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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, 2017*

**REDW**<sup>LLC</sup>  
CPAs | Business & Financial Advisors

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

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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, 2017**

<u>Name</u>	<u>Title</u>
Maggie Toulouse Oliver	Secretary of State
John Blair	Deputy Secretary of State
Veronica Albin	Chief Financial Officer

## Independent Auditor's Report

Ms. Maggie Toulouse Oliver, Secretary of State  
State of New Mexico, Office of the Secretary of State  
and  
Mr. Timothy Keller, New Mexico State Auditor

### **Report on the Financial Statement**

We have audited the accompanying financial statements of the governmental activities, each major fund, agency funds, 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, 2017, 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 misstatement, 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 respective financial position of the governmental activities, each major fund, of the Office as of June 30, 2017, 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, 2017, 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 and the budgetary comparisons by appropriation 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Office's basic financial statements. The combining statements of general fund – balance sheet and the combining statements of the general fund – statement of revenues, expenditures and changes in fund balances, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements of general fund – balance sheet and the combining statements of the general fund – statement of revenues, expenditures and changes in fund balances are the responsibility of management and was 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 combining statements of general fund – balance sheet and the combining statements of the general fund – statement of revenues, expenditures and changes in fund balances are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the Office’s financial statements and the budgetary comparisons. The schedule of operating transfers is required by Section 2.2.2 NMAC and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating transfers required by Section 2.2.2 NMAC is the responsibility of management and was 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 schedule of operating transfers required by 2.2.2 NMAC is 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 our report dated October 30, 2017, 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 WC*

Phoenix, Arizona  
October 30, 2017

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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, 2017. 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 Office 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, 2017, by \$5.8 million (net position). The net position includes \$5.3 million net investment in capital assets and restricted net position of \$401 thousand.
- ◆ Total expenses increased from \$13 million in 2016 to \$13.2 million in 2017. The increase is primarily due to an increase of \$373 thousand in election program expenses in 2017 compared to 2016 and a reduction in administrative and depreciation totaling approximately \$91 thousand year over year. The increase in election program expenses were attributed to the presidential election.

**Overview of the Financial Statements**

This discussion and analysis serves as the introduction to the Office's financial statements which are comprised of six components: 1) management's discussion and analysis (this section), 2) government-wide financial statements, 3) fund financial statements, 4) notes to the financial statements, 5) required supplementary information, and 6) other 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 and reported in a single column. The government-wide financial statements report the economic resources of the Office, which combines the Office's current financial resources with capital assets and long-term obligations.



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**Management's Discussion and Analysis**  
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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 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. 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 the 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 (i.e. current financial resources). Such information may be useful in evaluating a government's near-term financing requirements. The Office presents the following major governmental funds:

- ◆ General Fund (various)—The general fund is the general operating fund of the Office. This fund is made up of multiple funds, including the General Fund (SHARE 18000), Notary Fund (SHARE 79900) and Corporation Fees Fund (SHARE 12110). This fund 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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**For the Year Ended June 30, 2017**

- ◆ Convenience Fee Fund (SHARE 43170)—The Convenience fee fund is used to account for credit card convenience fees for the purpose of defraying the cost of the service to process credit card payments.
- ◆ ERIC Project Fund (SHARE 40290)—the ERIC project fund is to account for funds received and expenses related to membership and participation in the Electronic Registration Information Center (ERIC).
- ◆ 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 and is a nonbudgeted fund for fiscal year 2017.

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.

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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

The Office's net position decreased by \$4.2 million during 2017. Net position invested in capital assets decreased by \$2.5 million during 2017, which resulted from depreciation expense in 2017. Table 1 summarizes the Office's net position:

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current assets	\$ 1,074,809	\$ 3,482,570	\$ (2,407,761)
Capital assets, net	<u>5,261,938</u>	<u>7,713,966</u>	<u>(2,452,028)</u>
Total assets	<u>6,336,747</u>	<u>11,196,536</u>	<u>(4,859,789)</u>
Liabilities			
Current liabilities	464,877	1,085,946	(621,069)
Long-term liabilities	<u>72,025</u>	<u>69,475</u>	<u>2,550</u>
Total liabilities	<u>536,902</u>	<u>1,155,421</u>	<u>(618,519)</u>
Net position			
Net investment in capital assets	5,261,938	7,713,966	(2,452,028)
Restricted	401,106	63,791	337,315
Unrestricted (deficit)	<u>136,801</u>	<u>2,263,358</u>	<u>(2,126,557)</u>
Total net position	<u>\$ 5,799,845</u>	<u>\$ 10,041,115</u>	<u>\$ (4,241,270)</u>

**State of New Mexico**  
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**For the Year Ended June 30, 2017**

The Office's expenses increased \$177 thousand in 2017. The increase is primarily due to an increase of \$373 thousand in elections program depreciation expense from 2016, offset by decrease in administrative and depreciation expense. General revenues decreased by approximately \$3.4 million in 2017, primarily due to less funding received in 2017 compared to 2016. Table 2 summarizes the Office's change in net position.

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

	<b>2017</b>	2016 (as restated)	<b>Change</b>
Revenues			
Program revenue	\$ <b>178,366</b>	\$ 69,585	\$ 108,781
General revenue, net of transfers	<u><b>8,753,930</b></u>	<u>12,138,782</u>	<u>(3,384,852)</u>
Total revenues	<u><b>8,932,296</b></u>	<u>12,208,367</u>	<u>(3,276,071)</u>
Expenses			
Program expenses	<u><b>13,173,566</b></u>	<u>12,996,184</u>	<u>177,382</u>
Total expenses	<u><b>13,173,566</b></u>	<u>12,996,184</u>	<u>177,382</u>
Change in net position	<b>(4,241,270)</b>	(787,817)	(3,453,453)
Net position, beginning of year, as restated	<u><b>10,041,115</b></u>	<u>10,828,932</u>	<u>(787,817)</u>
Net position, end of year	<u><b>\$ 5,799,845</b></u>	<u>\$ 10,041,115</u>	<u>\$ (4,241,270)</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 receives its revenues from general fund appropriations and public election fund appropriations.

