and Actual (Budgetary Basis)**  
**Major Governmental Funds**  
**For the Year Ended June 30, 2015**

	HAVA Fund (90300)			Variance with Final Budget - Favorable (Unfavorable)
	Budget Original	Budget Final	Actual Amounts	
<b>Revenues</b>				
Federal grants	\$ -	\$ -	\$ 27,475	\$ 27,475
Total revenues	<u>-</u>	<u>-</u>	<u>27,475</u>	<u>27,475</u>
<b>Expenditures</b>				
Elections program				
Other costs	-	27,475	27,475	-
Total expenditures	<u>-</u>	<u>27,475</u>	<u>27,475</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(27,475)</u>	<u>-</u>	<u>27,475</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (27,475)</u>	<u>\$ -</u>	<u>\$ 27,475</u>

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

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Fiduciary Assets and Liabilities**  
**June 30, 2015**

	<u>Notary Fund</u> <u>(79900)</u>
<b>Assets</b>	
Accounts receivable	\$ <u>1,860</u>
<b>Liabilities</b>	
Accounts payable	\$ 50
Due to the State General Fund	<u>1,810</u>
Total liabilities	<u>\$ 1,860</u>

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

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2015**

**1) Reporting Entity**

The State of New Mexico, Office of the Secretary of State (the “Office”), in accordance with the constitution and laws of the State of New Mexico, 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 Office is a department of the primary government of the State of New Mexico. These financial statements present the financial position and results of operation of only those Statewide Human Resources Accounting and Management Reporting System (SHARE) funds for which the NM Secretary of State (the “Secretary”) has oversight responsibility.

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 funds and account groups of the Office over which the Secretary exercises operational control. The Office has no blended or discretely presented component units.

**2) Summary of Significant Accounting Policies**

Accounting Standards

The financial statements of the Office conform with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2015**

Government-Wide Financial Statements

The government-wide financial statements are presented on the economic resources accounting model and the full accrual basis of accounting. The statement of net position and the statement of activities present information about the Office's 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. Governmental activities are financed primarily through state appropriations.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Office's governmental activities. Direct expenses are those that are clearly identifiable to a particular function. Revenues that are not classified as program revenues, including all appropriations, other financing sources, and interest income, are presented as general revenues.

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 after year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

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 financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented on the page following each fund financial statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the government-wide presentation.

The Office's fiduciary funds (agency funds) are 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.

**State of New Mexico**  
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**June 30, 2015**

Governmental Funds

*General Fund (SHARE 18000)*—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 balances remaining in the general fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. Any reversion is calculated using the modified accrual basis of accounting.

Under House Bill 46, the Secretary of State, pursuant to Article 11, Section 19 of the constitution of New Mexico, assumed responsibility for chartering corporations as provided by law, including the performance of the functions of the former corporations bureau of the Public Regulations Commission. All personnel and all money, appropriations, records, furniture, equipment, supplies and other property belonging to or used by the corporation bureau of the Public Regulation Commission was transferred to the Secretary of State.

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 fund balance sheets.

*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.

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 (STB)Capital Outlay Fund (SHARE 89200)*—Created by Laws of 2011, Chapter 5, Section 13, to provide for information technology upgrades, including computers, servers and disaster recovery upgrades. The fund received four different severance tax bonds in the current year.



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*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 unearned 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.

*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 nonbudgeted fund for fiscal year ending 2015.

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.

*Notary 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’s 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.

Corporation Fees Fund (12210)—Established by Chapter 53, NMSA 1978, this fund is used to account for the collection of fees by the Corporations Bureau that are remitted to the State General Fund, with the exception of exception of credit card convenience fees, which are retained by the office to pay for the cost of the service to process credit card payments.

Investments

Office investments are deposited in the New Mexico State Treasurer’s State General Fund Investment Pool.

Accounts Receivable

All accounts receivable are considered fully collectible.

**State of New Mexico**  
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**Notes to Financial Statements**  
**June 30, 2015**

Capital Assets

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 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, software, and furniture, and five years for voting systems under the care and custody of the Counties.

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.

Net Position and Fund Balances

The difference between assets and liabilities is "net position" on the government-wide statements and "fund balance" on governmental fund statements.

