

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

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**



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INGRAM

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## **Introductory Section**

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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, 2018**

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

## Report

## **INDEPENDENT AUDITORS' REPORT**

Wayne Johnson  
New Mexico State Auditor  
Maggie Toulouse Oliver  
Secretary of State  
Office of the Secretary of State  
Santa Fe, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds with legally adopted annual budgets of the New Mexico Office of the Secretary of State (the "Agency"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency'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.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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.

### **Opinion**

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, and the aggregate remaining fund information of the Agency as of June 30, 2018, the respective changes in financial position thereof, and the budgetary comparisons for the General Fund and major special revenue funds with legally adopted annual budgets 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 of the Agency are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the Agency. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2018, 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.

### **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 11 through 17 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 Agency's financial statements and the budgetary comparison. The introductory section, Combining Fund Financial Statements, and Supporting Schedules required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

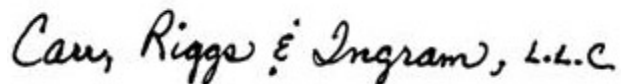
The Combining Fund Financial Statements and the Supporting Schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the 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 auditing standards generally accepted in the United States of America. In our opinion, the Combining Fund Financial Statements and Supporting Schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018 on our consideration of the Agency'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 solely 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 effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
November 1, 2018

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

This Management's Discussion and Analysis of the fiscal performance of the New Mexico Office of the Secretary of State (the "Agency") for the period ending June 30, 2018 represents a narrative overview and analysis of the financial activities of the Agency for year ended June 30, 2018.

The mission of the Agency 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 the mission of the Agency to file and maintain records vital to the interest of commerce and industry.

### **Introduction**

The discussion and analysis of the Agency's financial performance provides an overall review of the Agency's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. Furthermore, readers of the discussion and analysis should also review the basic financial statements and notes to enhance their understanding of the Agency's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- The Agency has successfully maintained the financial reporting processes as required by the Governmental Accounting Standards Board Statement No. 34.
- Total assets of governmental activities increased \$2,004,008 or 31.63%.
- Total liabilities of governmental activities increased \$4,655,540 or 867.11%.
- The Agency had \$14,405,122 in expenses related to governmental activities; \$388,936 of these expenses were offset by program specific charges for fees and miscellaneous income. General revenues and transfers, primarily from state appropriations of \$11,449,582 were adequate to provide for these programs.
- The District's net position decreased by \$2,566,604 or 45.46%.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the New Mexico Office of the Secretary of State as a financial whole, or as an entire operating entity. The Statement of Net Position and Statement of Activities provide information about the activities of the whole Agency, presenting both an aggregate view of the Agency's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

**Using the Basic Financial Statements (continued)**

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Agency's most significant funds with all other non-major funds presented in total in a single column. For the New Mexico Office of the Secretary of State, the General Fund, Public Election Fund, and HAVA Fund are the most significant fund.

**Statement of Net Position and Statement of Activities**

While this report contains the funds used by the Agency to provide programs and activities, the view of the Agency as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Agency's net position and changes in net position. This change in net position is important because it identifies whether the financial position of the Agency has improved or diminished for the Agency as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors may include elections held from year to year.

In the Statement of Net Position and the Statement of Activities, all of the Agency's activities are reported in one column. The column is labeled:

**Governmental Activities** - All of the Agency's programs and services are reported here including services, operation and maintenance of plant and equipment.

The Statement of Activities reflects the cost of program services and the charges for services, grants, appropriations and offsetting those services. The Statement of Activities for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues from state appropriations.

The dependence upon appropriations from the State General Fund for governmental activities is apparent. Over 41% of State General Fund appropriation revenues are being spent on personal services and employee benefits.

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

**Statement of Net Position and Statement of Activities (continued)**

**Statement of Net Position**

	2018	2017	Variance
<b>Assets</b>			
Current and other assets	\$ 5,539,165	\$ 1,074,809	\$ 4,464,356
Capital assets, net of accumulated depreciation	2,801,590	5,261,938	(2,460,348)
<b>Total assets</b>	<b>\$ 8,340,755</b>	<b>\$ 6,336,747</b>	<b>\$ 2,004,008</b>
<b>Liabilities</b>			
Current liabilities	\$ 5,116,543	\$ 464,877	\$ 4,651,666
Other long-term liabilities	75,899	72,025	3,874
<b>Total liabilities</b>	<b>5,192,442</b>	<b>536,902</b>	<b>4,655,540</b>
<b>Net position</b>			
Net Investment in Capital Assets	2,801,590	5,261,938	(2,460,348)
Restricted	575,666	401,106	174,560
Unrestricted	(228,943)	136,801	(365,744)
<b>Total net position</b>	<b>3,148,313</b>	<b>5,799,845</b>	<b>(2,651,532)</b>
<b>Total liabilities and net position</b>	<b>\$ 8,340,755</b>	<b>\$ 6,336,747</b>	<b>\$ 2,004,008</b>

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

**Statement of Net Position and Statement of Activities (continued)**

**Statement of Activities**

	2018	2017	Variance
Program revenues:			
Program revenues	\$ 388,936	\$ 178,366	\$ 210,570
General revenues, net of transfers	11,449,582	8,753,930	2,695,652
Total revenue	11,838,518	8,932,296	2,906,222
Expenses			
Program expenses	14,405,122	13,173,566	1,231,556
Total expenses	14,405,122	13,173,566	1,231,556
Restatement of Net Position	(84,928)	36,067	(120,995)
Increase (decrease) in net position	\$ (2,566,604)	\$ (4,241,270)	\$ 1,674,666

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the New Mexico Office of the Secretary of State, assets exceeded liabilities by \$3,148,313 at the close of the most recent fiscal year. By far the largest portion of the Agency's net position, 89% reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding. The Agency uses these assets to provide voting locations for elections around the state; consequently, these assets are not available for future spending.