At June 30, 2017, the Office's total governmental funds reported an ending fund balance of approximately \$682 thousand, and decrease of \$1.8 million from the prior year. The general fund balance decreased by \$2.1 million during 2017, primarily due to less appropriations given by the legislature.

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

**General Fund Budgetary Analysis**

- ◆ The general fund revenue budget decreased by \$742,766 from \$11,294,967 to a final budget of \$10,552,201. The expenditure budget decreased by \$421,000 from \$11,294,967 to a final budget of \$10,873,967.
- ◆ Actual general fund revenues totaled \$8,136,500 for the year ended June 30, 2017.
- ◆ Actual general fund expenditures totaled \$10,187,046 for the year ended June 30, 2017.

**Capital Assets and Debt Administration**

Capital Assets—As of June 30, 2017, the Office had \$5.3 million, net of accumulated depreciation, invested primarily in voting systems under the care and custody of the New Mexico Counties. The Office also had computer equipment, software, and furniture at year-end.

Long-Term Liabilities—The Office's compensated absences balance increased from \$138,950 to \$144,049 during the year. Half of the balance, or \$72,024, is reported as due within one year.

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

The fiscal year 2017 general fund budget appropriation was \$7,386,500. A legislative budget reduction was imposed on all state agencies, which reduced the general fund appropriation by \$421,000. Additionally, the Office received two special appropriations totaling \$1,337,467 and a four supplemental appropriations totaling \$478,800 for budget shortfalls. The Office was appropriated \$750,000 from the Public Election fund and \$35,000 was appropriated from the Convenience Fees fund. Unbudgeted expenses in fiscal year 2017 included an automatic recount in the 2016 General Election for which a \$36,200 supplemental appropriation was awarded to reimburse the counties for recount expenses; as well as an \$117,200 supplemental appropriation to satisfy a judgment in *ACLU v. Duran*.

In November 2016, Maggie Toulouse Oliver was elected to fill the unexpired term vacated by Dianna Duran. Brad Winter's interim appointment ended on December 9, 2016, at which time Secretary Toulouse Oliver was sworn in. Through the course of fiscal year 2017, four exempt positions remained vacant, including the statutorily created Bureau of Elections Director; the Office's CIO continues to serve in an acting capacity. The remaining administrative leadership remains unchanged. Overall, the Office maintained a higher than normal vacancy rate in fiscal year 2017 to help remain within budget.

The Office continues development of the State Elections Registration and Voting Integrity System (SERVIS, formerly IRIS), which will replace the Voter Registration and Election Management system (VREMS), costs that continue to have an impact on the fiscal year 2017 budget, but which will begin to show savings in maintenance fees beginning in fiscal year 2018.

**State of New Mexico**  
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**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

As has been the case in prior years, the Office's ability to project its expenses with accuracy is hindered because of its statutory obligation to reimburse or provide New Mexico Counties with election related items and services without spending restrictions imposed on the Counties.

The use of Voting Convenience Centers (VCCs) and related use of ballot on demand systems continues to increase, with Santa Fe County opting to use VCCs in the 2018 election cycles. While VCCs generally provide a cost savings to the Counties, it increases the costs to the Office. The Office negotiated the price down for the 2016 Primary Election in fiscal year 2016 and the 2016 General Election in fiscal year 2017 in light of the budget constraints and continues to work with the vendors to secure a more competitive price.

As a result of legislation passed, upgrades to IT technology will result in significant costs, for which the office has requested Computer Enhancement Funds as well as recurring costs in its operating budget.

The fiscal year 2018 budget was appropriated at 68% of what was requested. The Office anticipates an approximately \$1.5 million supplemental request in the 2018 Legislative Session in order 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 the Chief Financial Officer, 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, 2017**

	Governmental Activities
<b>Assets</b>	
Investment in State General Fund Investment Pool	\$ 1,070,366
Accounts receivable	4,443
Capital assets, net	5,261,938
Total assets	6,336,747
 <b>Liabilities</b>	
Current liabilities	
Accounts payable	217,772
Accrued payroll	121,551
Other liabilities	75
Due to the State General Fund	53,455
Compensated absences	72,024
Total current liabilities	464,877
Noncurrent liabilities	
Compensated absences	72,025
Total liabilities	536,902
 <b>Net Position</b>	
Net investment in capital assets	5,261,938
Restricted	401,106
Unrestricted	136,801
Total net position	\$ 5,799,845

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, 2017**

	Governmental Activities
<b>Expenses</b>	
Executive	
Administrative and operations program	\$ 5,135,445
Elections program	5,548,995
Depreciation	2,489,126
Total expenses	13,173,566
 <b>Program Revenues</b>	
Federal grant revenue	75,000
Miscellaneous income	103,366
Total program revenues	178,366
Net program expenses	(12,995,200)
 <b>General Revenues and Transfers</b>	
General fund appropriation	7,386,500
Other financing sources	1,437,098
Interest income	1,244
Reversion to the State General Fund	(70,912)
Total general revenues and transfers	8,753,930
Change in net position	(4,241,270)
Net position, beginning of year	10,077,182
Restatement	(36,067)
Net position, beginning of year, as restated	10,041,115
Net position, end of year	\$ 5,799,845

