

State of New Mexico
Office of the Secretary of State

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019



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Introductory Section



State of New Mexico
Office of the Secretary of State
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June 30, 2019

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**State of New Mexico
Office of the Secretary of State
Official Roster
June 30, 2019**

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

Report

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., New Mexico State Auditor
Maggie Toulouse Oliver, Secretary of State
Office of Management and Budget
New Mexico 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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds with legally adopted annual budgets of the Agency as of June 30, 2019, and the respective changes in financial position thereof 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, 2019, 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 financial statements that collectively comprise the Agency's basic financial statements. The introductory section, combining nonmajor fund financial statements, schedule of special, deficiency, specific and capital outlay appropriations, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of revenue, expenditures and changes in fund balance – budget to actual – by appropriation, and other disclosures are presented for the purposes of additional analysis and are not a required part of the basic financial statements and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of special, deficiency, specific and capital outlay appropriations, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, schedule of special, deficiency, specific and capital outlay appropriations, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory section, schedule of revenue, expenditures and changes in fund balance – budget to actual – by appropriation, and other disclosures have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, 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.

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

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 31, 2019

State of New Mexico
Office of the Secretary of State
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(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, 2019 represents a narrative overview and analysis of the financial activities of the Agency for year ended June 30, 2019.

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, 2019. 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 2019 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 \$6,289,429 or 75.41%.
- Total liabilities of governmental activities decreased \$1,167,091 or 22.48%.
- The Agency had \$12,669,580 in expenses related to governmental activities; \$1,052,183 of these expenses were offset by capital grants and contributions and \$1,121,029 of these expenses were offset by program specific charges for services. General revenues and transfers, primarily from state appropriations of \$15,112,400 were adequate to provide for these programs.
- The Agency's net position increased by \$7,456,520 or 236.84%.

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, 2019
(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, Election Fund, Public Election Fund, HAVA Fund and Capital Outlay Fund are the most significant funds.

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 2019?" 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 36.8% 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, 2019
(Unaudited)

Statement of Net Position and Statement of Activities (Continued)

Statement of Net Position

	2019	2018	Variance
Assets			
Current and other assets	\$ 12,546,636	\$ 5,539,165	\$ 7,007,471
Capital assets, net of accumulated depreciation	2,083,548	2,801,590	(718,042)
Total assets	\$ 14,630,184	\$ 8,340,755	\$ 6,289,429
Liabilities			
Current liabilities	\$ 3,940,342	\$ 5,116,543	\$ (1,176,201)
Other long-term liabilities	85,009	75,899	9,110
Total liabilities	4,025,351	5,192,442	(1,167,091)
Net position			
Net investment in capital assets	2,083,548	2,801,590	(718,042)
Restricted	8,119,126	575,666	7,543,460
Unrestricted	402,159	(228,943)	631,102
Total net position	10,604,833	3,148,313	7,456,520
Total liabilities and net position	\$ 14,630,184	\$ 8,340,755	\$ 6,289,429

Statement of Activities

	2019	2018	Variance
Program revenues:			
Capital grants and contributions	\$ 1,052,183	\$ -	\$ 1,052,183
Charges for services	1,121,029	388,936	732,093
General revenues, net of transfers	17,952,888	11,449,582	6,503,306
Total revenue	20,126,100	11,838,518	7,235,399
Expenses			
Program expenses	12,669,580	14,405,122	(1,735,542)
Total expenses	12,669,580	14,405,122	(1,735,542)
Restatement of Net Position	-	(84,928)	84,928
Increase (decrease) in net position	\$ 7,456,520	\$ (2,566,604)	\$ 10,023,124

State of New Mexico
Office of the Secretary of State
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

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 \$10,604,833 at the close of the most recent fiscal year. Approximately 19.65% of the Agency's total net position 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 increased by \$7,456,520 during the current fiscal year. The increase is due primarily due to an increase in general fund appropriations. 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).

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.
- Election Fund (SHARE 20710) – The local election fund was created by House Bill 98 in the 2018 legislative session for the purpose of consolidating local elections as well as cover state and county costs of elections under the Local Election Act. In May 2019, House Bill renamed this fund from the "Local Election Fund" to the "Election Fund." This is a non-reverting 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.

State of New Mexico
Office of the Secretary of State
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The Agency's Funds (Continued)

- 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.
- Capital Outlay Fund (SHARE 93100) – The capital outlay fund (nonreverting) was established to account for upgrades and infrastructure improvements. The funds received during fiscal year 2019 are to upgrade the vote tabulator systems statewide. The fund was created pursuant to Laws of 2019, Senate Bill 280, Chapter 277, Section 37 Capital Outlay Appropriations.

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 Election Fund, the Public Election Fund the Help America Vote Act (HAVA) Fund and the Capital Outlay 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.

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, 2019, fund balance in the General fund was \$594,173, all of which was unassigned.

State of New Mexico
Office of the Secretary of State
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

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 fund level for GAAP requirements as well as at the appropriation level to demonstrate compliance with legal requirements. For the year ended June 30, 2019, the general fund had a favorable variance in expenditures of \$738,098.

Capital Assets

At the end of fiscal 2019, the Agency had \$15,541,974 invested in capitalized assets with associated accumulated depreciation of \$13,458,426. 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 2019 General Fund budget appropriation was \$9,537,400. The Agency was also appropriated \$3,600,000 for the Election fund; and \$1,975,000 for the Capital Outlay Fund.

There were no disbursements from the Public Election fund in fiscal year 2019, as candidate disbursements are made only in even fiscal years.

The 2020 fiscal year budget is the first since fiscal year 2011 that there is no funds budgeted from the Public Election fund to supplement the Agency's operating budget.

Future Trends

The Agency received Capital Outlay funds of \$1,975,000 for the upgrade of vote tabulators systems statewide. This project will be complete in fiscal year 2020, though funds do not expire until June 30, 2021.