The Agency's net position decreased by \$2,566,604 during the current fiscal year. The decrease is due primarily to program expenses outpacing general fund appropriations for the fiscal year. At the end of the current fiscal year, the Agency is able to report positive balances in two of three categories of net position for the government as a whole.

**The Agency's Funds**

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-wide financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at year end (i.e. current financial resources).

**State of New Mexico  
Office of the Secretary of State  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

**The Agency's Funds (Continued)**

Such information may be useful in evaluating a government's near-term financing requirements. The Agency 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 was established by legislation at 1-19-10 NMSA for the purposes of financing the campaign 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
- Help America Vote Act Fund (HAVA) (SHARE 90300) – The HAVA fund is used to account for the federal fund related to the Help America Vote Act.

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 Agency's financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Reporting the Agency's Most Significant Funds**

***Fund Financial Statements***

Fund financial reports provide detailed information about the Agency's major funds. The Agency statements focus on the Agency's most significant funds. The Agency's major governmental funds are the General Fund, the Public Election Fund and the Help America Vote Act Fund.

***Governmental Funds***

Most of the Agency's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the Agency's programs.

**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

**Reporting the Agency's Most Significant Funds (Continued)**

The relationship, or differences, between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds is reconciled in the financial statements. The general fund is the chief operating fund of the Agency. As of June 30, 2018, all of the General Fund's fund balance was a deficit of \$77,146.

**General Fund Budgeting Highlights**

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the final approved budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the agency's budgetary basis (modified accrual). Budgetary information is provided at the approved budget level to demonstrate compliance with legal requirements. For the year ended June 30, 2018, the general fund had a favorable variance in expenditures of \$432,547.

**Capital Assets**

At the end of fiscal 2018, the Agency had \$14,535,052 invested in capitalized assets with associated accumulated depreciation of \$11,733,462. Activity in the capital asset accounts is reported in Note 5 to the financial statements. The Agency has primarily voting systems under the care and custody of the New Mexico Counties. The Agency also had computer equipment, software, and furniture at year end.

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

The fiscal year 2018 general fund budget appropriation was \$7,233,100. The Agency was also appropriated \$640,000 from the Public Election fund, the legislature using notwithstanding language; \$35,000 from the Credit Card Convenience Fee fund; and a supplemental appropriation of \$1,585,100 for a shortfall in the Election fund.

A record high disbursement was made to eligible publicly financed candidates under the Voter Action Act in fiscal year 2018. There were a record high 13 qualified candidates, resulting in the highest amount of funds disbursed to date, a total of \$2,139,199. The office requested and received a supplemental appropriation of \$1,390,000, which is equivalent to the funds which were appropriated from the Public Election fund in FY17 and FY18 to supplement to office's operating budget.

The Agency continues to request that no funds be used from the Public Election fund to supplement its operating budget and will request from the legislature supplemental appropriations to replenish the funds previously appropriated from the fund for this purpose.



**State of New Mexico**  
**Office of the Secretary of State**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

**Future Trends**

The Agency has completed the development and implementation of the State Elections Registration and Voting Integrity System (SERVIS), and is now able to realize the system maintenance savings associated with the upgrade. The office is undertaking a Campaign Finance modernization project that was legislatively mandated in the 2017 legislative session, and for which it has received a \$985,000 appropriation from the Computer Enhancement Fund. The office has also received an \$825,000 Capital Outlay appropriation for IT hardware infrastructure replacement that will be completed in fiscal year 2019.

Legislation was passed in the 2018 legislative session creating a Local Election Act. A new fund has been created and will be administered by the Secretary of State's office. The legislation eliminates the Municipal Election Code, and consolidates all other local elections into one election to be held in November of the odd calendar year. Municipalities have the option to participate if they choose. The office will be responsible for collecting assessments from the local government entities subject to the Act, which is the source of the fund revenue, and will be responsible to reimburse counties the costs of conducting the consolidated election.

The administrative leadership remained the same throughout fiscal year 2018. In early fiscal year 2019, the Agency's Chief Information Officer and Acting Bureau of Elections Director resigned her position. Mandy Vigil was appointed as Acting Elections Director and Blezoo Varghese was appointed as Acting CIO.

The office continues to operate with a vacancy rate over 20% due to budgetary constraints. The office anticipates requesting a \$1.1 million supplemental appropriation in the 2019 legislative session for budget shortfalls in both programs. The supplemental appropriation will allow the office to pay for salaries of those positions that have been held vacant to remain within budget, conduct the 2018 General Election, and provide information and outreach to voters and to the business community.

**Contacting the Agency's Financial Management**

The financial report is designed to a general overview of the Office's finances and demonstrate accountability for the money it receives. Questions about this report or additional financial information needs should be directed to the Chief Financial Officer, Office of the Secretary of State, 325 Don Gaspar, Suite 300, Santa Fe, New Mexico, 87501.