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, 2017**

	General Fund (Various)	ERIC Project Fund (40290)	Public Election Fund (81200)	Convenience Fee Fund (43170)	STB Capital Outlay Fund (89200)	HAVA Fund (90300)	Arbitration Fund (02500)	Total Governmental Funds
<b>Assets</b>								
Investment in State General Fund Investment Pool	\$ 611,955	\$ -	\$ 366,493	\$ 42,389	\$ -	\$ 15,617	\$ 34,779	\$ 1,071,233
Accounts receivable	4,443	-	-	-	-	-	-	4,443
Due from other funds	6,460	-	-	-	-	-	-	6,460
Total assets	<u>\$ 622,858</u>	<u>\$ -</u>	<u>\$ 366,493</u>	<u>\$ 42,389</u>	<u>\$ -</u>	<u>\$ 15,617</u>	<u>\$ 34,779</u>	<u>\$ 1,082,136</u>
<b>Liabilities and Fund Balance</b>								
<b>Current liabilities</b>								
Deficit balance in State General Fund Investment Pool	\$ -	\$ -	\$ -	\$ -	\$ 867	\$ -	\$ -	\$ 867
Accounts payable	166,942	-	36,477	-	(954)	15,307	-	217,772
Accrued payroll	121,551	-	-	-	-	-	-	121,551
Due to other state agencies	-	-	-	-	-	-	-	-
Due to State General Fund	53,440	-	-	-	-	15	-	53,455
Due to other funds	-	-	-	6,460	-	-	-	6,460
Other liabilities	75	-	-	-	-	-	-	75
Total liabilities	<u>342,008</u>	<u>-</u>	<u>36,477</u>	<u>6,460</u>	<u>(87)</u>	<u>15,322</u>	<u>-</u>	<u>400,180</u>
<b>Fund balance</b>								
Restricted	-	-	330,016	35,929	87	295	34,779	401,106
Committed	280,850	-	-	-	-	-	-	280,850
Total fund balance	<u>280,850</u>	<u>-</u>	<u>330,016</u>	<u>35,929</u>	<u>87</u>	<u>295</u>	<u>34,779</u>	<u>681,956</u>
Total liabilities and fund balance	<u>\$ 622,858</u>	<u>\$ -</u>	<u>\$ 366,493</u>	<u>\$ 42,389</u>	<u>\$ -</u>	<u>\$ 15,617</u>	<u>\$ 34,779</u>	<u>\$ 1,082,136</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, 2017**

<b>Fund balance of governmental funds</b>	\$	681,956
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		13,196,277
Computer equipment, software and furniture		2,217,459
Accumulated depreciation		(10,151,798)
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.		
		(144,049)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>5,799,845</u></b>

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 Balance—Governmental Funds**  
**For the Year Ended June 30, 2017**

	General Fund (18000)	ERIC Project Fund (40290)	Public Election Fund (81200)	Convenience Fee Fund (43170)	STB Capital Outlay Fund (89200)	HAVA Fund (90300)	Arbitration Fund (02500)	Total Governmental Funds
<b>Revenues</b>								
Grants	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Interest income	-	-	1,072	-	-	-	172	1,244
Fees and miscellaneous income	-	55,766	3,178	40,297	-	-	4,125	103,366
Total revenues	-	130,766	4,250	40,297	-	-	4,297	179,610
<b>Expenditures</b>								
Current								
Personal services and benefits	3,352,853	-	-	-	-	-	-	3,352,853
Contractual services	2,023,027	-	-	-	-	-	-	2,023,027
Other costs	4,811,166	130,766	326,529	35,000	-	-	-	5,303,461
Total expenditures	10,187,046	130,766	326,529	35,000	-	-	-	10,679,341
Excess (deficiency) of revenues over expenditures	(10,187,046)	-	(322,279)	5,297	-	-	4,297	(10,499,731)
<b>Other Financing Sources (Uses)</b>								
General fund appropriations	7,386,500	-	-	-	-	-	-	7,386,500
Other financing sources	750,000	-	1,400,000	-	-	-	-	2,150,000
Other financing uses	-	-	(750,000)	-	-	-	-	(750,000)
Reversion to the State General Fund	(70,912)	-	-	-	-	-	-	(70,912)
Total other financing sources (uses)	8,065,588	-	650,000	-	-	-	-	8,715,588
Net change in fund balances	(2,121,458)	-	327,721	5,297	-	-	4,297	(1,784,143)
Fund balance, beginning of year	2,438,375	-	2,295	30,632	87	295	30,482	2,502,166
Restatement	(36,067)	-	-	-	-	-	-	(36,067)
Fund balance, beginning of year, as restated	2,402,308	-	2,295	30,632	87	295	30,482	2,466,099
<b>Fund balance, end of year</b>	<b>\$ 280,850</b>	<b>\$ -</b>	<b>\$ 330,016</b>	<b>\$ 35,929</b>	<b>\$ 87</b>	<b>\$ 295</b>	<b>\$ 34,779</b>	<b>\$ 681,956</b>

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 Balance of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

**Net change in fund balances – total governmental funds** \$ (1,784,143)

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	\$	37,098	
Depreciation expense		<u>(2,489,126)</u>	(2,452,028)

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

Increase in compensated absences		<u>(5,099)</u>	
Change in net position of governmental activities	\$	<u><u>(4,241,270)</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 and Changes**  
**in Fund Balance—Budget to Actual—General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
General fund appropriations	\$ 10,544,967	\$ 9,802,201	<b>\$ 7,386,500</b>	\$ (2,415,701)
Other financing sources	<u>750,000</u>	<u>750,000</u>	<b><u>750,000</u></b>	<u>-</u>
Total revenues	<u>11,294,967</u>	<u>10,552,201</u>	<b><u>8,136,500</u></b>	<u>(2,415,701)</u>
<b>Expenditures</b>				
Personal services and benefits	3,801,800	3,354,082	<b>3,352,853</b>	1,229
Contractual services	2,772,300	2,699,729	<b>2,023,027</b>	676,702
Other	<u>4,720,867</u>	<u>4,820,156</u>	<b><u>4,811,166</u></b>	<u>8,990</u>
Total expenditures	<u>11,294,967</u>	<u>10,873,967</u>	<b><u>10,187,046</u></b>	<u>686,921</u>
Excess (deficiency) of revenues over expenditures	-	(321,766)	<b>(2,050,546)</b>	(1,728,780)
Less reversion to State General Fund	<u>-</u>	<u>-</u>	<b><u>(70,912)</u></b>	<u>(70,912)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (321,766)</u>	<b><u>\$ (2,121,458)</u></b>	<u>\$ (1,799,692)</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 and Changes**  
**in Fund Balance—Budget to Actual—ERIC Project Fund (40290)**  
**For the Year Ended June 30, 2017**

