



New Mexico Compilation Commission

Financial Statements

June 30, 2012



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Official Roster
June 30, 2012

Members of the New Mexico Compilation Commission

Petra Jimenez Maes, Chief Justice, Supreme Court of New Mexico, President

Gary K. King, Attorney General

Joey D. Moya, Chief Clerk of the Supreme Court, Secretary

John Hyrum Martinez, designee, State Records Center and Archives

Kevin Washburn, Dean, University of New Mexico School of Law

Hans Voss, President, State Bar of New Mexico

Raul Burciaga, Director, Legislative Council Service

New Mexico Compilation Commission Advisory Committee

Paula Tackett, Chair, Advisory Committee

Gary Kilpatric, Montgomery & Andrews PA

Michael Browde, UNM Law School

Robert J. Desiderio, Sanchez, Mowrer & Desiderio, PC

Tracey Kimball, Librarian, Legislative Council Service

Robert A. Mead, State Law Librarian, Supreme Court Law Library

Joey D. Moya, Chief Counsel, Supreme Court of New Mexico

Gary Don Reagan, Reagan & Sanchez, P.A.

Carolyn A. Wolf, former General Counsel, NM Department of Taxation and Revenue

New Mexico Compilation Commission Management

Brenda Castello, Executive Director

Loretta Barela, Deputy Director

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
and
To the Members of
State of New Mexico
Compilation Commission
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparisons for the general fund of the State of New Mexico Compilation Commission (Commission), as of and for the year ended June 30, 2012 which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund of the Commission as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an

audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.

November 20, 2012

Management's Discussion and Analysis
June 30, 2012

The discussion and analysis section provides an overview of the objective and program of the New Mexico Compilation Commission ("Commission"). This discussion helps the reader understand the Commission's purpose and its operation of financial planning and expenditures of the annual budget. The Commission's purpose is to compile and publish the official statutory and case law of the state as the official legal publisher and the exclusive distributor of the state's official laws. This purpose includes the assurance to the citizenry that legal publications of state laws and court opinions are current, accurate, affordable to the legal and academic community and accessible by the general public.

AGENCY OVERVIEW

The Commission is a self-sustaining enterprise agency created in 1941. Sections 12-1-1 to 12-1-14, 8-5-6 to 8-5-14 and 32-4-2 NMSA 1978 set forth the powers and duties of the Commission.

Pursuant to NMSA 1978 Section 12-1-1 et seq, the Commission is responsible for publishing the laws of New Mexico. As the official legal publisher, the Commission publishes the session laws for the Secretary of State and compiles the laws, including numbering of statute sections and researching and drafting annotations, to create the official compilation known as the *New Mexico Statutes Annotated™* ("NMSA 1978"). The Commission serves as the judiciary's publisher by publishing the official court opinions in authenticated PDF with digital signature secure format, unpublished decisions, slip opinions, court rules governing the practice of law in New Mexico and court forms, known as the *New Mexico Rules Annotated*. Exclusive content, copyrighted on behalf of the State of New Mexico, includes the historical NMSA and NMRA from 1989 to date. The official laws and court rules with forms are published in real time on *NMONESOURCE.COM™*, quarterly on *New Mexico One Source of Law™* DVD as a portable companion product, in print in *New Mexico Appellate Reports*, and on the Commission's website at www.nmcompcomm.us.

The Commission is the publisher for (1) the Attorney General in terms of the Opinions of the Attorney General, (2) the Secretary of State relative to the *Laws of New Mexico*, *Election Law Handbook* and Constitution in English and Spanish, and (3) the Taxation and Revenue Department and its annual custom-designed tax manual, *New Mexico Selected Taxation and Revenue Laws and Regulations™*. The public defenders, district attorneys, private practice attorneys and law enforcement rely on the Commission's *New Mexico Criminal and Traffic Law Manual™* each year.

Additionally, the public is served with free access to the statutes, rules and forms through a word-searchable database available on the Commission's site and through a link from the state legislature's web site. Case law is retrievable by the public at the Commission's web site, www.nmcompcomm.us.

USING THIS ANNUAL REPORT

The financial report includes the sections described below.

Management Discussion and Analysis (MD&A)

This section includes information on the use of the annual report and management's analysis of the financial position and results of operations for the Commission.