Net position is classified in the following three categories:

*Net investment in capital assets*—consist of capital assets, net of accumulated depreciation. The Office has no outstanding debt relating to capital assets.

*Restricted net position*—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.

*Unrestricted net position*—represents net position that does not meet the definition of the two preceding categories.

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**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2015**

Fund balances related to the Office’s governmental funds are classified in the following categories:

*Restricted*—Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Amounts restricted as of June 30, 2015 are as follows:

Restricted for Public Election Fund (81200)	\$ 496,909
Restricted for HAVA Fund (90300)	295
Restricted for Arbitration Fund (02500)	<u>30,413</u>
Total	<u>\$ 527,617</u>

*Committed*—Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Office through ordinance or resolution approved prior to year-end. The committed amounts cannot be used for any other purpose unless the Office removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned*—All amounts not included in other fund balance classifications.

The STB Capital Outlay Fund has a deficit fund balance of \$1,478 due to a cash reconciliation issue. This will be reconciled in fiscal year 2016.

When both restricted and unrestricted resources are available for use, it is the Office’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Program Revenues

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

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

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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.

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 nonbudgeted funds for the Office are the Arbitration and 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.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund 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. Interfund receivables or payables at year-end are netted as part of the reconciliation to the government-wide financial statements.

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New Governmental Accounting Standards Board (GASB) Pronouncements

The following accounting standards have recently been issued, but not yet been implemented by the Office:

GASB Statement No. 72—In February 2015, the GASB issued Statement no. 72, *Fair Value Measurement and Application*. This statement is effective for the Office's year ending June 30, 2016. Implementation is not expected to significantly impact accounting or financial reporting by the Office.

GASB Statement No. 73—In June 2015, the GASB issued Statement no. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for the Office's year ending June 30, 2017. Implementation is not expected to significantly impact accounting or financial reporting by the Office.

GASB Statement No. 74—In June 2015, the GASB issued Statement no. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for the Office's year ending June 30, 2017. Implementation is not expected to significantly impact accounting or financial reporting by the Office.

GASB Statement No. 75—In June 2015, the GASB issued Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for the Office's year ending June 30, 2018. Implementation is not expected to significantly impact accounting or financial reporting by the Office.

GASB Statement No. 76—In June 2015, the GASB issued Statement no. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for the Office's year ending June 30, 2016. Implementation is not expected to significantly impact accounting or financial reporting by the Office.

GASB Statement No. 77—In August 2015, the GASB issued Statement no. 77, *Tax Abatement Disclosures*. This statement is effective for the Office's year ending June 30, 2017. Implementation is not expected to significantly impact accounting or financial reporting by the Office.

**State of New Mexico**  
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**3) Investment in State General Fund Investment Pool**

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control Division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

**4) Interest in the State General Fund Investment Pool**

State law (Section 8-6-3 NMSA 1978) requires the Office's cash be managed by STO. 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, 2015 the Office had the following invested in the State General Fund Investment Pool:

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**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2015**

SHARE Account	Fund Description	SHARE Balance
18000	General Fund	\$ 703,139
81200	Public Election Fund	602,392
90300	HAVA Fund	310
02500	Arbitration Fund	30,411
		<u>\$ 1,336,252</u>
89200	Severance Tax Bond Capital Outlay Fund (overdrawn)	<u>\$ 1,478</u>

*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, 2015.

**5) Interfunds**

The amounts due from other agencies in the statement of net position consist of grants and other receivables at year-end.

The amount due to the State General Fund in the statement of net position of \$53,771 consists of \$29,148 in current fiscal year reversions, \$23,375 in registration fees, and \$1,258 of other deposits. An additional \$1,810 is owed from agency funds.

**State of New Mexico**  
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**6) Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Computer equipment, software and furniture Voting systems under the care and custody of the Counties	\$ 2,169,553	\$ 10,808	\$ -	\$ 2,180,361
	<u>25,263,824</u>	<u>6,235,008</u>	<u>115,350</u>	<u>31,383,482</u>
Total capital assets	<u>27,433,377</u>	<u>6,245,816</u>	<u>115,350</u>	<u>33,563,843</u>
<i>Less accumulated depreciation for</i>				
Computer equipment, software and furniture Voting systems under the care and custody of the Counties	(1,784,399)	(227,907)	-	(2,012,306)
	<u>(19,278,300)</u>	<u>(884,341)</u>	<u>(41,437)</u>	<u>(20,121,204)</u>
Total accumulated depreciation	<u>(21,062,699)</u>	<u>(1,112,248)</u>	<u>(41,437)</u>	<u>(22,133,510)</u>
Net capital assets	<u>\$ 6,370,678</u>	<u>\$ 5,133,568</u>	<u>\$ 73,913</u>	<u>\$ 11,430,333</u>

Depreciation expense for the year ended June 30, 2015, was \$1,112,248. The capital assets are used by all functions. The Office does not own any infrastructure assets as of June 30, 2015.