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## **Financial Statements**

**State of New Mexico**  
**Office of the Secretary of State**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Interest in State General Fund Investment Pool	\$ 5,536,382
Cash	200
Accounts receivable	2,583
Total current assets	5,539,165
Noncurrent assets:	
Capital assets, net	2,801,590
Total noncurrent assets	2,801,590
Total assets	\$ 8,340,755
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 881,086
Accrued payroll	133,502
Due to State General Fund	24,759
Unearned revenue	3,699,470
Other liabilities	301,828
Compensated absences	75,898
Total current liabilities	5,116,543
Noncurrent liabilities	
Compensated absences	75,899
Total noncurrent liabilities	75,899
Total liabilities	5,192,442
Net position	
Net investment in capital assets	2,801,590
Restricted	575,666
Unrestricted	(228,943)
Total net position	3,148,313
Total liabilities and net position	\$ 8,340,755

*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, 2018**

	<b>Governmental Activities</b>
<hr/>	
Expenses	
Executive	
Personal services and employee benefits	\$ 3,625,884
Contractual services	1,514,065
Other costs	6,799,608
Depreciation expense	2,465,565
<hr/>	
Total expenses	14,405,122
<hr/>	
Program revenue	
Fees and miscellaneous income	388,936
<hr/>	
Total program revenues	388,936
<hr/>	
Net program expense	(14,016,186)
<hr/>	
General revenues and transfers	
General fund appropriation	10,204,600
Unclaimed gross receipts taxes	1,200,000
Interest income	12,868
Interagency transfer in	45,000
Reversion to the State General Fund	(9,823)
Interagency transfer out	(3,063)
<hr/>	
Total general revenue and transfers	11,449,582
<hr/>	
Change in net position	(2,566,604)
<hr/>	
Net position, beginning	5,799,845
<hr/>	
Net position, restatement (Note 13)	(84,928)
<hr/>	
Net position, beginning, as restated	5,714,917
<hr/>	
Net position, ending	\$ 3,148,313
<hr/> <hr/>	

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

**State of New Mexico**  
**Office of the Secretary of State**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund (18000, 79900, 12110)	Public Election Fund (81200)	HAVA Fund (90300)
<b>Assets</b>			
Investment in the State General Fund Investment Pool	\$ 1,191,631	\$ 494,763	\$ 3,717,060
Cash	200	-	-
Accounts receivable	2,583	-	-
<b>Total assets</b>	<b>\$ 1,194,414</b>	<b>\$ 494,763</b>	<b>\$ 3,717,060</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Deficit balance in State General Fund Investment Pool	\$ -	\$ -	\$ -
Accounts payable	811,471	55,261	15,308
Accrued payroll	133,502	-	-
Due to State General Fund	24,759	-	-
Unearned revenue	-	-	3,699,470
Other liabilities	301,828	-	-
<b>Total liabilities</b>	<b>1,271,560</b>	<b>55,261</b>	<b>3,714,778</b>
<b>Fund balances</b>			
Restricted	-	439,502	2,282
Unassigned (deficit)	(77,146)	-	-
<b>Total fund balances</b>	<b>(77,146)</b>	<b>439,502</b>	<b>2,282</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,194,414</b>	<b>\$ 494,763</b>	<b>\$ 3,717,060</b>

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

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 133,795	\$ 5,537,249
-	200
-	2,583
<hr/>	
\$ 133,795	\$ 5,540,032
<hr/> <hr/>	

\$ 867	\$ 867
(954)	881,086
-	133,502
-	24,759
-	3,699,470
-	301,828
<hr/>	
(87)	5,041,512
<hr/>	
133,882	575,666
-	(77,146)
<hr/>	
133,882	498,520
<hr/>	
\$ 133,795	\$ 5,540,032
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*The accompanying notes are an integral part of these financial statements.*

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**State of New Mexico**  
**Office of the Secretary of State**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2018**

Total fund balance for the governmental funds	\$	498,520
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Voting systems under the care and custody of the Counties		12,317,593
Computer equipment, software and furniture		2,217,459
Accumulated depreciation		(11,733,462)

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

(151,797)

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Net position of governmental activities	\$	3,148,313
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*The accompanying notes are an integral part of these financial statements.*

**State of New Mexico**  
**Office of the Secretary of State**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund (18000, 79900, 12110)	Public Election Fund (81200)	HAVA Fund (90300)
<b>Revenues</b>			
Interest income	\$ -	\$ 10,557	\$ 1,987
Unclaimed gross receipts taxes	-	1,200,000	-
Fees and miscellaneous income	-	291,173	-
<b>Total revenues</b>	<b>-</b>	<b>1,501,730</b>	<b>1,987</b>
<b>Expenditures</b>			
<b>Current</b>			
Personnel services and employee benefits	3,618,136	-	-
Contractual services	1,514,065	-	-
Other costs	3,985,427	2,779,181	-
Capital Outlay	90,145	-	-
<b>Total expenditures</b>	<b>9,207,773</b>	<b>2,779,181</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	(9,207,773)	(1,277,451)	1,987
<b>Other financing sources (uses)</b>			
General Fund appropriations	8,814,600	1,390,000	-
Interagency transfer in	45,000	-	-
Interagency transfer out	-	(3,063)	-
Reversion to the State General Fund	(9,823)	-	-
<b>Total other financing sources (uses)</b>	<b>8,849,777</b>	<b>1,386,937</b>	<b>-</b>
Net change in fund balances	(357,996)	109,486	1,987
Fund balances, beginning of year	280,850	330,016	295
<b>Fund balances, end of year</b>	<b>\$ (77,146)</b>	<b>\$ 439,502</b>	<b>\$ 2,282</b>

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

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 324	\$ 12,868
-	1,200,000
97,763	388,936
<hr/>	<hr/>
98,087	1,601,804
<hr/>	<hr/>
-	3,618,136
-	1,514,065
35,000	6,799,608
-	90,145
<hr/>	<hr/>
35,000	12,021,954
<hr/>	<hr/>
63,087	(10,420,150)
<hr/>	<hr/>
-	10,204,600
-	45,000
-	(3,063)
-	(9,823)
<hr/>	<hr/>
-	10,236,714
<hr/>	<hr/>
63,087	(183,436)
<hr/>	<hr/>
70,795	681,956
<hr/>	<hr/>
\$ 133,882	\$ 498,520
<hr/>	<hr/>

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

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**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, 2018**