	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget – Favorable (Unfavorable)
<b>Revenues</b>				
Grants	\$ -	\$ 75,000	\$ <b>75,000</b>	\$ -
Fees and miscellaneous income	-	55,766	<b>55,766</b>	-
Total revenues	<u>-</u>	<u>130,766</u>	<u><b>130,766</b></u>	<u>-</u>
<b>Expenditures</b>				
Other costs	-	130,766	<b>130,766</b>	-
Total expenditures	<u>-</u>	<u>130,766</u>	<u><b>130,766</b></u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\*P783 is the only appropriation reported in this fund.

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 Balance—Budget to Actual—Public Election Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other financing sources	\$ 1,375,400	\$ 1,375,400	\$ <b>1,400,000</b>	\$ 24,600
Interest income	-	-	<b>1,072</b>	1,072
Fees and miscellaneous income	-	-	<b>3,178</b>	3,178
Total revenues	<u>1,375,400</u>	<u>1,375,400</u>	<u><b>1,404,250</b></u>	<u>28,850</u>
<b>Expenditures</b>				
Other costs	625,400	625,400	<b>326,529</b>	298,871
Other financing uses	<u>750,000</u>	<u>750,000</u>	<b>750,000</b>	-
Total expenditures	<u>1,375,400</u>	<u>1,375,400</u>	<u><b>1,076,529</b></u>	<u>298,871</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u><b>327,721</b></u>	<u>328,611</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u><b>\$ 327,721</b></u>	<u>\$ 328,611</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 and Changes**  
**in Fund Balance—Budget to Actual—Convenience Fee Fund (43170)**  
**For the Year Ended June 30, 2017**

	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget – Favorable (Unfavorable)
<b>Revenues</b>				
Fees and miscellaneous income	\$ 35,000	\$ 35,000	<b>\$ 40,297</b>	\$ 5,297
Total revenues	<u>35,000</u>	<u>35,000</u>	<u><b>40,297</b></u>	<u>5,297</u>
<b>Expenditures</b>				
Other costs	<u>35,000</u>	<u>35,000</u>	<u><b>35,000</b></u>	<u>-</u>
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u><b>35,000</b></u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u><b>5,297</b></u>	<u>5,297</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u><b>\$ 5,297</b></u>	<u>\$ 5,297</u>

\*P642 is the only appropriation reported in this fund.

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**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 nonresident 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.

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Government-Wide Financial Statements

The government-wide financial statements are presented on the economic resources measurement focus 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. 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 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.

General Fund

The *general fund (SHARE 18000)* 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. This is a reverting fund in 2017.

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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 corporation's bureau of the Public Regulations Commission. Unexpended amounts at year-end are committed for future program expenditures in the fund balance sheets.

*Notary Fund (SHARE 79900)*—for Notary Public and other fees, is used to collect various fees under 8-4-4 NMSA 1978 that are remitted to the State General Fund.

*Corporation Fees Fund (SHARE 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.

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.

*Convenience Fee Fund (SHARE 43170)*—Created by Laws of 2015, Chapter 66, Section 1, to account for credit card convenience fees for the purpose of defraying the cost of the service to process credit card payments. This is a non-reverting fund.

*ERIC Project Fund (SHARE 40290)*—Created by Laws of 2016, Chapter 13, Section 1, to account for funds received and expenses related to membership and participation in the Electronic Registration Information Center (ERIC). This is a non-reverting fund. This is a nonbudgeted fund for fiscal year ending 2017.

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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. 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. This is a budgeted fund for fiscal year ending 2017.

*Arbitration Fund (SHARE 02500)*—Created by Laws 1997, Chapter 112, 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 2017.

*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 following represent the funds with restricted fund balances as of June 30, 2017, and their governing law:

<b><u>Fund</u></b>	<b><u>Governing Law</u></b>
Public Election Fund	1-19A-10 NMSA
Severance Tax Bond Fund	2011, Chapter 5, Section 13
Convenience Fee Fund	2015, Chapter 66, Section 1
Help America Vote Act Fund	Title II, Subtitle D, Section 261 of Help America Vote Act (42 USC 15461)
Arbitration Fund	1997, Chapter 112

**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.

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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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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.

*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. No amounts were considered unassigned.

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 charges for copies, credit card convenience fees, and other miscellaneous fees collected according to the statute designated for operations.

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.
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



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- 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. Budgets are adopted on the modified accrual basis. Budgetary control is exercised by the Office at the appropriations program level (A-code, P-code, R-code, and Z-code). Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
  6. The nonbudgeted funds for the Office are the Arbitration and HAVA.
  7. 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 represent fees owed from the Convenience fees fund to the general fund. Interfund receivables or payables at year-end are netted as part of the reconciliation to the government-wide financial statements.

New Governmental Accounting Standards Board (GASB) Pronouncements

GASB has issued several statements which have not been implemented by the Office. Implementation of these statements is not expected to significantly impact accounting or financial reporting by the Office.

Change in Accounting Principle for Amounts Reverted to State General Fund

Section 6-5-10 NMSA 1978 requires that all unreserved undesignated fund balances in reverting funds and accounts as of June 30, shall revert by September 30, to the general fund. Historically, the Department of Finance and Administration's (DFA) Year-End Deadlines policy (commonly referred to as "closing instructions") required state agencies to record reversions to the state general fund not settled by June 30, to the "Due to State General Fund" liability account (234900) as of June 30, of each fiscal year-end. The historical policy required state agencies to execute a transfer in the subsequent fiscal year to relieve the amount "Due to State General Fund" and reduce the agency's "Investment in State General Fund Investment Pool."