**7) Accrued Compensated Absences**

The following is a summary of transactions for the compensated absences for the year ended June 30, 2015, which the general fund will pay in future years:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Current Portion
Annual leave	\$ 123,820	\$ 126,988	\$ 117,034	\$ 133,774	\$ 66,887
Sick leave	2,283	78,207	78,051	2,439	1,220
Compensatory leave	9,255	35,543	37,674	7,124	3,562
Total	<u>\$ 135,358</u>	<u>\$ 240,738</u>	<u>\$ 232,759</u>	<u>\$ 143,337</u>	<u>\$ 71,669</u>



**State of New Mexico**  
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**June 30, 2015**

**8) Retirement Benefits—Public Employees Retirement Association**

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, 2015.

The Office, 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 administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

**9) Post Retirement Benefits—Retiree Health Care Plan**

Plan Description

The Office contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the 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)

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**June 30, 2015**

retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://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, 2015, 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, 2015, 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

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**June 30, 2015**

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, 2015, 2014 and 2013, were \$46,465, \$46,859 and \$28,446, respectively, which equals the required contributions for each year.

**10) 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.

**11) 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, 2015. The Office expended \$369,743 for this coverage in fiscal year 2015.

**12) Special and Deficiency Appropriations**

The Office received a supplemental appropriation under Laws of 2014, Section 5, Item 31. The Office received \$200,000 for election expenses in fiscal year 2015. As of June 30, 2015, \$3 of unexpended amounts should be reverted to the general fund.

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The Office received a special appropriation under Laws of 2014, Section 5, Item 30. The Office received \$700,000 to be used in fiscal year 2014 and 2015. As of June 30, 2015, \$134 unexpended amounts should be reverted to the general fund.

**13) Multi-Year Appropriations**

At year-end, the Office had one outstanding multi-year appropriation which is reported as restricted net position in the accompanying financial statements as follows:

Laws 2013, 1S, Ch. 227, Sec. 7(10) - \$1,215,000 to purchase and implement new software and related information technology for the business services division of the Secretary of State. The appropriation expired at the end of FY15. The Laws 2015, Chapter 63, Section 7 extended the expiration of the funds through fiscal year 2016. The Office has unexpended balance of \$292,165 as of June 30, 2015.

**14) Subsequent Event**

As of November 10, 2015, the office requested two Supplemental Appropriations for FY16. One in the amount of \$1.25 million to supplement the Public Election Fund for disbursement to eligible candidates pursuant to 1-19A-10; and one for \$574 thousand for the Elections program for election related costs that were unbudgeted or under budgeted.

## Supplementary Information

**State of New Mexico**  
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**Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds**  
**For the Year Ended June 30, 2015**

	Notary Fund (79900)			
	Beginning Balance	Increase	Decrease	Ending Balance
<b>Assets</b>				
Investment in SGFIP	\$ -	\$ 683,140	\$ (683,140)	\$ -
Accounts receivable	-	-	1,860	1,860
Total assets	\$ -	\$ 683,140	\$ (681,280)	\$ 1,860

<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ (50)	\$ (50)
Due to State General Fund	-	683,109	(684,919)	(1,810)
Total liabilities	\$ -	\$ 683,109	\$ (684,969)	\$ (1,860)

	Corporation Fees Fund (12110)			
	Beginning Balance	Increase	Decrease	Ending Balance
<b>Assets</b>				
Investment in SGFIP	\$ -	\$ 4,046,733	\$ (4,046,733)	\$ -
Total assets	\$ -	\$ 4,046,733	\$ (4,046,733)	\$ -

<b>Liabilities</b>				
Accounts payable	\$ -	\$ 425	\$ (425)	\$ -
Due to State General Fund	-	4,032,474	(4,032,474)	-
Total liabilities	\$ -	\$ 4,032,899	\$ (4,032,899)	\$ -

See Independent Auditor's Report.