Net change in fund balance - governmental funds	\$	(183,436)
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The change in net position 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		90,145
Depreciation expense		(2,465,565)

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

Decrease in compensated absences		(7,748)
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Change in net position of governmental activities	\$	(2,566,604)
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*The accompanying notes are an integral part of these financial statements.*

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**State of New Mexico**  
**Office of the Secretary of State**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund (18000, 79900, 12110)**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
General fund appropriations	\$ 7,233,100	\$ 8,814,600	8,814,600	\$ -
Fees and miscellaneous income	-	45,000	45,000	-
<b>Total revenues</b>	<b>7,233,100</b>	<b>8,859,600</b>	<b>8,859,600</b>	<b>-</b>
<b>Expenditures</b>				
Personal services and employee benefits	3,695,200	3,620,200	3,618,136	2,064
Contractual services	1,535,886	1,905,887	1,514,065	391,822
Other costs	3,983,827	4,114,233	4,075,572	38,661
<b>Total expenditures</b>	<b>9,214,913</b>	<b>9,640,320</b>	<b>9,207,773</b>	<b>432,547</b>
Excess (deficiency) of revenues over expenditures	(1,981,813)	(780,720)	(348,173)	432,547
Less reversion to State General Fund	-	-	(9,823)	-
<b>Net change in fund balance</b>	<b>\$ (1,981,813)</b>	<b>\$ (780,720)</b>	<b>\$ (357,996)</b>	<b>\$ 432,547</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**  
**Budget and Actual - Public Election Fund (81200)**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<b>Revenues</b>				
General fund appropriations	\$ -	\$ 1,390,000	\$ 1,390,000	\$ -
Fees and miscellaneous income	-	800,000	301,730	(498,270)
Other financing sources	640,000	640,000	1,200,000	560,000
<b>Total revenues</b>	<b>640,000</b>	<b>2,830,000</b>	<b>2,891,730</b>	<b>61,730</b>
<b>Expenditures</b>				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	640,000	2,830,000	2,782,244	47,756
<b>Total expenditures</b>	<b>640,000</b>	<b>2,830,000</b>	<b>2,782,244</b>	<b>47,756</b>
Excess (deficiency) of revenues over expenditures	-	-	109,486	109,486
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,486</b>	<b>\$ 109,486</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**  
**Budget and Actual - HAVA Fund (90300)**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
Revenues				
Other	\$ -	\$ -	\$ 1,987	\$ 1,987
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>1,987</b>	<b>1,987</b>
Expenditures				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	-	-	1,987	1,987
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,987</b>	<b>\$ 1,987</b>

\*P642 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**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The State of New Mexico, Office of the Secretary of State (the "Agency"), 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 New Mexico 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.

This summary of significant accounting policies of the Agency is presented to assist in the understanding of Agency's financial statements. The financial statements and notes are the representation of Agency's management who is responsible for their integrity and objectivity. The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

**A. *Financial Reporting Entity***

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*A. Financial Reporting Entity (continued)*

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Agency has no component unit.

The Agency is not included in any other governmental "reporting entity" as defined by Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, but would be included in the state-wide Comprehensive Annual Financial Report (CAFR).

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*B. Government-wide and fund financial statements (continued)*

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Position, the governmental activities (a) are presented on a consolidated basis, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*C. Measurement focus, basis of accounting, and financial statement presentation*

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenue associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period, subject to the availability criterion. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Agency's citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Agency's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Agency facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all state appropriations.

The Agency reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Agency does not currently employ indirect cost allocation systems.

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

Under the requirements of GASB Statement No. 34, the Agency is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

The *General Fund (18000, 79900, 12210)* is the Agency's primary operating fund. 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.

*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.

*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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

*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 2018.

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity*

**Deposits and Investments:** The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Agency to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental are netted as part of the reconciliation to the government-wide financial statements. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Due From Other State Agencies:** Due from other state agencies consist of appropriations to the Agency transferred via other state agencies, investment earnings due to the Agency funds, and draw downs of bond proceeds.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used and restricted for future debt service payments or capital projects.

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)*

**Capital Assets:** Capital assets, which include voting systems, computer equipment, and office equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost.

Information Technology Equipment including software is being capitalized in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

**Accrued Expenses:** Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2018, along with applicable FICA and Medicare liabilities.

**Grants:** Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as unearned revenue on the Balance Sheet and the Statement of Net Position.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Agency has no deferred outflows at June 30, 2018.

**Deferred Inflow of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Agency has no deferred inflows at June 30, 2018.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)*

**Compensated Absences:** Agency employees are entitled to certain compensated absences based on their employment classification and length of employment.

*Vacation Pay* – Employees may accumulate up to 240 hours of vacation and carry leave forward from calendar year to calendar year. Upon termination, employees will be paid up to 240 hours, at their current hourly rate, of accrued vacation pay leave. All vacation pay is accrued when incurred in the government-wide financial statements.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

*Sick Leave* – Each employee of the Agency accumulates sick leave of 3.69 hours per pay period. Sick leave can be carried forward from calendar year to calendar year. There is no limit to the amount of sick leave that an employee may accumulate. Upon termination, employees are paid for the accumulated time at their current hourly rate up to 600 hours. Amounts over 600 hours are paid out at 50% of their current rate up to 720 hours.

Sick leave is paid once per fiscal year in either January or July. Upon retirement, those employees with over 600 hours of sick leave accumulated have the option to convert 400 hours of such leave to cash at one half of their current hourly rate.

**Long-term Obligations:** In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities of the statement of net position.

**Fund Balance Classification Policies and Procedures:** In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, unassigned). Restricted fund balance represents those portions of fund balance where constraints placed on the resources are either externally imposed, or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive Branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)*

For the classification of fund balances, the Agency considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available.