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Pursuant to DFA's addenda to accounting policy statement four – custodial funds dated July 14, 2017, DFA adopted a change of accounting policy applicable to all state agencies in fiscal year 2017 for amounts reverted to the state general fund. Under the new policy, DFA requires state agency reversions to the state general fund to be accounted for as both a reversion and a reduction in the reverting agency's "Investment in State General Fund Investment Pool" as of June 30, using the State's adjustment period, if the entry was processed by September 30, 2017. In accordance with the new policy, no "Due to State General Fund" liability is reported in the Office's financial statements as of June 30, 2017, because the Office's "Investment in State General Fund Investment Pool" balance has been reduced by the amount reverted to the state general fund.

**3) State General Fund Investment Pool**

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State.

Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced. The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its third year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

For fiscal year 2017, the following assertions are provided:

1. As of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

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**4) Investment 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 State General Fund Investment Pool managed by the New Mexico State Treasurer’s Office. At June 30, 2017, the Office had the following invested in the State General Fund Investment Pool:

SHARE Account	Fund Description	SHARE Balance
18000	General Fund	\$ 611,955
81200	Public Election Fund	366,493
43170	Convenience Fees Fund	42,389
89200	Severance Tax Bond Capital Outlay Fund	(867)
90300	HAVA Fund	15,617
02500	Arbitration Fund	34,779
		<u>\$ 1,070,366</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.

**5) Interagency Funds**

The amount of \$53,455 is due to the State General Fund at year-end.

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**6) Capital Assets**

Capital asset activity for the year ended June 30 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<i>Capital assets being depreciated</i>				
Computer equipment, software and furniture	\$ 2,180,361	\$ 37,098	\$ -	\$ 2,217,459
Voting systems under the care and custody of the Counties	<u>13,196,277</u>	<u>-</u>	<u>-</u>	<u>13,196,277</u>
Total capital assets being depreciated	<u>15,376,638</u>	<u>37,098</u>	<u>-</u>	<u>15,413,736</u>
<i>Less accumulated depreciation for:</i>				
Computer equipment, software and furniture	(2,148,985)	(43,636)	-	(2,192,621)
Voting systems under the care and custody of the Counties	<u>(5,513,687)</u>	<u>(2,445,490)</u>	<u>-</u>	<u>(7,959,177)</u>
Total accumulated depreciation	<u>(7,662,672)</u>	<u>(2,489,126)</u>	<u>-</u>	<u>(10,151,798)</u>
Net capital assets being depreciated	<u>\$ 7,713,966</u>	<u>\$ (2,452,028)</u>	<u>\$ -</u>	<u>\$ 5,261,938</u>

Depreciation expense for the year ended June 30, 2017, was \$2,489,126. The capital assets are used by all functions. The Office does not own any infrastructure assets as of June 30, 2017.

**7) Accrued Compensated Absences**

During the year ended June 30, 2017, the following changes occurred in the compensated absences liability:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Current Portion
Annual leave	\$ 115,462	\$ 14,358	\$ 6,027	\$ 123,793	\$ 61,897
Sick leave	2,822	5,249	3,166	4,905	2,452
Compensatory leave	<u>20,666</u>	<u>1,469</u>	<u>6,784</u>	<u>15,351</u>	<u>7,675</u>
Total	<u>\$ 138,950</u>	<u>\$ 21,076</u>	<u>\$ 15,977</u>	<u>\$ 144,049</u>	<u>\$ 72,024</u>

Substantially all of the compensated absences balances have been paid by the general fund in previous years.

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**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, 2017.

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 RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined

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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, New Mexico 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, 2017, 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, 2017, 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

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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, 2017, 2016, and 2015, were \$41,623, \$43,949, and \$46,465, 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, 2017. The Office expended \$297,958 for this coverage in fiscal year 2017.

**12) General, Special and Deficiency Appropriations**

The Office received a special appropriation under Laws of 2016, Chapter 11, Section 5, Item 19. The Office received \$387,467 to be used for in fiscal year 2017. These were funds from the state general fund appropriation of fiscal year 2016. As of June 30, 2017, \$1,723 remained unspent.

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The Office received a supplemental appropriation under Laws of 2016, Chapter 11, Section 6, Item 5. The Office received \$117,200 to pay court-ordered costs and fees to the American civil liberties union. As of June 30, 2017, there were no unexpended funds.

The Office received a supplemental appropriation under Laws of 2016, Chapter 11, Section 6, Item 6. The Office received \$36,200 to reimburse counties for expenses related to the 2016 general election. As of June 30, 2017, there were no unexpended funds.

The Office received a general appropriation under HB 2 Regular Session 2016. The Office received a total of \$3,835,434 to be used for ongoing operations. As of June 30, 2017, \$1,553 of unexpended funds reverted back to the General Fund.

The Office received a general appropriation under HB 2 Regular Session 2016. The Office received a total of \$4,147,666 to be used for public elections. As of June 30, 2017, \$60,943 of unexpended funds reverted back to the General Fund.

The Office received a supplemental appropriation under Laws of 2016, Chapter 11, Section 6, Item 7. The Office received \$179,000 from the Public Election fund for expenses related to the 2016 general election. As of June 30, 2017, there were no unexpended funds.

The Office received a supplemental appropriation under Laws of 2016, Chapter 11, Section 6, Item 8. The Office received \$146,400 from the Public Election fund for a shortfall in the administration and operations program. As of June 30, 2017, the fund was over-expended by \$239.

**13) Multi-Year Appropriations**

At year-end, the Office had two outstanding multi-year appropriations which are reported as committed net position in the accompanying financial statements as follows:

Laws of 2015, Chapter 101, Section 7, Item 12 – \$1,400,000 to continue the implementation of the Integrated Reporting and Integrity System (IRIS, now SERVIS). The Office spent \$1,009,640 as of June 30, 2017. The appropriation expiration was extended through FY18 by the Laws of 2017, Chapter 135, Section 7.