**State of New Mexico**  
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**Schedule of Operating Transfers**  
**For the Year Ended June 30, 2015**

SHARE Fund	Agency	In	Out
<b>General Fund (18000)</b>			
(1) 85300	Department of Finance and Administration	\$ 7,390,300	\$ -
(2) 85300	Department of Finance and Administration	66,900	-
(3) 85300	Department of Finance and Administration	200,000	-
(4) 85300	Department of Finance and Administration	-	29,148
<b>Public Election Fund (81200)</b>			
(5) 71000	Taxation and Revenue Department	1,200,000	-
(6) 50800	Public Regulation Commission (PRC)	100,000	-
(7) 50800	Public Regulation Commission (PRC)	100,000	-
<b>STB Capital Outlay Fund (89200)</b>			
(8) 99500	Board of Finance	87	-
(9) 99500	Board of Finance	58,180	-
(10) 50800	Board of Finance	621,720	-
(11) 50800	Board of Finance	6,000,000	-
	Total	<u>\$ 15,737,187</u>	<u>\$ 29,148</u>

- (1) General fund appropriations
- (2) FY 15 General Fund Compensation Distribution
- (3) Special Appropriation, Laws of 2014, 1S, CH 63, Section 5, Item 31
- (4) Reversion to the State General Fund
- (5) Distribution from the Tax Administration Suspense Fund, Section 7-1-6.58 NMSA 1978
- (6) Distribution from the PRC per Section 1-19A-10 NMSA 1978
- (7) Distribution from the PRC per Section 1-19A-10 NMSA 1978
- (8) Severance Tax Bonds, 11A 11-1300
- (9) Severance Tax Bonds, 13A 13-1811
- (10) Severance Tax Bonds, 13A 13-1810
- (11) Severance Tax Bonds, 14A 14-2027

See Independent Auditor's Report.

**State of New Mexico**  
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**Schedule of Vendor Information**  
**For the Year Ended June 30, 2015**

RFB/RFP#	Type of Procurement	Awarded Vendor	\$ of Awarded Contract	Name and Physical Address per the procurement documentation, of ALL Vendor's that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) for federal funds answer N/A	Brief Description of the Scope of Work
RFP #2015-01	Professional Service	Doughty, Alcaraz, & deGraauw	\$ 97,500	Doughty, Alcaraz & deGraauw 20 First Plaza NW, Suite 412 Albuquerque, NM 87102	In-State (Y)	N	Legal Counsel Services
Contract No. 50-370-14-30013	Sole Source	ES&S	\$ 822,000	Eric A. Anderson, Vice-President and General Counsel, Election Systems and Software, LLC. 11208 John Galt Boulevard Omaha, Nebraska 68137	Out-of-State (Y)	N	Support and maintenance services for the proprietary NM voter registration and election management system (VREMS)
Contract No. 50-370-14-0002	Sole Source	BPRO INC	\$ 58,000	BPro, Inc., 124 West Dakota Pierre, SD 57501	Out-of-State (Y)	N	Maintenance and enhancements of the SOS IRIS system. BPro, Inc., holds exclusive rights to the intellectual property of SOS IRIS and is therefore the only contractor who can perform the maintenance and enhancement work.

**See Independent Auditor's Report.**



## Compliance Section

**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***

Tim Keller, New Mexico State Auditor and  
Ms. Mary Quintana, Acting Secretary of State  
State of New Mexico, Office of the 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated December 1, 2015.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Office'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-001 that we considered to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2011-005, 2015-001, 2015-002, 2015-003, and 2015-004.

### **The Office's Responses to Findings**

The Office's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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.

REDW LLC

Albuquerque, New Mexico  
December 1, 2015

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2015**

**Section I — Financial Statement Findings**

**2011-005 — Cash Receipts (Findings that do not Rise to the Level of a Significant Deficiency) (Repeated)**

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*Criteria:* The Public Money Act [Chapter 6-10-3 New Mexico Statutes Annotated (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.