Also for the classification of fund balances, the Agency considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. Detail of these balances are found at Note 15.

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

- a. Net investment in capital assets: Consists of capital assets, net of net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “special revenue” and are described in Note 15.
- c. Unrestricted Net Position: All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Agency’s financial statements include the expected useful lives of capital assets and the current portion of accrued compensated absences.

**Encumbrance Accounting:** Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and the Special Revenue Funds. Encumbrances not recorded as vouchers payable at year end lapse.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)*

**Revenues, Expenditures, and Expenses:** Substantially all governmental fund revenues are accrued. No allowance for doubtful accounts were necessary because the Agency's revenue sources are made up of distributions from other state agencies or governments and are therefore considered fully collectible by management.

Expenditures are recognized when the related fund liability is incurred.

- E. *Newly Effective Pronouncements*

During the year ended June 30, 2018, the Agency adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, and GASB Statement No. 85 *Omnibus*, and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. These four Statements are required to be implemented as of June 30, 2018, if applicable.

The implementation of these statements did not have a significant impact on the Agency because the activities of the Agency were not affected by the statements in a material manner.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*Budgetary Information*

The Agency uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. No later than September 1, the Agency prepares a budget appropriation request by category to be presented to the next Legislature.
2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request, which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

*Budgetary Information (Continued)*

6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The Agency submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the Agency and the Director of the DFA Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is at the appropriation unit level.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the Laws of 2004, Chapter 114, Section 3 Paragraph N and Paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA. 1978. Those accounts payable must be paid out of the next year's budget.
13. Each year the Legislature approves multiple appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with the budgeting methodology.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual presents comparisons of the legally adopted budget with actual data on the GAAP basis.

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 3: INTEREST IN STATE GENERAL FUND INVESTMENT POOL**

The Agency does not have a separate bank account. For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the "Pool"), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

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

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

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

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

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

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 3: INTEREST IN STATE GENERAL FUND INVESTMENT POOL (Continued)**

The Agency has established daily and monthly procedures that mitigate the risk of misstatement of the Agency’s balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

State law (Section 8-6-3 NMSA 1978) requires the Agency’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Agency’s consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Detail of pledged collateral specific to this agency is unavailable because the bank comingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such “authorized” bank accounts.

The Agency does not have a separate bank account. The following is a summary of the Agency’s investment account of the State General Fund Investment Pool held by the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA):

SHARE Account	Fund Description	SHARE Balance
18000	General Fund	\$ 889,878
02500	Arbitration Fund	39,720
40260	Campaign Reporting System Fund	52,500
43170	Convenience Fee Fund	41,575
79900	Notary Fund	301,753
81200	Public Election Fund	494,763
89200	STB Capital Outlay Fund (deficit)	(867)
90300	HAVA Fund	3,717,060
Total Interest in State General Fund Investment Pool per Statement of Net Position		5,536,382
18000	Petty cash	200
<b>Total share of State General Fund Investment Pool</b>		<b>\$ 5,536,582</b>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it.

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer’s Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such “authorized” bank accounts.

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 4: INTERAGENCY TRANSFERS**

The Agency had the following interagency transfers in and out for the year ended June 30, 2018:

SHARE Fund	Agency	In	Out
<b>General Fund (18000)</b>			
(1) 85300	(34101) Department of Finance and Administration	\$ 8,814,600	\$ -
(2) 62000	(34100) Department of Finance and Administration	45,000	-
(4) 85300	(34101) Department of Finance and Administration	-	9,823
<b>Public Election Fund (81200)</b>			
(1) 85300	(34101) Department of Finance and Administration	1,390,000	-
(3) 71820	(34000) Administrative Hearings Office	-	3,063
<b>Total</b>		<b>\$ 10,249,600</b>	<b>\$ 12,886</b>

- (1) General Fund Appropriation
- (2) Payments per House Bill 2, Section 5, Item 7 fir Payment Card Industry Data Security
- (3) Hearing fees
- (4) Reversion to State General fund

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
<b>Governmental activities:</b>					
Capital assets being depreciated:					
Computer equipment, software and furniture	\$ 2,217,459	\$ -	\$ -	\$ -	\$ 2,217,459
Voting systems under the care and custody of the Counties	13,196,277	90,145	-	(968,829)	12,317,593
<b>Total</b>	<b>15,413,736</b>	<b>90,145</b>	<b>-</b>	<b>(968,829)</b>	<b>14,535,052</b>
Less accumulated depreciation:					
Computer equipment, software and furniture	(2,192,621)	(14,528)	-	13,403	(2,193,746)
Voting systems under the care and custody of the Counties	(7,959,177)	(2,451,037)	-	870,498	(9,539,716)
<b>Total</b>	<b>(10,151,798)</b>	<b>(2,465,565)</b>	<b>-</b>	<b>883,901</b>	<b>(11,733,462)</b>
<b>Net capital assets</b>	<b>\$ 5,261,938</b>	<b>\$ (2,375,420)</b>	<b>\$ -</b>	<b>\$ (84,928)</b>	<b>\$ 2,801,590</b>

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 5: CAPITAL ASSETS (Continued)**

The New Mexico Office of the Secretary of State does not have any debt related to capital assets as of June 30, 2018. Depreciation expense for the agency amounted to \$2,465,565 and is considered a General Governmental expense.