**State of New Mexico
Office of the Secretary of State
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Future Trends (Continued)

Legislation was passed during fiscal year 2019 amending the Public Election fund, renaming it the Election fund, the purpose of which is to pay the costs of all statewide elections. There are now three statewide elections, the Regular Local Election and Primary Election in even fiscal years and the General Election in odd fiscal years. The legislation also eliminated the assessments to local governments as a source of revenue for this fund. There is currently no dedicated funding source, which requires that the office request supplemental and/or special appropriations to carry out the provisions of the Regular Local Election.

The office required supplemental funding for fiscal year 2019 to meet the obligations of the 2018 General Election as well as the operating costs of the Administration and Operations program.

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, 2019

	Governmental Activities
Assets	
Current assets:	
Interest in State General Fund Investment Pool	\$ 9,775,202
Interest in State General Fund Investment Pool-Restricted	2,771,234
Cash	200
Total current assets	12,546,636
Noncurrent assets:	
Capital assets, net	2,083,548
Total noncurrent assets	2,083,548
Total assets	\$ 14,630,184
Liabilities	
Current liabilities:	
Accounts payable	\$ 344,707
Accrued payroll	147,213
Due to State General Fund	24,759
Unearned revenue	2,647,287
Undistributed receipts	691,293
Other liabilities	75
Compensated absences	85,008
Total current liabilities	3,940,342
Noncurrent liabilities	
Compensated absences	85,009
Total noncurrent liabilities	85,009
Total liabilities	4,025,351
Net position	
Net investment in capital assets	2,083,548
Restricted	8,119,126
Unrestricted	402,159
Total net position	10,604,833
Total liabilities and net position	\$ 14,630,184

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, 2019

	Governmental Activities
Expenses	
Executive	\$ 12,669,580
Total expenses	12,669,580
Program revenues	
Capital grants and contributions	1,052,183
Charges for services	1,121,029
Total program revenues	2,173,212
Net program expense	(10,496,368)
General revenues and transfers	
General fund appropriation	15,112,400
Unclaimed property	1,200,000
Interest income	116,103
Miscellaneous income	24,415
Interagency transfer in	1,135,454
Reversion - 2019	(66,779)
Public utility fees	200,000
Gain on disposal of capital asset	231,295
Total general revenues and transfers	17,952,888
Change in net position	7,456,520
Net position, beginning	3,148,313
Net position, ending	\$ 10,604,833

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, 2019

	General Fund (12110, 18000, 79900)	Election Fund (20710)	Public Election Fund (81200)
Assets			
Investment in the State General Fund Investment Pool	\$ 1,625,045	\$ 4,544,500	\$ 1,434,933
Investment in the State General Fund Investment Pool - Restricted	-	-	-
Cash	200	-	-
Total assets	\$ 1,625,245	\$ 4,544,500	\$ 1,434,933
Liabilities and fund balances			
Liabilities			
Deficit balance in State General Fund Investment Pool	\$ -	\$ -	\$ -
Accounts payable	167,311	133,500	-
Accrued payroll	129,414	-	-
Due to State General Fund	24,759	-	-
Unearned revenue	-	-	-
Undistributed receipts	691,293	-	-
Other liabilities	75	-	-
Compensated absence	18,220	-	-
Total liabilities	1,031,072	133,500	-
Fund balances			
Restricted	-	4,411,000	1,434,933
Unassigned (deficit)	594,173	-	-
Total fund balances	594,173	4,411,000	1,434,933
Total liabilities and fund balances	\$ 1,625,245	\$ 4,544,500	\$ 1,434,933

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

HAVA Fund (90300)	Capital Outlay Fund (93100)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,975,000	\$ 196,591	\$ 9,776,069
2,771,234	-	-	2,771,234
-	-	-	200
<u>\$ 2,771,234</u>	<u>\$ 1,975,000</u>	<u>\$ 196,591</u>	<u>\$ 12,547,503</u>
\$ -	\$ -	\$ 867	\$ 867
677	-	43,219	344,707
17,799	-	-	147,213
-	-	-	24,759
2,647,287	-	-	2,647,287
-	-	-	691,293
-	-	-	75
-	-	-	18,220
<u>2,665,763</u>	<u>-</u>	<u>44,086</u>	<u>3,874,421</u>
105,471	1,975,000	192,722	8,119,126
-	-	(40,217)	553,956
<u>105,471</u>	<u>1,975,000</u>	<u>152,505</u>	<u>8,673,082</u>
<u>\$ 2,771,234</u>	<u>\$ 1,975,000</u>	<u>\$ 196,591</u>	<u>\$ 12,547,503</u>

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, 2019

Total fund balances for the governmental funds \$ 8,673,082

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	12,542,670
Computer equipment, software and furniture	2,999,304
Accumulated depreciation	(13,458,426)

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)

Net position of governmental activities \$ 10,604,833

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

State of New Mexico
Office of the Secretary of State
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund (12110, 18000, 79900)	Election Fund (20710)	Public Election Fund (81200)
Revenues			
Grants	\$ -	\$ -	\$ -
Interest income	-	-	27,024
Unclaimed property	-	-	1,200,000
Fees	-	1,011,000	-
Public utility fees	-	-	200,000
Miscellaneous income	-	-	8,407
Total revenues	-	1,011,000	1,435,431
Expenditures			
Current - Executive			
Personnel services and employee benefits	3,515,578	-	-
Contractual services	836,471	200,000	-
Other costs	4,826,437	-	440,000
Capital outlay	6,516	-	-
Total expenditures	9,185,002	200,000	440,000
Excess (deficiency) of revenues over expenditures	(9,185,002)	811,000	995,431
Other financing sources (uses)			
General Fund appropriations	9,537,400	3,600,000	-
Interagency transfer in	385,700	-	-
Reversion - 2019	(66,779)	-	-
Total other financing sources (uses)	9,856,321	3,600,000	-
Net change in fund balances	671,319	4,411,000	995,431
Fund balances, beginning of year	(77,146)	-	439,502
Fund balances, end of year	\$ 594,173	\$ 4,411,000	\$ 1,434,933