Management's Discussion and Analysis
June 30, 2012

Financial Statements Overview

The financial statements are for the purpose of presenting to the reader the financial position and financial changes for the Commission. The financial statements are not intended to report the financial position of the State of New Mexico as a whole. The Commission is one of 100± agencies in the State that contributes to the financial position of the State of New Mexico.

The Commission has only one fund "07600," which is a non-reverting agency. The Commission's funds do not revert into the State General Fund. The revenues are as follows:

- 1833 - Civil Filing Fees
- 2493 - Other Intra-State Services
- 3133 - New Mexico Reports
- 3143 - New Mexico Compilation
- 9693 - Miscellaneous Revenue

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental activities are consolidated into one column. The Commission has no business type activities. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the Commission and its governmental activities. This statement, for the first time, combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term liabilities.

The Statement of Activities is focused on costs of various activities that are provided by the Commission's general and other revenues. This is intended to summarize and simplify the general analysis of the cost of services.

Fund Financial Statements

The financial statements are for the purpose of presenting to the reader the financial position and financial changes for the Commission. The financial statements are not intended to report the financial position of the State of New Mexico as a whole. The Commission is one of 100± agencies in the State that contributes to the financial position of the State of New Mexico.

The Commission has only one fund, 07600, and is a non-reverting agency. The Commission's funds do not revert into the State General Fund. The revenues are as follows:

- Civil Action Filing Fees
- New Mexico Appellate Reports and Compilations
- Other Financing Resources

The Governmental Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are

Management's Discussion and Analysis
June 30, 2012

established for various purposes and the financial statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

Infrastructure Assets

The Commission does not own any infrastructure assets such as roads, bridges, etc.

BUDGETARY COMPARISONS

In addition to MD&A, GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis.

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statements of Revenues and Expenditures – Budget and Actual also are presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following Statement of Net Assets, June 30, 2012, represents a year-over-year comparison of the Commission's assets, liabilities and net assets.

	June 30	
	<u>2012</u>	<u>2011</u>
Statement of Net Assets		
Government Activities		
Current assets	\$ 1,577,256	1,692,712
Capital assets	<u>2,152</u>	<u>3,229</u>
Total assets	<u>\$ 1,579,408</u>	<u>1,698,941</u>
Current and due after one year liabilities	<u>\$ 75,658</u>	<u>84,828</u>
Net assets		
Nonspendable:		
Restatement of net assets (Note 9)	\$ -	120,338
Invested in capital assets	<u>2,152</u>	<u>3,229</u>
Unrestricted	<u>1,501,598</u>	<u>1,610,884</u>
Total net assets	<u>\$ 1,503,750</u>	<u>1,734,451</u>

The Commission's total net assets for fiscal year 2012 were \$1,503,750 versus fiscal year 2011 restatement which was \$1,734,451. Net Assets decreased in fiscal year 2012 by \$110,363 due to the funding of one-time product development costs and due to prior FY inventory restatement of \$120,338. All capital assets were fully depreciated at June 30, 2012.

Management's Discussion and Analysis
June 30, 2012

STATEMENT OF ACTIVITIES

The following Statement of Activities for the year ended June 30, 2012, represents a year-over-year comparison of the Commission's expenses, revenue and net assets.

	Government Activities	
	<u>2012</u>	<u>2011</u>
Program Expenses – general government	<u>\$ 1,909,904</u>	<u>1,833,421</u>
Program Revenues		
Civil Action Filing Fee & other revenue	<u>570,095</u>	643,804
New Mexico Reports and Compilation	<u>709,108</u>	<u>693,221</u>
TOTAL PROGRAM REVENUE	<u>1,279,203</u>	<u>1,337,025</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(630,701)</u>	<u>(496,396)</u>
General Revenues and Transfers		
State General Fund appropriations	-	153,500
Transfers from other agencies	<u>400,000</u>	<u>400,000</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>400,000</u>	<u>553,500</u>
Change in net assets	<u>(230,701)</u>	57,103
Restatement of Net Assets (Note 9)	<u>120,338</u>	
Net assets, beginning	<u>1,734,451</u>	<u>1,557,009</u>
NET ASSETS, end of year	<u>\$ 1,503,750</u>	<u>1,734,451</u>

The Commission's total expenditures for fiscal year 2012 were \$1,909,904 versus fiscal year 2011 which were \$1,833,421. Expenditures increased in 2012 due to major online and print product development relative to the new court opinion publishing standard requiring authenticated PDF with digital signature, development and release of the electronic *New Mexico Appellate Reports*, the new online legal research tool known as *NMONESOURCE.COM* and related projects.