**NOTE 6: COMPENSATED ABSENCES**

The following represents changes in compensated absences for the year ended June 30, 2018:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018	Due Within One Year
Annual leave	\$ 123,793	\$ 27,177	\$ 15,101	\$ 135,869	\$ 67,934
Sick leave	4,905	4,552	4,905	4,552	2,276
Compensatory leave	15,351	29,937	33,912	11,376	5,688
<b>Total</b>	<b>\$ 144,049</b>	<b>\$ 61,666</b>	<b>\$ 53,918</b>	<b>\$ 151,797</b>	<b>\$ 75,898</b>

*Compensated absences payable* – The liability at June 30, 2018 has been recorded in the basic financial statements and represents the Agency’s commitment to fund accrued vacation, sick leave and personal time off costs from future operations. The compensated absence liability of the governmental fund is expected to be liquidated by the General Fund.

**NOTE 7: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

- The Agency had deficit fund balance at year end June 30, 2018.
  - Major Fund:
  - General Fund (18000)      \$(77,146)
- The Agency did not exceed approved budget at year end June 30, 2018.
- The Agency did not have any funds in which designated cash appropriations were in excess of available budget.

**NOTE 8: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**General Information about the Pension Plan:** Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico implemented the standard for fiscal year ending June 30, 2016. The Agency, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).



**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 8: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

Disclosure requirements including schedules of required supplementary information and related notes 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. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the Agency's funds and therefore not reported in the Agency's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The Agency, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State.

All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 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.

**NOTE 10: DEFERRED COMPENSATION PLAN**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan which 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.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997, with provision for existing plans to make the required changes by January 1, 1999. PERA has approved plan amendments and has amended contracts with providers to comply with this amendment. Accordingly, plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

There are employees who are making contributions to a Deferred Compensation Plan. Neither the Agency nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants' salaries by the Agency have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan.

**NOTE 11: CONCENTRATIONS**

The Agency depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Agency is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**NOTE 12: COMMITMENTS**

*Risk Management:* The Agency obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. The coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Agency are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2015 through June 30, 2016. There have been no settlements in excess of insurance coverage as of June 30, 2018.

**NOTE 13: NET POSITION RESTATEMENT**

The Agency has a prior period adjustment of \$84,928 which was required for adjustments made to properly reflect in ending net capital assets disposals of equipment from prior years. The total amount of the restatement included in the Statement of Activities is \$84,928.

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 14: SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 1, 2018, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

**NOTE 15: FUND BALANCE AND NET POSITION**

Restricted fund balance on the modified accrual basis was classified as follows at June 30, 2018:

	Restricted	Committed	Nonspendable
Public Election Fund (81200)			
Campaign financing	\$ 439,502	\$ -	\$ -
HAVA Fund (90300)			
Election security	2,282	-	-
Nonmajor Funds			
Arbitration hearings (02500)	39,720	-	-
Maintenance of electronic reporting system (40260)	52,500	-	-
Credit card service fees (43170)	41,575	-	-
Information technology upgrades (89200)	87	-	-
	<u>\$ 575,666</u>	<u>\$ -</u>	<u>\$ -</u>

The government-wide statement of net position reports \$575,666 of restricted net position for the governmental activities, all of which are restricted by enabling legislation. Restrictions as of June 30, 2018 were as follows:

Campaign financing	\$ 439,502
Election security	2,282
Arbitration hearings (02500)	39,720
Maintenance of electronic reporting system (40260)	52,500
Credit card service fees (43170)	41,575
Information technology upgrades (89200)	87
	<u>\$ 575,666</u>

**State of New Mexico**  
**Office of the Secretary of State**  
**Notes to Financial Statements**  
**June 30, 2018**

**NOTE 16: SUBSEQUENT PRONOUNCEMENTS**

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

In August 2018, GASB Statement No. 90 *Accounting for Majority Equity Interest and amendment of GASB No. 14 and No. 61* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

## **Supplementary Information**

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**State of New Mexico**  
**Office of the Secretary of State**  
**Nonmajor Governmental Fund Descriptions**  
**June 30, 2018**

**Special Revenue Funds**

**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 2018.

**Campaign Reporting System Fund (SHARE 40260)**—Established by the Laws of 2016, Chapter 13, Section 1.C. for the purpose of paying for upgrades, maintenance, and operations of the electronic (campaign) reporting system. It is funded by registration fees collected by the Secretary of State from lobbyists and political committees. It is a non-reverting fund and is a nonbudgeted fund for fiscal year ending 2018.

**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 2018.

**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.

**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.

**State of New Mexico**  
**Office of the Secretary of State**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Arbitration Fund (02500)	Campaign Reporting System Fund (40260)	ERIC Project Fund (40290)
<b>Assets</b>			
Interest in the State General Fund Investment Pool	\$ 39,720	\$ 52,500	\$ -
<b>Total assets</b>	<b>\$ 39,720</b>	<b>\$ 52,500</b>	<b>\$ -</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Deficit balance in State General Fund Investment Pool	\$ -	\$ -	\$ -
Accounts payable	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>			
Restricted	39,720	52,500	-
<b>Total fund balances</b>	<b>39,720</b>	<b>52,500</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 39,720</b>	<b>\$ 52,500</b>	<b>\$ -</b>

*See independent auditors' report.*



Convenience Fee Fund (43170)	STB Capital Outlay Fund (89200)	Total Governmental Funds
\$ 41,575	\$ -	\$ 133,795
\$ 41,575	\$ -	\$ 133,795
\$ -	\$ 867	\$ 867
-	(954)	(954)
-	(87)	(87)
41,575	87	133,882
41,575	87	133,882
\$ 41,575	\$ -	\$ 133,795

*See independent auditors' report.*

**State of New Mexico**  
**Office of the Secretary of State**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Arbitration Fund (02500)	Campaign Reporting System Fund (40260)	ERIC Project Fund (40290)
<b>Revenues</b>			
Interest income	\$ 324	\$ -	\$ -
Fees and miscellaneous income	4,617	52,500	-
<b>Total revenues</b>	<b>4,941</b>	<b>52,500</b>	<b>-</b>
<b>Expenditures</b>			
Current			
Other costs	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	4,941	52,500	-
Net change in fund balances	4,941	52,500	-
Fund balances, beginning of year	34,779	-	-
<b>Fund balances, end of year</b>	<b>\$ 39,720</b>	<b>\$ 52,500</b>	<b>\$ -</b>