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

	HAVA Fund (90300)	Capital Outlay Fund (93100)	Nonmajor Governmental Funds	Total Governmental Funds
\$	1,052,183	\$ -	\$ -	\$ 1,052,183
	87,881	-	1,198	116,103
	-	-	-	1,200,000
	-	-	110,029	1,121,029
	-	-	-	200,000
	15,308	-	700	24,415
	<u>1,155,372</u>	<u>-</u>	<u>111,927</u>	<u>3,713,730</u>
	174,347	-	-	3,689,925
	57,739	-	62,460	1,156,670
	85,893	-	107,773	5,460,103
	734,204	-	672,825	1,413,545
	<u>1,052,183</u>	<u>-</u>	<u>843,058</u>	<u>11,720,243</u>
	103,189	-	(731,131)	(8,006,513)
	-	1,975,000	-	15,112,400
	-	-	749,754	1,135,454
	-	-	-	(66,779)
	<u>-</u>	<u>1,975,000</u>	<u>749,754</u>	<u>16,181,075</u>
	103,189	1,975,000	18,623	8,174,562
	2,282	-	133,882	498,520
\$	<u>105,471</u>	<u>\$ 1,975,000</u>	<u>\$ 152,505</u>	<u>\$ 8,673,082</u>

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 Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - governmental funds	\$ 8,174,562
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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	1,413,545
Depreciation expense	(2,362,882)
Gain on Disposal	231,295
<hr/>	
Change in net position of governmental activities	\$ 7,456,520

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 - General Fund (18000, 79900, 12110)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Expenditures				
Personal services and employee benefits	\$ 3,548,100	\$ 3,548,100	\$ 3,515,578	\$ 32,522
Contractual services	954,100	1,218,094	836,471	381,623
Other costs	4,034,400	5,156,906	4,832,953	323,953
Total expenditures	8,536,600	9,923,100	9,185,002	738,098
Other financing sources				
General fund appropriations	8,480,900	9,537,400	9,537,400	-
Interagency - transfers in	55,700	385,700	385,700	-
Total other financing sources	8,536,600	9,923,100	9,923,100	-
Excess (deficiency) of revenues over expenditures and other financing	-	-	738,098	738,098
Less reversion - 2019	-	-	(66,779)	(66,779)
Net change in fund balance	\$ -	\$ -	\$ 671,319	\$ 671,319

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 - Election Fund (20710)
For The Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Fees	\$ -	\$ 530,625	\$ 1,011,000	\$ 480,375
Total revenues	-	530,625	1,011,000	480,375
Expenditures				
Contractual services	-	529,000	200,000	329,000
Other costs	-	3,601,625	-	3,601,625
Total expenditures	-	4,130,625	200,000	3,930,625
Other financing sources				
General fund appropriations	-	3,600,000	3,600,000	-
Total other financing sources	-	3,600,000	3,600,000	-
Excess (deficiency) of revenues over expenditures and other financing				
	-	-	4,411,000	4,411,000
Net change in fund balance	\$ -	\$ -	\$ 4,411,000	\$ 4,411,000

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, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Interest income	\$ -	\$ -	\$ 27,024	\$ 27,024
Unclaimed property	-	-	1,200,000	1,200,000
Public utility fees	-	-	200,000	200,000
Miscellaneous income	-	-	8,407	8,407
Other state funds	440,000	440,000	-	(440,000)
Total revenues	440,000	440,000	1,435,431	995,431
Expenditures				
Other costs	440,000	440,000	440,000	-
Total expenditures	440,000	440,000	440,000	-
Excess (deficiency) of revenues over expenditures	-	-	995,431	995,431
Net change in fund balance	\$ -	\$ -	\$ 995,431	\$ 995,431

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, 2019

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Grants	\$ 3,599,470	\$ 1,277,200	\$ 1,052,183	\$ (225,017)
Interest income	-	-	87,881	87,881
Miscellaneous income	-	-	15,308	15,308
Total revenues	3,599,470	1,277,200	1,155,372	(121,828)
Expenditures				
Personal services and employee benefits	177,200	177,200	174,347	2,853
Contractual services	1,000,000	100,000	57,739	42,261
Other costs	2,422,270	1,000,000	820,097	179,903
Total expenditures	3,599,470	1,277,200	1,052,183	225,017
Excess (deficiency) of revenues over expenditures	-	-	103,189	103,189
Net change in fund balance	\$ -	\$ -	\$ 103,189	\$ 103,189

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, 2019

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 Agency 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 and do not purport to and do not present fairly the financial position of the State of New Mexico.

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 Agency 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 net 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, 12110)* 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 Agency. 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 12110) — 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 Agency. Unexpended amounts at year-end are restricted for future program expenditures in the fund balance sheets.

Election Fund (SHARE 20710) — The local election fund was created by House Bill 98 in the 2018 legislative session for the purpose of consolidating local elections as well as cover state and county costs of elections under the Local Election Act. In May 2019, House Bill renamed this fund from the "Local Election Fund" to the "Election Fund." This is a non-reverting fund.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

This is a non-reverting fund. The fund receives certain fee income from inspection and supervision fees pursuant to 62-8-8 NMSA 1978, utility and carrier inspection fees pursuant to 63-7-20 NMSA 1978.

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 2019.

Capital Projects Funds: Capital projects funds account for the construction, rehabilitation, and acquisition of capital assets, such as buildings, equipment and roads. Unexpended amounts at year-end are restricted for future program expenditures in the fund balance sheets.

Capital Outlay Fund (93100) — The capital outlay fund (nonreverting) was established to account for upgrades and infrastructure improvements. The fund was created pursuant to Laws of 2019, Senate Bill 280, Chapter 277, Section 37 Capital Outlay Appropriations.