*Condition:* Twelve of nineteen cash receipts tested were not deposited within 24 hours. These deposits related to the corporation's bureau. The corporation's bureau is still working on implementing the new business filing system mentioned in prior year's corrective action plan which should enable them to deposit within 24 hours.

*Cause:* The corporation's bureau did not deposit twelve of the receipts we selected within 24 hours.

*Effect:* The Office did not comply with the Public Money Act in relation to the 24 hour deposit rule.

*Auditor's Recommendations:* We recommend that the Office put in place procedures for the Corporations bureau that follow those already in place in the other receipting locations in order to comply with the Public Money Act.

*Management's Response:* The procedure for the Corporations Bureau continues as it has in the past, and though the office is in statutory compliance with the processing of documents, payments are not being deposited until filings are accepted and processed, within 5 days. The Office has implemented Phase I of the New Mexico Business Filing System and Phase II is expected to go live in January 2016. The process in Phase II will allow for same-day deposit of payments received with documents that are accepted for processing. Payments received with documents that are not accepted for processing will be returned in the same day they are received. This process will allow the office to meet the Public Money Act.

**State of New Mexico**  
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**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2015**

Section I — Financial Statement Findings — continued

**2014-001 — Capital Assets Management—Capital Assets Listing (Significant Deficiency)  
(Repeated)**

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*Criteria:* The Office should maintain a capital asset listing, including related depreciation, which accurately reflects all activity throughout the year and agrees to the balance in the audited financial statements.

*Condition:* The Office did not accurately record all transactions during the year and therefore was unable to provide a complete capital asset listing, including related depreciation, which reflected the activity during the year. The Office completed a physical inventory of all vote tabulating machines as discussed in prior year's corrective action plan, but the inventory listing created did not meet the needs of the Office to adequately capture and track the assets and correctly calculate their depreciation.

*Cause:* The Office did not have adequate controls in place during the year or at year-end to reconcile all capital asset activity.

*Effect:* A material adjustment was required in order to accurately present the Office's capital asset balance.

*Auditor's Recommendations:* We recommend that the Office compile their records for all capital assets into one listing and ensure the listing agrees to the audited financial statements at June 30, 2015. The Office should then put adequate controls in place to ensure the listing is completed accurately going forward.

*Management's Response:* The Office completed a physical inventory of all vote tabulating machines purchased with Capital Outlay money. The inventory listing that was developed using Microsoft Access did not meet the needs of the office to adequately capture and track the assets and correctly calculate their depreciation. IT staff and the Contracts and Assets Manager have been tasked with creating a new Kace database that will correctly capture the assets and calculate depreciation of all of the office's assets, to be completed by June 30, 2016

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2015**

Section I — Financial Statement Findings — continued

**2015-001 — Travel and Per Diem (Other Noncompliance)**

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*Criteria:* The Travel and Per Diem Act [Chapter 42, Section 10-8-1 to 10-8-8 New Mexico Statutes Annotated (NMSA) 1978 (1995 Repl. Pamp.), 2.42.2 NMAC] requires that a public officer or employee must submit receipts for the actual meal and lodging expenses incurred and be reimbursed for that amount. Pursuant to actual mileage, support must be submitted for the beginning and ending odometer reading by the traveler and the destination is certified if it is not included on the official state map or on the Rand McNally road atlas.

*Condition:* While performing test work over travel and per diem, we identified one transaction out of fifteen tested for \$13.28 was incorrectly reimbursed in the amount of \$12.35, which excluded the tax on the meal.

*Cause:* The employee requested the wrong reimbursement amount and the Office's internal controls did not identify the error.

*Effect:* The Office did not comply with the Travel and Per Diem Act for one out of fifteen transactions selected.

*Auditor's Recommendations:* We recommend the Office follow the Travel and Per Diem Act and ensure that reimbursements are made for the correct amount.

*Management's Response:* This was an oversight in which the tax was omitted from the reimbursed amount, and the employee was not reimbursed \$0.93 tax paid on a meal. The Chief Financial Officer will ensure that documents that are submitted for travel reimbursement accurately reflect the receipts provided prior to submitting them for payment.

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2015**

Section I — Financial Statement Findings — continued

**2015-002 — Payment of Invoice Made out of Contract (Other Noncompliance)**

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*Criteria:* The Manual of Model Accounting Practices (MAPS) FIN 4.13 and 4.14 require a current contract to be in place before an Agency engagements in a procurement.