*See independent auditors' report.*

<b>Convenience Fee Fund (43170)</b>	<b>STB Capital Outlay Fund (89200)</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 324
40,646	-	97,763
40,646	-	98,087
35,000	-	35,000
35,000	-	35,000
5,646	-	63,087
5,646	-	63,087
35,929	87	70,795
\$ 41,575	\$ 87	\$ 133,882

*See independent auditors' report.*

**State of New Mexico  
Office of the Secretary of State  
Combining Statement of the General Fund  
Balance Sheet  
For the Year Ended June 30, 2018**

	General Fund (18000)	Notary Fund (79900)	Corporation Fees Fund (12110)	Total
<b>Assets</b>				
Interest in State General Fund Investment Pool	\$ 889,878	\$ 301,753	\$ -	\$ 1,191,631
Cash	200	-	-	200
Accounts receivable	2,583	-	-	2,583
<b>Total assets</b>	<b>\$ 892,661</b>	<b>\$ 301,753</b>	<b>\$ -</b>	<b>\$ 1,194,414</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 811,471	\$ -	\$ -	\$ 811,471
Accrued payroll	133,502	-	-	133,502
Due to State General Fund	24,759	-	-	24,759
Other liabilities	75	301,753	-	301,828
<b>Total liabilities</b>	<b>969,807</b>	<b>301,753</b>	<b>-</b>	<b>1,271,560</b>
<b>Fund balances</b>				
Unassigned	(77,146)	-	-	(77,146)
<b>Total fund balances</b>	<b>(77,146)</b>	<b>-</b>	<b>-</b>	<b>(77,146)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 892,661</b>	<b>\$ 301,753</b>	<b>\$ -</b>	<b>\$ 1,194,414</b>

*See independent auditors' report.*

**State of New Mexico**  
**Office of the Secretary of State**  
**Combining Statement of the General Fund**  
**Statement Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund (18000)	Notary Fund (79900)	Corporation Fees Fund (12110)	Total General Fund
<b>Revenues</b>				
Interest income	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>				
Current				
Personnel services and employee benefits	3,618,136	-	-	3,618,136
Contractual services	1,514,065	-	-	1,514,065
Other costs	3,985,427	-	-	3,985,427
Capital outlay	90,145	-	-	90,145
<b>Total expenditures</b>	<b>9,207,773</b>	<b>-</b>	<b>-</b>	<b>9,207,773</b>
Excess (deficiency) of revenues over expenditures	(9,207,773)	-	-	(9,207,773)
<b>Other financing sources (uses)</b>				
General fund appropriations	8,814,600	-	-	8,814,600
Interagency transfer in	45,000	-	-	45,000
Reversion to the State General Fund	(9,823)	-	-	(9,823)
<b>Total other financing sources (uses)</b>	<b>8,849,777</b>	<b>-</b>	<b>-</b>	<b>8,849,777</b>
Net change in fund balances	(357,996)	-	-	(357,996)
Fund balances, beginning of year	280,850	-	-	280,850
<b>Fund balances, end of year</b>	<b>\$ (77,146)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (77,146)</b>

*See independent auditors' report.*

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## **Supporting Schedules**

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund (18000) By Appropriation**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>P642 - Secretary of State</b>				
Revenues				
General fund appropriations	\$ 3,735,700	\$ 3,606,700	\$ 3,606,700	\$ -
<b>Total revenues</b>	<b>3,735,700</b>	<b>3,606,700</b>	<b>3,606,700</b>	<b>-</b>
Expenditures				
Personal services and employee benefits	3,196,900	3,035,900	3,035,005	895
Contractual services	146,400	101,994	101,814	180
Other costs	392,400	468,806	437,608	31,198
<b>Total expenditures</b>	<b>3,735,700</b>	<b>3,606,700</b>	<b>3,574,427</b>	<b>32,273</b>
<b>P783 - Elections</b>				
Revenues				
General fund appropriations	3,497,400	3,626,400	3,626,400	-
<b>Total revenues</b>	<b>3,497,400</b>	<b>3,626,400</b>	<b>3,626,400</b>	<b>-</b>
Expenditures				
Personal services and employee benefits	498,300	584,300	583,131	1,169
Contractual services	959,800	948,800	941,941	6,859
Other costs	2,039,300	2,093,300	2,091,902	1,398
<b>Total expenditures</b>	<b>3,497,400</b>	<b>3,626,400</b>	<b>3,616,974</b>	<b>9,426</b>
<b>Z50712 L15 1S C101 S007 I011</b>				
Revenues				
Fund Balance	-	390,360	390,360	-
<b>Total revenues</b>	<b>-</b>	<b>390,360</b>	<b>390,360</b>	<b>-</b>
Expenditures				
Contractual services	384,686	775,046	390,263	384,783
Other costs	5,674	5,674	-	5,674
<b>Total expenditures</b>	<b>390,360</b>	<b>780,720</b>	<b>390,263</b>	<b>390,457</b>