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 funds 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.

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

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)

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.

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 Agency 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, 2019, along with applicable FICA and Medicare liabilities.

Undistributed Receipts: Undistributed receipts are collections for the business filings, which are done on behalf of other agencies or entities. Such activity is accumulated in the liability account until disbursed to the proper agencies for collection.

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.

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

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)

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, 2019.

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, 2019.

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

Annual leave – 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. Sick leave is paid once per fiscal year in either January or July. In accordance with Section 10-7-10 NMSA 1978, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July.

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)

Upon termination, employees who have accumulated over 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their current hourly rate up to 400 hours of sick leave.

Compensatory leave – FLSA covered and non-exempt employees entitled to overtime pay may elect to receive compensatory time (comp time) off instead of cash payment. If the comp time option is exercised, the employee is credited with one and one-half times the hours worked. Maximum accruals of compensatory time shall be limited to 80 hours. After maximum accrual, employees may be compelled to use their accrued time. If they are unable to use their accrued comp time due to work demands and if budget allows, they may request to receive payment for their hours in excess of 80. FLSA exempt employees may earn comp time on an hour for hour basis. Maximum accrual shall be limited to 80 hours. After maximum accrual, employees may be compelled to use their accrued time. If they are unable to use their accrued comp time due to work demands and if budget allows, they may request to receive payment for their hours in excess of 80. All accrued comp time will be paid upon separation.

Non-covered employees (Gov. Ex) may earn comp time on an hour for hour basis up to a maximum of 80 hours. Hours may not be converted to cash and are lost upon separation.

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.

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.

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

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)

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, reduced by unspent proceeds and 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Newly Effective Pronouncements

During the year ended June 30, 2019, the Agency adopted GASB Statement No.83, *Certain Asset Retirement Obligations*, and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. These two statements are required to be implemented as of June 30, 2019, 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.
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.

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

Budgetary Information (Continued)

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. The accompanying schedule of revenues, expenditures and changes in fund balance – budget to actual by appropriation compare the legally adopted budget by legal level of budget authority on the GAAP basis.

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

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.

State law (Section 8-6-3 NMSA 1978) requires the Agency's cash be managed by the Office of the New Mexico State Treasurer. 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.

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.

Since then, State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance and Administration (DFA/FCD), has taken an aggressive action toward appropriate resolution.

Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE system configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the state's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013.

On July 11, 2014, DFA/FCD commenced the Historical Cash Reconciliation Project (Phase II) in partnership with Deloitte & Touche, LLP. The scope of this project was July 1, 2006 (SHARE implementation) to January 31, 2013 (the point at which DFA/FCD began reconciling cash activity as noted in the paragraph above). An effort in late 2014 was made to reconcile transactions but was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive, and therefore, do not merit additional energy.

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress was made in the overall reconciliation process, and the FCD now has an operational model that effectively compares statewide claims against the State General Fund Investment Pool and resources held at the State Treasurer's Office. This process has been operational since March of 2015.

This process has now been reviewed by the independent public auditors performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to the cash reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100 million that had been reserved as a loss contingency.

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

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

For 2017, the following assertions are provided:

The calculated difference between resources maintained by the State Treasurer's Office and the agency claims has remained stable and within a narrow and acceptable range (less than \$200 thousand standard deviation) over the last twelve months.

Resources are sufficient to cover claims, and there is no need to adjust any specific business unit claim on the State General Fund Investment Pool.

All claims will be honored at face value.

For 2018, the following assertions were provided:

As of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

All claims as recorded in SHARE shall be honored at face value.

For 2019, the following assertions were provided:

As of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

All claims as recorded in SHARE shall be honored at face value.

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.

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):

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

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

SHARE Account	Fund Description	SHARE Balance
18000	General Fund	\$ 933,262
02500	Arbitration Fund	41,618
20710	Election Fund	4,544,500
40260	Campaign Reporting System Fund	124,600
43170	Convenience Fee Fund	30,373
79900	Notary Fund	691,783
81200	Public Election Fund	1,434,933
89200	STB Capital Outlay Fund (deficit)	(867)
90300	HAVA Fund	2,771,234
93100	Capital Outlay Fund	1,975,000
Total Investment in State General Fund Investment Pool per Statement of Net Position		12,546,436
18000	Petty cash	200
Total share of Investment in the State General Fund Investment Pool and Cash Accounts		\$ 12,546,636

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, 2019

NOTE 4: GENERAL FUND APPROPRIATIONS, INTERAGENCY TRANSFERS, DUE TO/DUE FROM OTHER STATE AGENCIES, REVERSIONS

The Agency had no due to/from other state agencies for the year ended June 30, 2019.

The Agency had the following interagency transfers in and out for the year ended June 30, 2019:

SHARE Fund	Agency	In	Out
General Fund (18000)			
(1) 85300	(34101) Department of Finance and Administration	\$ 9,537,400	\$ -
(2) 62000	(34100) Department of Finance and Administration	55,700	-
(3) 00900	(34100) Department of Finance and Administration	330,000	-
Election Fund (20710)			
(4) 85300	(34101) Department of Finance and Administration	3,600,000	-
Capital Outlay Fund (93100)			
(5) 85300	(34101) Department of Finance and Administration	1,975,000	-
STB Capital Outlay (89200)			
(6) 20650	(34103) Department of Finance and Administration	749,754	-
Total		\$ 16,247,854	\$ -

- (1) General Fund Appropriation
- (2) Payments for FY19 Compensation Section A3
- (3) Payments per Chapter 73, Section 7, item 14
- (4) Payments per House Bill 2, Section 5, Item 45, 46, 47 and Section 6, Item 16, 17, 18 Item for local election shortfall
- (5) Payments per Senate Bill 280, Chapter 277, Capital Outlay Appropriations
- (6) Severance Tax Bonds proceeds

The Agency had the following reversion to the State General Fund at June 30, 2019 related to fiscal year 2019:

SHARE Fund	Agency		
General Fund (18000)			
(1) 85300	(34103) Department of Finance and Administration	\$ 66,779	
Total		\$ 66,779	

- (1) Reversions to the State General Fund

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

NOTE 4: GENERAL FUND APPROPRIATIONS, INTERAGENCY TRANSFERS, DUE TO/DUE FROM OTHER STATE AGENCIES, REVERSIONS

The Agency had no due to/from other state agencies for the year ended June 30, 2019.