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**14) Subsequent Events**

The Office also has pending litigation (Pierce v. Secretary of State) challenging the constitutionality of the Secretary’s application of the Campaign Reporting Act. Any potential liability is unknown at this time.

**15) Prior-Period Adjustment**

The Office recorded an adjustment to correctly state beginning net position, the general fund’s fund balance, and the total governmental funds fund balance at July 1, 2016.

The restatement of net position and fund balance are as follows:

	General Fund (18000)	Total Governmental Funds	Total Governmental Activities
Fund balance, beginning of year	\$ 2,438,375	\$ 2,438,375	10,077,182
Restatement	<u>(36,067)</u>	<u>(36,067)</u>	<u>(36,067)</u>
Fund balance, beginning of year, as restated	<u>\$ 2,402,308</u>	<u>\$ 2,402,308</u>	<u>\$ 10,041,115</u>

## Required Supplementary Information

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**Schedule of Revenues and Expenditures—Budget to Actual—**  
**General Fund (18000) by Appropriation**  
**For the Year Ended June 30, 2017**

	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget – Favorable (Unfavorable)
<b>Z50712 L15 1S C101 S007 I011</b>				
<b>Revenues</b>				
General fund appropriations	\$ 1,400,000	\$ 1,400,000	\$ -	\$ (1,400,000)
Total revenues	<u>1,400,000</u>	<u>1,400,000</u>	<u>-</u>	<u>(1,400,000)</u>
<b>Expenditures</b>				
Contractual services	1,400,000	1,348,000	<b>730,973</b>	617,027
Other costs	-	52,000	<b>46,326</b>	5,674
Total expenditures	<u>1,400,000</u>	<u>1,400,000</u>	<u><b>777,299</b></u>	<u>622,701</u>
<b>ZA0519 L16 2S C11 S005 I019</b>				
<b>Revenues</b>				
General fund appropriations	<u>387,467</u>	<u>387,467</u>	<u>-</u>	<u>(387,467)</u>
Total revenues	<u>387,467</u>	<u>387,467</u>	<u>-</u>	<u>(387,467)</u>
<b>Expenditures</b>				
Contractual services	291,000	284,523	<b>284,523</b>	-
Other costs	<u>96,467</u>	<u>102,944</u>	<u><b>101,221</b></u>	<u>1,723</u>
Total expenditures	<u>387,467</u>	<u>387,467</u>	<u><b>385,744</b></u>	<u>1,723</u>
<b>ZA0520 L16 2S C11 S005 I020</b>				
<b>Revenues</b>				
General fund appropriations	<u>950,000</u>	<u>950,000</u>	<u>-</u>	<u>(950,000)</u>
Total revenues	<u>950,000</u>	<u>950,000</u>	<u>-</u>	<u>(950,000)</u>
<b>Expenditures</b>				
Other costs	<u>950,000</u>	<u>950,000</u>	<u><b>950,000</b></u>	<u>-</u>
Total expenditures	<u>950,000</u>	<u>950,000</u>	<u><b>950,000</b></u>	<u>-</u>
<b>ZB0605 L17, 1S, C135-S006-05</b>				
<b>Revenues</b>				
General fund appropriations	<u>117,200</u>	<u>117,200</u>	<u><b>117,200</b></u>	<u>-</u>
Total revenues	<u>117,200</u>	<u>117,200</u>	<u><b>117,200</b></u>	<u>-</u>
<b>Expenditures</b>				
Contractual services	<u>117,200</u>	<u>117,200</u>	<u><b>117,200</b></u>	<u>-</u>
Total expenditures	<u>117,200</u>	<u>117,200</u>	<u><b>117,200</b></u>	<u>-</u>

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**Schedule of Revenues and Expenditures—Budget to Actual—**  
**General Fund (18000) by Appropriation — continued**  
**For the Year Ended June 30, 2017**

	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget – Favorable (Unfavorable)
<b>ZB0606 L17, 1S, C135-S006-06</b>				
<b>Revenues</b>				
General fund appropriations	36,200	36,200	<b>36,200</b>	-
Total revenues	<u>36,200</u>	<u>36,200</u>	<u><b>36,200</b></u>	<u>-</u>
<b>Expenditures</b>				
Other costs	36,200	36,200	<b>36,200</b>	-
Total expenditures	<u>36,200</u>	<u>36,200</u>	<u><b>36,200</b></u>	<u>-</u>
<b>P642 - Secretary of State</b>				
<b>Revenues</b>				
General fund appropriations	4,399,200	3,835,434	<b>3,993,130</b>	157,696
Total revenues	<u>4,399,200</u>	<u>3,835,434</u>	<u><b>3,993,130</b></u>	<u>157,696</u>
<b>Expenditures</b>				
Personal services and benefits	3,801,800	3,354,082	<b>3,352,853</b>	1,229
Contractual services	127,900	99,867	<b>99,867</b>	-
Other	469,500	381,485	<b>381,161</b>	324
Total expenditures	<u>4,399,200</u>	<u>3,835,434</u>	<u><b>3,833,881</b></u>	<u>1,553</u>
<b>P783 - Elections</b>				
<b>Revenues</b>				
General fund appropriations	3,254,900	3,075,900	<b>3,239,970</b>	164,070
Intra-agency transfers	750,000	750,000	<b>750,000</b>	-
Total revenues	<u>4,004,900</u>	<u>3,825,900</u>	<u><b>3,989,970</b></u>	<u>164,070</u>
<b>Expenditures</b>				
Contractual services	953,400	967,339	<b>907,663</b>	59,676
Other	3,051,500	3,180,327	<b>3,179,059</b>	1,268
Total expenditures	<u>4,004,900</u>	<u>4,147,666</u>	<u><b>4,086,722</b></u>	<u>60,944</u>
<b>Summary</b>				
Total revenues	11,294,967	10,552,201	<b>8,136,500</b>	(2,415,701)
Total expenditures	11,294,967	10,873,967	<b>10,187,046</b>	686,921
Excess (deficiency) of revenues over expenditures	-	(321,766)	<b>(2,050,546)</b>	(1,728,780)
Less reversion to State General Fund	-	-	<b>(70,912)</b>	(70,912)
Net change in fund balance	<u>\$ -</u>	<u>\$ (321,766)</u>	<u><b>\$ (2,121,458)</b></u>	<u>\$ (1,799,692)</u>