The Commission's total revenues, including other agency transfers, for fiscal year 2012 were \$1,679,203 versus fiscal year 2011 which were \$1,890,525. Revenues decreased in 2012 by \$211,322 due to the loss of civil action filing fee revenue, over which the Commission has no control, and state general fund appropriations. The Commission's product sales revenue totaling \$709,108 demonstrated an increase of \$15,887 over the \$693,221 sales revenue in fiscal year 2011.

Management's Discussion and Analysis
June 30, 2012

It is noted that fiscal year 2012 was the first year since 2007 that the Commission received no revenue in general fund allocation, i.e., zero general fund in fiscal year 2012 as compared to \$153,500 in general fund during fiscal year 2011.

THE COMMISSION'S FUND

The Commission has only one governmental fund, 07600, which is the General Fund. Analysis of its activities is outlined above.

BUDGETARY HIGHLIGHTS

There were budget changes during the current year due to increased product development costs and contractual services.

- (1) Actual expenditures were \$180,467 less than budgeted expenditures for the year due to management of product development costs and understaffing for 9 months of the fiscal year.
- (2) Revenues were \$294,696 less than budget due primarily to the expectation that the Commission would, as an enterprise agency, self-fund the revenue required for the one-time product development costs from its fund balance and due to the \$65,541 decrease in civil action filing fees as compared to fiscal year 2011.

As noted in Note 9, during Fiscal Year 2012 management discovered that some inventory items had erroneously been reported as obsolete. In prior periods, management had reported inventory net of an allowance for obsolete items, or for items that may not be sold in the near future. Management determined that a change in the way inventory was valued was necessary in order to more accurately reflect the Commission's purposes and mission. Many of the items held as inventory, and considered obsolete in prior periods, are required by New Mexico State Statute (Section 12-1-3 NMSA 1978) to be maintained by the Commission and, therefore, are not obsolete. See note 9 for detailed accounting.

ANTICIPATED CHANGES

The Commission has no knowledge of anticipated changes that will significantly affect the financial position of the agency.

FINANCIAL CONTACT

The Commission's financial statements are designed to present users with the general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have questions about the report or need additional financial information, contact Brenda Castello, Director, at 4355 Center Blvd., Santa Fe, New Mexico 87507-9706.

**Statement of Net Assets
June 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 1,350,153
Accounts Receivable	43,449
Inventory	183,654
Capital assets, net	<u>2,152</u>
TOTAL ASSETS	<u><u>\$ 1,579,408</u></u>
LIABILITIES	
Accounts Payable	\$ 33,808
Accrued Payroll	18,695
Compensated Absences:	
Due Within One Year	18,002
Due After One Year	<u>5,153</u>
TOTAL LIABILITIES	<u>75,658</u>
NET ASSETS	
Invested in Capital Assets	2,152
Unrestricted	<u>1,501,598</u>
TOTAL NET ASSETS	<u>1,503,750</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,579,408</u></u>

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

**Statement of Activities
For the year ended June 30, 2012**

	Governmental Activities
EXPENSES	
General government:	
Support Services	\$ 565,064
Reports and Compilations	1,343,763
Depreciation	1,077
TOTAL EXPENSES	1,909,904
PROGRAM REVENUE	
Civil Action Filing Fees	570,095
New Mexico Reports and Compilations	709,108
TOTAL PROGRAM REVENUE	1,279,203
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(630,701)
GENERAL REVENUES AND TRANSFERS	
Transfers From Other State Agencies	400,000
CHANGE IN NET ASSETS	(230,701)
NET ASSETS, BEGINNING	1,614,113
Restatement of Net Assets (Note 9)	120,338
Beginning Net Assets as Restated	1,734,451
NET ASSETS, ENDING	\$ 1,503,750