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(3) 00900	(34100) Department of Finance and Administration	330,000	-
Election Fund (20710)			
(4) 85300	(34101) Department of Finance and Administration	3,600,000	-
Capital Outlay Fund (93100)			
(5) 85300	(34101) Department of Finance and Administration	1,975,000	-
STB Capital Outlay (89200)			
(6) 20650	(34103) Department of Finance and Administration	749,754	-
Total		\$ 16,247,854	\$ -

- (1) General Fund Appropriation
- (2) Payments for FY19 Compensation Section A3
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(1) 85300	(34103) Department of Finance and Administration	\$ 66,779	
Total		\$ 66,779	

- (1) Reversions to the State General Fund

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets being depreciated:				
Computer equipment, software and furniture	\$ 2,217,459	\$ 781,845	\$ -	\$ 2,999,304
Voting systems under the care and custody of the Counties	12,317,593	1,087,700	(862,623)	12,542,670
Total	14,535,052	1,869,545	(862,623)	15,541,974
Less accumulated depreciation:				
Computer equipment, software and furniture	(2,193,746)	(66,508)	-	(2,260,254)
Voting systems under the care and custody of the Counties	(9,539,716)	(2,296,374)	637,918	(11,198,172)
Total	(11,733,462)	(2,362,882)	637,918	(13,458,426)
Net capital assets	\$ 2,801,590	\$ (493,337)	\$ (224,705)	\$ 2,083,548

The New Mexico Office of the Secretary of State does not have any debt related to capital assets as of June 30, 2019. Depreciation expense for the agency amounted to \$2,362,882 and is considered an executive expense.

The following is to provide additional clarification on reconciling to capital outlay in the statement of revenues, expenditures, and changes in fund balances – governmental funds.

Reconciliation to Capital Outlay:

Capital outlay per statement of revenues, expenditures and changes in fund balance - governmental funds	1,413,545
Trade-in value received	456,000
Total capital asset additions	1,869,545

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

NOTE 6: COMPENSATED ABSENCES

The following represents changes in compensated absences for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Annual leave	\$ 135,869	\$ 29,281	\$ 4,073	\$ 161,077	\$ 80,538
Sick leave	4,552	4,552	9,104	-	-
Compensatory leave	11,376	1,251	3,687	8,940	4,470
Total	\$ 151,797	\$ 35,084	\$ 16,864	\$ 170,017	\$ 85,008

Compensated absences payable – The liability at June 30, 2019 represents the Agency’s commitment to fund accrued annual, sick and compensatory leave 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 a fund balance deficit in the following fund at year end June 30, 2019:
 Nonmajor Governmental Funds - STB Capital Outlay Fund (89200) \$ (40,217)
- The Agency did not exceed approved budget at year end June 30, 2019.
- 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, 2015. 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).

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 OPEB 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, 2019 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, 2018 through June 30, 2019. There have been no settlements in excess of insurance coverage as of June 30, 2019.

State of New Mexico
Office of the Secretary of State
Notes to Financial Statements
June 30, 2019

NOTE 13: OPERATING LEASES

The Agency leases office equipment and a chapter building under lease agreements with terms ranging from two to four years. Expenditures for operating leases for the year ended June 30, 2019 were \$19,277. Future minimum lease payments under these operating leases are as follows:

2020	\$	7,457
2021		5,350
2022		2,400
2023		729
<u>Total</u>	<u>\$</u>	<u>15,936</u>

NOTE 14: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 31, 2019, 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, 2019:

	<u>Restricted</u>	<u>Committed</u>	<u>Nonspendable</u>
Election Fund (20710)			
Campaign financing	\$ 4,411,000	\$ -	\$ -
Public Election Fund (81200)			
Campaign financing	1,434,933	-	-
HAVA Fund (90300)			
Election security	105,471	-	-
Capital Outlay Fund (93100)			
Various projects	1,975,000	-	-
Nonmajor Funds			
Arbitration hearings (02500)	41,618	-	-
Maintenance of electronic reporting system (40260)	124,600	-	-
Credit card service fees (43170)	26,504	-	-
	<u>\$ 8,119,126</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 15: FUND BALANCE AND NET POSITION (Continued)

The government-wide statement of net position reports \$8,119,126 of restricted net position for the governmental activities, all of which are restricted by enabling legislation.

NOTE 16: SUBSEQUENT PRONOUNCEMENTS

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 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.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. 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, 2019

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.

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.

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.

CAPITAL PROJECTS FUNDS

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. This is a reverting fund.

State of New Mexico
Office of the Secretary of State
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Arbitration Fund (02500)	Campaign Reporting System Fund (40260)	Convenience Fee Fund (43170)
Assets			
Investment in the State General Fund Investment Pool	\$ 41,618	\$ 124,600	\$ 30,373
Total assets	\$ 41,618	\$ 124,600	\$ 30,373
Liabilities and fund balances			
Liabilities			
Deficit balance in State General Fund Investment Pool	\$ -	\$ -	\$ -
Accounts payable	-	-	3,869
Total liabilities	-	-	3,869
Fund balances			
Restricted	41,618	124,600	26,504
Unassigned	-	-	-
Total fund balances	41,618	124,600	26,504
Total liabilities and fund balances	\$ 41,618	\$ 124,600	\$ 30,373

See independent auditors' report.