*Condition:* The Office had a \$60,000 contract in place with a vendor to rent and store vote tabulation machines that expired in January 2015. During fiscal year 2015, the Office incurred \$153,090 related to this contract, which was past the contract expiration date and in excess of the approved contract amount.

*Cause:* The Office necessitated storage services from the vendor after the contract expiration date and made the decision to continue incurring expenses or order to avoid incurring addition moving expenses.

*Effect:* The Office was in violation of MAPS and incurred costs without an approved contract in place.

*Auditor's Recommendations:* We recommend the Office ensure a current contract is in place and extensions are being made as necessary before procuring services in order to be in compliance with MAPS.

*Management's Response:* The unique circumstance of this situation is unlikely to occur in the future. However, the Chief Financial Officer will ensure compliance with MAPS and that all contracts are unexpired and not over expended.

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2015**

Section I — Financial Statement Findings — continued

**2015-003 — Inaccurate Reversion to State General Fund (Other Noncompliance)**

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*Criteria:* The Manual of Model Accounting Practices (MAPS) FIN 3.8 requires any unexpended or unencumbered balance remaining in the budget at the end of the fiscal year shall revert to the General Fund or the source fund. Based upon the date requirement set by the General Appropriation Act of each fiscal year, on or about August 31, 20XX is the submission deadline for the Reversion Notification form to FCD. At the end of the fiscal year, agencies must not reserve unexpended amounts as part of fund balance. September 30, 20XX is the deadline for entering Operating Transfers in SHARE for reversions due for the previous fiscal year.

*Condition:* The Office did not revert \$137 related to a special appropriation to the State General Fund by September 30, 2015.

*Cause:* The Office incorrectly ran the report to identify all money required to be reverted to the State General Fund.

*Effect:* The Office was in violation with MAPS related to reversions, and did not timely revert monies to the State General Fund.

*Auditor's Recommendations:* We recommend the Office ensure that all unexpended appropriations required to be reverted are sent to the State General Fund by September 30 of each fiscal year.

*Management's Response:* The office recognized the error after the deadline of September 30, 2015, and that the report relied upon did not include the supplemental and special appropriation balances. The Chief Financial Officer will ensure that all SHARE reports are complete and accurate in its preparation of the agency's reversion, in compliance with the deadlines set by DFA.



**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended June 30, 2015**

Section I — Financial Statement Findings — continued

**2015-004 — Disposition of Capital Assets (Other Noncompliance)**

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*Criteria:* According to section 2.2.2.10 T of the State Audit Rule 2015, at least thirty (30) days prior to any disposition of property on the agency inventory list, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor.

*Condition:* The Office did not notify the State Auditor when they traded in 50 vote tabulator machines for upgraded capacity vote tabulator machines.

*Cause:* The Office was unaware of the requirement to notify the State Auditor of the trade-in of vote tabulator machines purchased and disposed of in the same fiscal year.

*Effect:* The Office was in violation with section 2.2.2.10 T of the State Audit Rule.

*Auditor's Recommendations:* The Office should notify the State Auditor prior to disposing of any assets.

*Management's Response:* The office was unaware of the requirement to notify the State Auditor when disposing of assets that were purchased in the same fiscal year. The Contracts and Assets Manager will ensure that the State Audit Rule is followed if this situation is encountered in the future, in compliance with the deadlines set by the Office of the State Auditor.

**State of New Mexico**  
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**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2015**

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
2011-005	Cash Receipts	Unresolved
2014-001	Capital Assets Management	Unresolved

**State of New Mexico**  
**Office of the Secretary of State**  
**Other Disclosures**  
**For the Year Ended June 30, 2015**

**Exit Conference**

The contents of the Office's report were discussed on November 30, 2015. The following individuals were in attendance:

**Office of the Secretary of State**

Mary Quintana	Acting Secretary of State
Ken Ortiz	Chief of Staff
Veronica Albin	Chief Financial Officer
Amy Bailey	General Counsel

**REDW<sub>LLC</sub>**

Joshua Trujillo	Principal
Danny Martinez	Manager

**Preparation of Financial Statements**

REDW assisted in the preparation of the financial statements presented in this report. The Office's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.