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

**Balance Sheet - Governmental Fund
June 30, 2012**

	General Fund
ASSETS	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 1,350,153
Accounts Receivable	43,449
Inventory	183,654
TOTAL ASSETS	\$ 1,577,256
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 33,808
Accrued payroll	18,695
TOTAL LIABILITIES	52,503
FUND BALANCES	
Nonspendable - Inventory	183,654
Unassigned	1,341,099
TOTAL FUND BALANCE	1,524,753
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,577,256

Amounts reported in the Statement of Net Assets differ because:

Total fund balances	\$ 1,524,753
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	2,152
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(23,155)
Net assets per Statement of Net Assets	\$ 1,503,750

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

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Fund
For the year ended June 30, 2012**

	<u>General Fund</u>
REVENUES	
Interagency Transfers - NM District Courts	
Civil Action Filing Fees	\$ 570,096
Charges for Services	
New Mexico Reports and Compilations	<u>709,108</u>
TOTAL REVENUES	<u>1,279,204</u>
EXPENDITURES	
General government:	
Current:	
Personal Services and Employee Benefits	438,583
Contractual Services	1,357,930
Other Costs	<u>136,920</u>
TOTAL EXPENDITURES	<u>1,933,433</u>
Excess of Revenues over Expenditures	<u>(654,229)</u>
OTHER FINANCING SOURCES (USES)	
Transfers from Other Agencies	<u>400,000</u>
NET CHANGE IN FUND BALANCE	<u>(254,229)</u>
FUND BALANCE, BEGINNING	1,658,644
Restatement of Fund Balance (Note 9)	<u>120,338</u>
Beginning Fund Balance as Restated	<u>1,778,982</u>
FUND BALANCE ENDING	<u><u>\$ 1,524,753</u></u>
 Amounts reported In the Statement of Activities are different because:	
Net change in fund balance	\$ (254,229)
Net change in current and long-term portions of compensated absences	24,605
Excess depreciation over capital outlay expenditures	<u>(1,077)</u>
Changes in net assets of governmental activities	<u><u>\$ (230,701)</u></u>

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

**Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
General Fund
For the year ended June 30, 2012**

	Budget Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Civil Action Filing Fees	\$ 664,000	664,000	570,096	(93,904)
New Mexico Reports and Compilations	909,900	909,900	709,108	(200,792)
Other Financing Sources	400,000	400,000	400,000	-
TOTAL REVENUES	<u>1,973,900</u>	<u>1,973,900</u>	<u>1,679,204</u>	<u>(294,696)</u>
 Fund Balance	 <u>1,778,982</u>	 <u>1,638,982</u>		
TOTAL RESOURCES	<u>\$ 3,752,882</u>	<u>3,612,882</u>		
 EXPENDITURES				
Personal Services	\$ 501,200	501,200	438,583	62,617
Contractual Services	1,339,700	1,459,700	1,357,930	101,770
Other Costs	133,000	153,000	136,920	16,080
	<u>\$ 1,973,900</u>	<u>2,113,900</u>	<u>1,933,433</u>	<u>180,467</u>

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

Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of New Mexico Compilation Commission (Commission) (NMCC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below:

A. Financial Reporting Entity

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units in the reporting entity by applying the criteria set forth in GAAP. 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 is conducted within the geographic boundaries of the government and is generally available to 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. Based upon the application of these criteria, there are no component units.

Included within the reporting entity:

Compilation Commission. The State of New Mexico Compilation Commission was established by Section 12-1-2, NMSA, 1978 Compilation. Revenue sources are from the sale of compilations or supplements thereto, sale of reports of the State of New Mexico Compilation Commission, and fees levied upon each civil action filed in the Office of the Clerk by the various District Courts in the State of New Mexico.

The Chief Justice of the State of New Mexico Supreme Court serves as President of the Compilation Commission, with the State Attorney General as member and the State of New Mexico Supreme Court Clerk as Secretary.

Reporting Entity. The Commission's responsibilities include:

- Purchasing and distributing copies of the compilation of the New Mexico Statutes;
- purchasing and distributing copies of the compilation to state agencies, local governmental bodies and other public officials;
- publishing opinions of the State Attorney General; and
- providing a computerized data base of the New Mexico Statutes Annotated 1978 and parallel tables for computerized search and manipulation.

Notes to the Financial Statements
June 30, 2012

Excluded from the reporting entity:

The other entities of the Judicial Branch of government are excluded because they are separate entities established by statute.