STB Capital Outlay Fund (89200)	Total Nonmajor Governmental Funds
\$ -	\$ 196,591
<u>\$ -</u>	<u>\$ 196,591</u>

\$ 867	\$ 867
39,350	43,219
<u>40,217</u>	<u>44,086</u>
-	192,722
<u>(40,217)</u>	<u>(40,217)</u>
<u>(40,217)</u>	<u>152,505</u>
<u>\$ -</u>	<u>\$ 196,591</u>

See independent auditors' report.

State of New Mexico
Office of the Secretary of State
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Arbitration Fund (02500)	Campaign Reporting System Fund (40260)	Convenience Fee Fund (43170)
Revenues			
Interest income	\$ 1,198	\$ -	\$ -
Fees	-	72,100	37,929
Miscellaneous income	700	-	-
Total revenues	1,898	72,100	37,929
Expenditures			
Current - Executive			
Contractual services	-	-	-
Other costs	-	-	53,000
Capital outlay	-	-	-
Total expenditures	-	-	53,000
Excess (deficiency) of revenues over expenditures	1,898	72,100	(15,071)
Other financing sources (uses)			
Interagency transfers in	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	1,898	72,100	(15,071)
Fund balances, beginning of year	39,720	52,500	41,575
Fund balances, end of year	\$ 41,618	\$ 124,600	\$ 26,504

See independent auditors' report.

STB Capital Outlay Fund (89200)	Total Nonmajor Governmental Funds
\$ -	\$ 1,198
-	110,029
-	700
-	<u>111,927</u>
62,460	62,460
54,773	107,773
672,825	672,825
<u>790,058</u>	<u>843,058</u>
<u>(790,058)</u>	<u>(731,131)</u>
<u>749,754</u>	<u>749,754</u>
<u>749,754</u>	<u>749,754</u>
(40,304)	18,623
<u>87</u>	<u>133,882</u>
<u>\$ (40,217)</u>	<u>\$ 152,505</u>

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, 2019

	General Fund (18000)	Notary Fund (79900)	Corporation Fees Fund (12110)	Total General Fund
Assets				
Interest in State General Fund Investment Pool	\$ 933,262	\$ 691,783	\$ -	\$ 1,625,045
Cash	200	-	-	200
Total assets	\$ 933,462	\$ 691,783	\$ -	\$ 1,625,245
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 166,821	\$ 490	\$ -	\$ 167,311
Accrued payroll	129,414	-	-	129,414
Due to State General Fund	24,759	-	-	24,759
Undistributed receipts	-	691,293	-	691,293
Other liabilities	75	-	-	75
Compensated absences	18,220	-	-	18,220
Total liabilities	339,289	691,783	-	1,031,072
Fund balances				
Unassigned	594,173	-	-	594,173
Total fund balances	594,173	-	-	594,173
Total liabilities and fund balances	\$ 933,462	\$ 691,783	\$ -	\$ 1,625,245

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, 2019

	General Fund (18000)	Notary Fund (79900)	Corporation Fees Fund (12110)	Total General Fund
Revenues				
Interest income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current - Executive				
Personnel services and employee benefits	3,515,578	-	-	3,515,578
Contractual services	836,471	-	-	836,471
Other costs	4,826,437	-	-	4,826,437
Capital outlay	6,516	-	-	6,516
Total expenditures	9,185,002	-	-	9,185,002
Excess (deficiency) of revenues over expenditures	(9,185,002)	-	-	(9,185,002)
Other financing sources (uses)				
General fund appropriations	9,537,400	-	-	9,537,400
Interagency transfer in	385,700	-	-	385,700
Reversion to the State General Fund	(66,779)	-	-	(66,779)
Total other financing sources (uses)	9,856,321	-	-	9,856,321
Net change in fund balances	671,319	-	-	671,319
Fund balances, beginning of year	(77,146)	-	-	(77,146)
Fund balances, end of year	\$ 594,173	\$ -	\$ -	\$ 594,173

See independent auditors' report.

State of New Mexico
Office of the Secretary of State

**Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations
For the Year Ended June 30, 2019**

Description	SHARE Identifier #	Original Appropriation
Special, Deficiency, Specific and Capital Outlay Appropriations		
Special for Local Election Fund	ZD5045	\$ 3,500,000
Special for HAVA match	ZD5046	185,000
Special for GIS	ZD5047	260,000
Supplemental for Admin Program	ZD6016	151,500
Supplemental for Elections Program	ZD6017	250,000
Supplemental for Local Election Fund	ZD6018	100,000
Special for Elections	ZD9422	210,000
SOS Info Tech	A18C2599	825,000
SOS Voting Tabulators	A19D3266	1,975,000
Total Special, Deficiency, Specific and Capital Outlay Appropriations		\$ 7,456,500

See independent auditors' report.

Appropriation Period	Expenditures To Date	Outstanding Encumbrances	Unencumbered Balances
5/1/2019 to 6/30/2020	\$ 100,000	\$ -	\$ 3,400,000
5/1/2019 to 6/30/2020	-	-	185,000
5/1/2019 to 6/30/2020	-	-	260,000
5/1/2019 to 6/30/2019	151,398	-	102
5/1/2019 to 6/30/2020	250,000	-	-
5/1/2019 to 6/30/2021	100,000	-	-
5/1/2019 to 6/30/2020	210,000	-	-
7/1/2018 to 6/30/2020	790,057	-	34,943
7/1/2019 to 6/30/2021	-	-	1,975,000
	\$ 1,601,455	\$ -	\$ 5,855,045