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**Schedule of Revenues and Expenditures—Budget to Actual—**  
**Public Election Fund (81200) by Appropriation**  
**For the Year Ended June 30, 2017**

	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget – Favorable (Unfavorable)
<b>ZB0607 L17, 1S, C135-S006-07</b>				
<b>Revenues</b>				
Other financing sources (uses)	\$ 179,000	\$ 179,000	\$ -	\$ (179,000)
Total revenues	<u>179,000</u>	<u>179,000</u>	<u>-</u>	<u>(179,000)</u>
<b>Expenditures</b>				
Other costs	<u>179,000</u>	<u>179,000</u>	<b>179,000</b>	-
Total expenditures	<u>179,000</u>	<u>179,000</u>	<b>179,000</b>	-
<b>Z30525 L13, 1S, C227 S005 I025</b>				
<b>Revenues</b>				
Other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<b>200,000</b>	(100,000)
Total revenues	<u>300,000</u>	<u>300,000</u>	<b>200,000</b>	(100,000)
<b>Expenditures</b>				
Other costs	<u>300,000</u>	<u>300,000</u>	<b>890</b>	299,110
Total expenditures	<u>300,000</u>	<u>300,000</u>	<b>890</b>	299,110
<b>P783 - Elections</b>				
<b>Revenues</b>				
Other financing sources (uses)	750,000	750,000	<b>1,200,000</b>	450,000
Interest income	-	-	<b>1,072</b>	1,072
Miscellaneous income	<u>-</u>	<u>-</u>	<b>3,178</b>	3,178
Total revenues	<u>750,000</u>	<u>750,000</u>	<b>1,204,250</b>	454,250
<b>Expenditures</b>				
Other costs	<u>750,000</u>	<u>750,000</u>	<b>750,000</b>	-
Total expenditures	<u>750,000</u>	<u>750,000</u>	<b>750,000</b>	-

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**Schedule of Revenues and Expenditures—Budget to Actual—**  
**Public Election Fund (81200) by Appropriation — continued**  
**For the Year Ended June 30, 2017**

	Budget Original	Budget Final	Actual Amounts	Variance with Final Budget – Favorable (Unfavorable)
<b>ZB0608 L17, 1S, C135-S006-08</b>				
<b>Revenues</b>				
Other financing sources (uses)	146,400	146,400	-	(146,400)
Total revenues	<u>146,400</u>	<u>146,400</u>	<u>-</u>	<u>(146,400)</u>
<b>Expenditures</b>				
Other costs	146,400	146,400	<b>146,639</b>	(239)
Total expenditures	<u>146,400</u>	<u>146,400</u>	<u><b>146,639</b></u>	<u>(239)</u>
<b>Summary</b>				
Total revenues	1,375,400	1,375,400	<b>1,404,250</b>	28,850
Total expenditures	<u>1,375,400</u>	<u>1,375,400</u>	<u><b>1,076,529</b></u>	<u>298,871</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u><b>327,721</b></u>	<u>328,611</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u><b>\$ 327,721</b></u>	<u>\$ 328,611</u>

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**1) Budgetary Basis of Accounting**

Budgets are adopted on the modified accrual basis. The annual appropriated budget is legally enacted and provides for a legal level of control at the appropriation program level (A-Code, P-Code, R-code, and Z-Code).

## Supplementary Information



**State of New Mexico**  
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**Combining Statements of the General Fund**  
**Balance Sheet**  
**For the Year Ended June 30, 2017**

	General Fund (18000)	Notary Fund (79900)	Corporation Fees Fund (12110)	Total General Fund
<b>Assets</b>				
Investment in State General Fund Investment Pool	\$ 590,319	\$ 18,321	\$ 3,315	\$ 611,955
Accounts receivable	2,583	1,860	-	4,443
Due from other funds	-	-	6,460	6,460
Total assets	<u>\$ 592,902</u>	<u>\$ 20,181</u>	<u>\$ 9,775</u>	<u>\$ 622,858</u>
<b>Liabilities and Fund Balance</b>				
Current liabilities				
Accounts payable	\$ 165,667	\$ 1,275	\$ -	\$ 166,942
Accrued payroll	121,551	-	-	121,551
Due to other state agencies	-	-	-	-
Due to State General Fund	24,759	18,906	9,775	53,440
Due to other funds	-	-	-	-
Other liabilities	75	-	-	75
Total liabilities	<u>312,052</u>	<u>20,181</u>	<u>9,775</u>	<u>342,008</u>
Fund balance				
Restricted	-	-	-	-
Committed	280,850	-	-	280,850
Total fund balance	<u>280,850</u>	<u>-</u>	<u>-</u>	<u>280,850</u>
Total liabilities and fund balance	<u>\$ 592,902</u>	<u>\$ 20,181</u>	<u>\$ 9,775</u>	<u>\$ 622,858</u>

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**Combining Statements of the General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For the Year Ended June 30, 2017**