*See independent auditors' report.*



	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>(Continued)</i>				
<b>ZB057 1S C135 S005 07</b>				
Revenues				
Miscellaneous Revenue	\$ -	\$ 45,000	\$ 45,000	\$ -
Total revenues	-	45,000	45,000	-
Expenditures				
Contractual services	45,000	45,000	45,000	-
Total expenditures	45,000	45,000	45,000	-
<b>ZC6008 - L18 2S C73 S006 108</b>				
Revenues				
General fund appropriations	-	1,581,500	1,581,500	-
Total revenues	-	1,581,500	1,581,500	-
Expenditures				
Contractual services	-	35,047	35,047	-
Other costs	1,546,453	1,546,453	1,546,062	391
Total expenditures	1,546,453	1,581,500	1,581,109	391
<b>Summary</b>				
Total revenues	7,233,100	9,249,960	9,249,960	-
Total expenditures	9,214,913	9,640,320	9,207,773	432,547
Excess (deficiency) of revenues over expenditures	(1,981,813)	(390,360)	42,187	(432,547)
Net change in fund balance	\$ (1,981,813)	\$ (390,360)	\$ 42,187	\$ (432,547)

*See independent auditors' report.*

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Public Election Fund (81200) By Appropriation**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>P642 - Secretary of State</b>				
Revenues				
Fees and miscellaneous income	\$ -	\$ 800,000	\$ 301,730	\$ (498,270)
<b>Total revenues</b>	<b>-</b>	<b>800,000</b>	<b>301,730</b>	<b>498,270</b>
Expenditures				
Other costs	-	800,000	799,983	17
<b>Total expenditures</b>	<b>-</b>	<b>800,000</b>	<b>799,983</b>	<b>17</b>
<b>P783 - Elections</b>				
Revenues				
Other Financing Sources	640,000	640,000	1,200,000	560,000
<b>Total revenues</b>	<b>640,000</b>	<b>640,000</b>	<b>1,200,000</b>	<b>(560,000)</b>
Expenditures				
Other costs	640,000	640,000	640,000	-
<b>Total expenditures</b>	<b>640,000</b>	<b>640,000</b>	<b>640,000</b>	<b>-</b>
<b>ZC6009 - L18 2S C73 S006 109</b>				
Revenues				
General fund appropriations	-	1,390,000	1,390,000	-
<b>Total revenues</b>	<b>-</b>	<b>1,390,000</b>	<b>1,390,000</b>	<b>-</b>
Expenditures				
Other costs	-	1,390,000	1,342,261	47,739
<b>Total expenditures</b>	<b>-</b>	<b>1,390,000</b>	<b>1,342,261</b>	<b>47,739</b>
<b>Summary</b>				
Total revenues	640,000	2,830,000	2,891,730	(61,730)
Total expenditures	640,000	2,830,000	2,782,244	47,756
Excess (deficiency) of revenues over expenditures				
	-	-	109,486	(109,486)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,486</b>	<b>\$ (109,486)</b>

*See independent auditors' report.*

## **Compliance Section**

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

**INDEPENDENT AUDITORS' REPORT**

Wayne Johnson,  
New Mexico State Auditor  
Maggie Toulouse Oliver  
Secretary of State  
Office of the Secretary of State  
Santa Fe, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds with legally adopted annual budgets of the New Mexico Office of the Secretary of State (the "Agency") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item FS 2018-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Agency's Response to Finding**

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

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
November 1, 2018

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses**  
**June 30, 2018**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal Control over financial Reporting                                     |            |
| a. Material weaknesses identified?   | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements noted?                     | None Noted |

**SECTION II – PRIOR YEAR FINDINGS**

2017-001 Budget Overages (Other Noncompliance) – RESOLVED

**SECTION III – FINANCIAL STATEMENT FINDINGS**

**FS 2018-001- Maintenance of Capital Assets (Significant Deficiency)**

*Condition:* The Agency’s process for counting capital asset inventory at fiscal yearend is not designed to maintain a complete and accurate listing of capital assets.

*Criteria:* According to State Audit Rule 2.2.2.10 W Capital Asset Inventory: (2) 12-6-10 NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency’s auditors. In addition according to NMAC 2.20.1.16 (E) the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

*Effect:* Capital assets that have become obsolete, that are no longer functioning, or have been lost or disposed of at locations other than the administrative office may not be properly adjusted or removed from the capital asset listing. As a result, the listing would not provide an accurate representation to management of what assets need to be repaired or replaced in a timely manner to allow operations to continue.

*Cause:* The Agency’s process does not require that site visits be made to validate the existence and condition of assets held at remote locations.

**State of New Mexico**  
**Office of the Secretary of State**  
**Schedule of Findings and Responses**  
**June 30, 2018**

**SECTION III – FINANCIAL STATEMENT FINDINGS (Continued)**

**FS 2018-001- Maintenance of Capital Assets (Significant Deficiency) (Continued)**

*Auditors' Recommendation:* The Agency should establish internal controls over counting, controlling and valuing the inventory not held on site. In addition, the Agency should track the capital assets inventory and conduct a physical inventory in accordance with applicable compliance regulation.

*Agency's Response:* The Secretary of State's office employed a process by which it attempted to verify the inventory of vote tabulator machines by requesting from the county clerk to report whether the most recent inventory list provided to them was accurate, or to note any changes. This passive approach required full cooperation from the clerks, which was not attained. The Deputy Chief Financial Officer in cooperation with the Elections Director will work to implement an administrative rule that requires the county clerks to conduct a physical inventory in the spring of each year and certify the inventory in their possession to the Secretary of State's office. The Agency expects to resolve this finding by the end of fiscal year 2019.

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on October 29, 2018. The following individuals were in attendance:

**Representing Office of the Secretary of State:**

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

**Representing Carr, Riggs & Ingram, LLC:**

Danny Martinez, CPA, CGFM, CGMA	Audit Partner
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**Preparation of Financial Statements**

Carr, Riggs & Ingram, LLC assisted in the preparation of the financial statements presented in this report. The New Mexico Office of the Secretary of State's management has reviewed and approved the financial statements and related notes and they believe their records adequately support the financial statements.