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
By Appropriation
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
P642 - Secretary of State				
Revenues				
General fund appropriations	\$ 3,392,800	\$ 3,392,800	\$ 3,392,800	\$ -
Fees	35,000	565,625	1,016,179	450,554
Miscellaneous income	-	-	15,308	15,308
Unclaimed gross receipts taxes	-	-	1,200,000	1,200,000
Interest income	-	-	1,198	1,198
Fund balance	-	18,000	-	(18,000)
Other financing sources	44,600	44,600	44,600	-
Total revenues	3,472,400	4,021,025	5,670,085	1,649,060
Expenditures				
Personal services and employee benefits	2,898,600	2,898,600	2,866,788	31,812
Contractual services	146,400	217,400	110,086	107,314
Other costs	427,400	905,025	475,253	429,772
Total expenditures	3,472,400	4,021,025	3,452,127	568,898
P783 - Elections				
Revenues				
General fund appropriations	5,088,100	5,088,100	5,088,100	-
Federal direct - operating	3,599,470	1,277,200	1,052,183	(225,017)
Other financing sources	11,100	11,100	11,100	-
Miscellaneous income	-	-	9,107	9,107
Interest income	-	-	114,905	114,905
Fees	440,000	440,000	304,850	(135,150)
Total revenues	9,138,670	6,816,400	6,580,245	(236,155)
Expenditures				
Personal services and employee benefits	826,700	826,700	823,137	3,563
Contractual services	1,807,700	730,694	688,433	42,261
Other costs	6,504,270	5,259,006	5,066,032	192,974
Total expenditures	9,138,670	6,816,400	6,577,602	238,798

(Continued on the following page)

See independent auditors' report.

State of New Mexico
Office of the Secretary of State
Schedule of Revenues, Expenditures, and Changes in Fund Balance
By Appropriation
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>(Continued)</i>				
A18C2599				
Revenues				
STB capital proceeds	\$ -	\$ 825,000	\$ 749,754	\$ (75,246)
Total revenues	-	825,000	749,754	(75,246)
Expenditures				
Contractual services	-	64,910	62,460	2,450
Other costs	-	760,090	727,597	32,493
Total expenditures	-	825,000	790,057	34,943
A19D3266				
Revenues				
General fund appropriations	-	1,975,000	1,975,000	-
Total revenues	-	1,975,000	1,975,000	-
Expenditures				
Other costs	-	1,975,000	-	1,975,000
Total expenditures	-	1,975,000	-	1,975,000
ZC7014				
Revenues				
Other financing sources	-	330,000	330,000	-
Total revenues	-	330,000	330,000	-
Expenditures				
Contractual services	-	330,000	89,059	240,941
Total expenditures	-	330,000	89,059	240,941
ZD5045				
Revenues				
General fund appropriations	-	3,500,000	3,500,000	-
Total revenues	-	3,500,000	3,500,000	-

(Continued on the following page)

See independent auditors' report.

State of New Mexico
Office of the Secretary of State
Schedule of Revenues, Expenditures, and Changes in Fund Balance
By Appropriation
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>(Continued)</i>				
ZD5045 (Continued)				
Expenditures				
Contractual services	\$ -	\$ 329,000	\$ 100,000	\$ 229,000
Other costs	-	3,171,000	-	3,171,000
Total expenditures	-	3,500,000	100,000	3,400,000
ZD5046				
Revenues				
General fund appropriations	-	185,000	185,000	-
Total revenues	-	185,000	185,000	-
Expenditures				
Contractual services	-	130,000	-	130,000
Other costs	-	55,000	-	55,000
Total expenditures	-	185,000	-	185,000
ZD5047				
Revenues				
General fund appropriations	-	260,000	260,000	-
Total revenues	-	260,000	260,000	-
Expenditures				
Contractual services	-	10,000	-	10,000
Other costs	-	250,000	-	250,000
Total expenditures	-	260,000	-	260,000
ZD6016				
Revenues				
General fund appropriations	-	151,500	151,500	-
Total revenues	-	151,500	151,500	-
Expenditures				
Other costs	-	151,500	151,398	102
Total expenditures	-	151,500	151,398	102

(Continued on the following page)

See independent auditors' report.

State of New Mexico
Office of the Secretary of State
Schedule of Revenues, Expenditures, and Changes in Fund Balance
By Appropriation
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>(Continued)</i>				
ZD6017				
Revenues				
General fund appropriations	\$ -	\$ 250,000	\$ 250,000	\$ -
Total revenues	-	250,000	250,000	-
Expenditures				
Other costs	-	250,000	250,000	-
Total expenditures	-	250,000	250,000	-
ZD6018				
Revenues				
General fund appropriations	-	100,000	100,000	-
Total revenues	-	100,000	100,000	-
Expenditures				
Contractual services	-	100,000	100,000	-
Total expenditures	-	100,000	100,000	-
ZD9422				
Revenues				
General fund appropriations		210,000	210,000	-
Total revenues	-	210,000	210,000	-
Expenditures				
Other Cost	-	210,000	210,000	-
Total expenditures	-	210,000	210,000	-
Summary				
Total revenues	12,611,070	18,623,925	19,961,584	1,337,659
Total expenditures	12,611,070	18,623,925	11,720,243	6,903,682
Excess (deficiency) of revenues				
over expenditures	-	-	8,241,341	(8,241,341)
Less reversion to State General Fund	-	-	(66,779)	(66,779)
Net change in fund balance	\$ -	\$ -	\$ 8,241,341	\$ (8,241,341)

(Concluded)

See independent auditors' report.

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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

Brian S. Colón, Esq., New Mexico State Auditor
Maggie Toulouse Oliver, Secretary of State
Office of Management and Budget
New Mexico 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, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 31, 2019.