	General Fund (18000)	Notary Fund (79900)	Corporation Fees Fund (12110)	Total General Fund
<b>Revenues</b>				
Interest income	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current				
Personal services and benefits	3,352,853	-	-	3,352,853
Contractual services	2,023,027	-	-	2,023,027
Other costs	<u>4,811,166</u>	<u>-</u>	<u>-</u>	<u>4,811,166</u>
Total expenditures	<u>10,187,046</u>	<u>-</u>	<u>-</u>	<u>10,187,046</u>
Excess (deficiency) of revenues over expenditures	<u>(10,187,046)</u>	<u>-</u>	<u>-</u>	<u>(10,187,046)</u>
<b>Other Financing Sources (Uses)</b>				
General fund appropriations	7,386,500	-	-	7,386,500
Other financing sources	750,000	-	-	750,000
Reversion to the State General Fund	<u>(70,912)</u>	<u>-</u>	<u>-</u>	<u>(70,912)</u>
Total other financing sources (uses)	<u>8,065,588</u>	<u>-</u>	<u>-</u>	<u>8,065,588</u>
Net change in fund balances	<u>(2,121,458)</u>	<u>-</u>	<u>-</u>	<u>(2,121,458)</u>
Fund balance, beginning of year	2,438,375	-	-	2,438,375
Restatement	<u>(36,067)</u>	<u>-</u>	<u>-</u>	<u>(36,067)</u>
Fund balance, beginning of year, as restated	<u>2,402,308</u>	<u>-</u>	<u>-</u>	<u>2,402,308</u>
Fund balance, beginning of year	<u>\$ 280,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,850</u>

## Other Supplementary Information

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**Schedule of Operating Transfers**  
**For the Year Ended June 30, 2017**

SHARE Fund	Agency	In	Out
<b>General Fund (18000)</b>			
(1) 85300	Department of Finance and Administration	\$ 7,386,500	\$ -
(2) 81200	Public Election Fund	750,000	-
(8) 85300	Reversion to the State General Fund		
<b>Public Election Fund (81200)</b>			
(3) 71000	Taxation and Revenue Department	1,200,000	-
(4) 50600	Public Regulation Commission (PRC)	200,000	-
(2) 18000	Other Financing Uses - Intra agency	<u>-</u>	<u>750,000</u>
	Total	<u>\$ 9,536,500</u>	<u>\$ 750,000</u>

- (1) General Fund Appropriation
- (2) Public Election Fund Appropriation, Intrafund Activity
- (3) Distribution from the Tax Administration Suspense Fund, Section 7-1-6.58 NMSA 1978
- (4) Distribution from the PRC per Section 1-19A-10 NMSA 1978
- (5) Intrafund transfer of funds for expenditure in 18000
- (6) Reversion to the State General Fund

## 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*

Ms. Maggie Toulouse Oliver, Secretary of State  
State of New Mexico, Office of the Secretary of State  
And  
Mr. Timothy Keller, New Mexico State Auditor

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 (the "Office") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated October 30, 2017.

**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. However, material weaknesses may exist that have not been identified.

### **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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

### **The Office's Response to the Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

Phoenix, Arizona  
October 30, 2017

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2017**

**Section I — Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No



**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2017**

**Section II — Section 12-6-5 NMSA 1978 Findings**

**2017-001 – Budget Overages (Other Noncompliance)**

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*Criteria:* Adopted budgets shall not be exceeded in costs by claims and warrants at the appropriation program level. Any violation of the New Mexico Statute 6-6-6 1978 compilation and the New Mexico State Auditor Rule 2.2.2.10(R) must be reported.

*Condition:* Fund 81200 (Public Election Fund) was over-expended by \$239 in the code ZB0608.

*Cause:* A \$3,300 expenditure was improperly recorded to the General Fund that related to PCI compliance as part of the Public Election Fund. An entry to reclass these expenditures to the correct fund resulted in the fund being over-expended.

*Effect:* The Office is out of compliance with statutory requirements to obtain approval prior to making expenditures.

*Auditor Recommendation:* We recommend that management establish controls necessary to initially establish and monitor the budget and submit any necessary adjustments on a timely basis in order to avoid overages.

*Management Response and Corrective Action:* The cause of this over expenditure was outside of the control of the agency as it was an allocated fine for PCI noncompliance for which a quote was not available. Based on the last quarter's allocation, we expected \$1,800, and so ensured that there was sufficient funds for that amount. The amount instead was \$3,300, and was recorded to the incorrect fund. The fund correction was made by this office, which was budgeted \$239 less than the \$3,300 required. The agency was granted a budget override approval from the state controller to post the correction, which is part of the journal entry back up documents. The agency does not expect continued PCI noncompliance fees into the third quarter of FY18, and does not expect this type of entry to be a recurring issue. The Chief Financial Officer is expected to ensure that sufficient budget is available for expenditure. The timeline for implementation is December 31, 2017.



STATE OF NEW MEXICO  
**MAGGIE TOULOUSE OLIVER**  
SECRETARY OF STATE

**Corrective Action Plan**  
**For the Year Ended June 30, 2017**

<b>Audit Finding</b>	<b>Management's Corrective Action Plan</b>	<b>Employee Person Responsible</b>	<b>Timeline and Estimated Completion Date</b>
2017-001 Budget Overages	The agency does not expect continued PCI noncompliance fees into the third quarter of FY18, and does not expect this type of entry to be a recurring issue. The Chief Financial Officer is expected to ensure that sufficient budget is available for expenditure.	CFO	12/31/17

**State of New Mexico**  
**Office of the Secretary of State**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2017**

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
2014-001	Capital Asset Management	Resolved

**State of New Mexico**  
**Office of the Secretary of State**  
**Other Disclosures**  
**For the Year Ended June 30, 2017**

**Exit Conference**

The contents of the Office's report were discussed on October 25, 2017. The following individuals were in attendance:

**Office of the Secretary of State**

Maggie Toulouse Oliver	Secretary of State
John Blair	Deputy Secretary of State
Veronica Albin	Chief Financial Officer

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

Tom Friend, CPA	Principal
Claire Hilleary, CPA	Manager
Victoria Gorman	Senior (via telephone)

**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.