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 governances.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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
October 31, 2019

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Federal Financial Assistance

REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., New Mexico State Auditor
Maggie Toulouse Oliver, Secretary of State
Office of Management and Budget
New Mexico Office of the Secretary of State
Santa Fe, New Mexico

Report on Compliance for the Major Federal Program

We have audited the New Mexico Office of the Secretary of State's (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal program for the year ended June 30, 2019. The Agency's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on the Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

The Agency's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 31, 2019

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State of New Mexico
Office of the Secretary of State
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal CFDA Number
U.S. Election Assistance Commission		
2018 HAVA Election Security Grants	NM18101001	90.404 *
Total U.S. Election Assistance Commission		
Total Federal Financial Assistance		

* Major Program

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
\$ 1,052,183	\$ -	\$ -
1,052,183	-	-
\$ 1,052,183	\$ -	\$ -

*See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.*

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**State of New Mexico
Office of the Secretary of State
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

Notes to Schedule of Expenditures of Federal Awards

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the New Mexico Office of the Secretary of State (the "Agency") and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. **Loans**

The Agency did not expend federal awards related to loans or loan guarantees during the year.

3. **10% de minimus Indirect Cost Rate**

The Agency did not elect to use the allowed 10% indirect cost rate.

4. **Federally Funded Insurance**

The Agency has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,052,183
Total expenditures funded by other sources	10,668,060
<hr/>	
Total expenditures	<u>\$ 11,720,243</u>

See independent auditors' report.

State of New Mexico
Office of the Secretary of State
Schedule of Findings and Questioned Costs
June 30, 2019

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? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards:

- | | |
|--|------------|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
90.404	2018 HAVA Election Security Grants

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee under 2 CFR 200.520? | No |

State of New Mexico
Office of the Secretary of State
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

FA 2019-001 – Equipment Management (Significant Deficiency)

Federal Program Information:

Funding Agency:	U.S. Election Assistance Commission
Federal Award Agreement Number:	NM18101001
Award Year:	2018
Title:	2018 HAVA Election Security Grant
CFDA Number:	90.404
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable

Condition: The Agency was unable to provide proof of the location, serial number, and condition of one equipment item purchased with federal funding.

Criteria: 2 CFR 200.303 requires non-Federal entities to establish and maintain effective internal controls over compliance. In addition, 2 CFR section 200.313(d)(1) requires management to include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. Further, 2 CFR section 200.313(d)(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

Questioned Costs: None noted.

Effect: The Agency may not be able to identify the proper funding source from which its equipment items were purchased. This could lead to improper treatment or noncompliance when assets are disposed of.

Cause: The piece of equipment in question is located at decentralized location (County in the state of New Mexico). The Agency was unable to obtain the required information from that location.

Auditors' Recommendation: The Agency should follow up with the County at which the equipment should be located and obtain the required documentation for its records. Additionally, the Agency should require such documentation be submitted to the Agency by all remote locations as part of the annual capital asset inventory count process.

State of New Mexico
Office of the Secretary of State
Schedule of Findings and Questioned Costs
June 30, 2019

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2019-001 – Equipment Management (Significant Deficiency) (Continued)

Management Response: The Office of the Secretary of State is currently recruiting for a Contracts and Asset Manager. The position has been vacant since May 2019. Although we attempted to have the tabulator vendor Dominion Voting Systems inventory, verify, and report to the Office the location, tags, and serial numbers as a resolution, that process was not thoroughly successful. We have determined that an in-person physical inventory will provide the best resolution. To that end, a team consisting of a to-be hired Contracts and Asset Manager and an IT Security Administrator, a position this is being created, will be tasked with this project. The Office expects to implement the new process by June 2020.

Responsible Official: Chief Financial Officer

SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS

None noted.

SECTION V – SUMMARY of PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

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

State of New Mexico
Office of the Secretary of State
Other Disclosures
June 30, 2019

EXIT CONFERENCE

An exit conference was held on October 30, 2019. The following individuals were in attendance:

Representing Office of the Secretary of State:

Maggie Toulouse Oliver	Secretary of State
Sharon Pino	Deputy Secretary of State
Veronica Albin	Chief Financial Officer

Representing Carr, Riggs & Ingram, LLC:

Alan D. "A.J." Bowers, Jr. CPA, CITP	Partner
Eric Spurlin, CPA, CITP	Senior Manager

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.



STATE OF NEW MEXICO
MAGGIE TOULOUSE OLIVER
SECRETARY OF STATE

CORRECTIVE ACTION PLAN

June 30, 2019

New Mexico Office of the Secretary of State respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Carr, Riggs, & Ingram, LLC
2424 Louisiana Blvd NE
Albuquerque, NM 87110

Audit period:

Year ended June 30, 2019.

The findings from the June 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARDS

FA 2019-001 – Equipment Management (Significant Deficiency)

Federal Program Information:

Funding Agency:	U.S. Election Assistance Commission
Federal Award Agreement Number:	NM18101001
Award Year:	2018
Title:	2018 HAVA Election Security Grant
CFDA Number:	90.404
Pass-through Agency:	Not Applicable
Pass-through Identification Number:	Not Applicable

Condition: The Agency was unable to provide proof of the location, serial number, and condition of one equipment item purchased with federal funding.

Auditors' Recommendation: The Agency should follow up with the County at which the equipment should be located and obtain the required documentation for its records. Additionally, the Agency should require such documentation be submitted to the Agency by all remote locations as part of the annual capital asset inventory count process.

Management Response: The Office of the Secretary of State is currently recruiting for a Contracts and Asset Manager. The position has been vacant since May 2019. Although we attempted to have the tabulator vendor Dominion Voting Systems inventory, verify, and report to the office the location, tags, and serial numbers as a resolution, that process was not thoroughly successful. We have determined that an in-person physical inventory will provide the best resolution. To that end, a team consisting of a to-be hired Contracts and Asset Manager and an IT Security Administrator, a position this is being created, will be tasked with this project. The Office expects to implement the new process by June 2020.

Responsible Official: Veronica Albin, CFO

If there are questions regarding this plan, please call Veronica Albin, Chief Financial Officer at 505-827-3643.

Sincerely,



Veronica Albin, Chief Financial Officer