B. Basic Financial Statements

In accordance with GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements, the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities. The Commission does not have any fiduciary activities. The Commission does not have any business-type activities; therefore, only governmental activities are shown. Governmental activities are normally supported by taxes and intergovernmental revenues.

The fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balances, are presented to report additional and detailed information about the Commission. The general fund (SHARE fund #07600) is the Commission's operating fund and includes all financial transactions conducted to fulfill its general government function. It accounts for all financial resources of the Commission.

Measurement focus, basis of accounting and financial statement presentation basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and 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. Capital assets are reported at historical cost and depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities.

The government-wide Statement of Activities demonstrates the direct expenses of the single function (general government) of the Commission which is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The Commission has no indirect expenses and, therefore, indirect expenses are not required to be allocated to functions in the Statement of Activities. Program revenues include charges for services provided by a particular function or program. Other revenues not identifiable with a particular function or program are included as general revenue. The general revenues support the net costs of the function or program not covered by program revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current

Notes to the Financial Statements
June 30, 2012

liabilities are included on the balance sheet. The reported fund balance is considered a measure of available spendable resources.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Revenues are recognized as soon as they are both measurable and available. Revenues are available if collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Commission considers revenues to be available if collected within sixty days of the end of the fiscal year. Expenditures are recorded when a liability is incurred, as under accrual accounting. The Commission does not have any debt service expenditures. The current portion of the compensated absences liability is not included in the fund financial statements because the State of New Mexico does not budget for any compensated absences in the current year.

C. Accounts Receivable

Accounts receivable consists of Civil Action Filing Fees from various District Courts throughout the State of New Mexico which are transferred to the Commission through operating transfers and are considered substantially collectable. Accordingly, no allowance for doubtful accounts is deemed necessary.

In addition, accounts receivable consist of state publication sales to both the public and private sectors, which are recorded as revenue when earned. These receivables are reported net of an allowance for doubtful accounts when necessary.

The allowance for doubtful accounts is based on management's assessment of the collectability of the customer accounts, the aging of the accounts receivable, and other currently available evident. As of June 30, 2012 no allowance for doubtful accounts was deemed necessary.

D. Inventory

Inventories consist of publications held for resale and to service subscribers of the New Mexico Statutes compilations and are recorded using the purchase (or expenditure) method. Under the purchase method, the purchases of inventory are recorded as expenditures and at year-end the balance of inventories is recorded with an offsetting reserve in fund balance. Inventories are stated primarily at average cost. The increase or decrease in inventory reserve is reflected as a change in fund balance in the statement of revenues, expenditures and changes in fund balances.

In determining the value of inventory management considers items which may be obsolete. Obsolescence is determined by management on a case by case basis. When an item is determined obsolete it is expensed as a decrease in inventory as described above. During the fiscal year ended June 30, 2012 the changes in inventory did not include any decreases for obsolete items.

Notes to the Financial Statements
June 30, 2012

E. Capital Assets

Capital assets of the Commission include furniture and fixtures, and equipment. The Commission does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold to \$5,000. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Commission does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the Commission are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	5
Data processing equipment	4
Furniture and fixtures	7

F. Accrued Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

Employees accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employee hourly rate for accumulated sick leave over 600 hours, up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. Additionally, upon retirement, those employees with over 600 hours of accumulated sick leave, have the option to convert 400 hours of such leave to cash at one half of their hourly rate.

Fair Labor Standards Act (FLSA) states that nonexempt employees accumulate compensation time at a rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Overtime must be preapproved by management. Payment of this liability can be made by compensated leave time or cash payment. At June 30th, there was no compensation time owed to any employees.

Notes to the Financial Statements
June 30, 2012

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

G. Net Assets

In the government-wide financial statements, net assets consist of three components:

- Invested in capital assets, net of related debt
- Restricted net assets
- Unrestricted net assets

The Commission has no debt related to capital assets; therefore, net assets invested in capital assets equal the capital assets, net of related accumulated depreciation. The Commission's financial statement does not show any net assets restricted because it does not have any resources remaining in the net assets that were received or earned with the explicit understanding between the Commission and the resource provider (grantor, contributor, other government, or enabling legislation) that the funds would be used for a specific purpose narrower than the general purposes of the Commission itself. Therefore, all remaining net assets that are not related to capital assets are shown as unrestricted.

H. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commission. These amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Commission's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through the Commission delegating this responsibility to the Commission manager

Notes to the Financial Statements
June 30, 2012

through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

Amounts classified as restricted, committed, or assigned would be used for a specific purpose narrower than the general purposes of the Commission itself.

The Commission would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

I. Reversions

Any unexpended balance remaining in SHARE Fund #07600 does not revert to the State General Fund as provided by law, Section 12-1-5, NMSA 1978.

J. Budget and Budgetary Accounting

The Commission prepares and submits an annual budget for the General Fund to the Department of Finance and Administration (DFA) for approval based upon the appropriations made by the State Legislature. This budget must be submitted by September 1 for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is approved by the Legislature of the State of New Mexico. Subsequent amendments affecting a category must be approved by the Director of the State Budget Division of DFA.

Budgets are controlled at the "appropriation unit" level. Appropriations lapse at the end of the fiscal year except for those goods and services provided to the Commission by June 30th. The accounting records are held open for approximately one additional month per DFA directive, in order to record the transactions in the fiscal year ended June 30th.

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.

In accordance with the requirements of Section 2.2.2 10.A(2)(b) of 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements.

K. Use of 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 disclosure. Accordingly, actual results could differ from those estimates.

Notes to the Financial Statements
June 30, 2012

NOTE 2: INVESTMENT IN STATE TREASURER GENERAL FUND INVESTMENT POOL

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

At June 30, 2012 the Commission had the following invested in the General Fund Investment Pool:

	<u>Maturity</u>	<u>Account Balance</u>	<u>Fair Value</u>
Governmental Funds:			
Investment in the State General Fund Investment Pool, fund 07600	1 day	\$1,350,153	\$1,350,153

For additional GASB 40 disclosure information regarding the State Treasurer General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer's Board for the fiscal year ended June 30, 2012.

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

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

General Fund Investment Pool Not Reconciled

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the balances at the business unit/fund level is not possible. Section 6-5-2.1 (J) NMSA 1978 requires DFA to complete on a monthly basis, reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

Notes to the Financial Statements
June 30, 2012

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

The cash transactions processed by the Commission flow through the state general fund investment pool. Since SHARE was implemented, we recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Commission.

The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities, and review of outstanding warrants. The Commission reports the timely completion of the reconciliation process to Commission management monthly and conducts monthly management budget reviews to ensure that all cash deposits and financial transactions are accurately recorded and posted to the SHARE system.

This monthly internal reconciliation of cash receipts and disbursements flowing through the Commission's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, Commission reconciles other asset and liability accounts on the balance sheet of each fund type. This process also provides additional assurance that transactions affecting the Commission's share in the State General Fund Investment Pool account are accurate.

Notes to the Financial Statements
June 30, 2012

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Machinery and Equipment	\$ 39,567	-	(34,184)	5,383
Accumulated Depreciation:	(36,338)	(1,077)	34,184	(3,231)
Net Capital Assets	<u>\$ 3,229</u>	<u>(1,077)</u>	<u>-</u>	<u>2,152</u>

Depreciation expense for the fiscal year ended June 30, 2012 was \$1,077.

NOTE 4: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12	Due within One Year
Annual Leave	<u>\$ 47,760</u>	<u>22,968</u>	<u>47,573</u>	<u>\$ 23,155</u>	<u>\$ 18,002</u>

The Commission's General Fund resources have been used to liquidate accrued compensated absences in the past. The Commission had no other debt activity during the year.

NOTE 5: PERA RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 10.67% of their gross salary. The Commission is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$43,201, \$51,066, and \$52,424, respectively, which equal the amount of the required contributions for each fiscal year.

Notes to the Financial Statements
June 30, 2012

NOTE 6: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – RETIREE HEALTH CARE

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year Employer	Employer Contribution Rate	Employee Contribution Rate
FY13	2.000%	1.000%

Notes to the Financial Statements
June 30, 2012

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Commission's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$5,906, \$5,602 and \$4,503, respectively, which equal the required contributions for each year.

NOTE 7: OPERATING LEASES

The Commission leases Office space under a lease agreement with a four year term beginning November 1, 2012 and terminating on October 31, 2016 with the option to extend the terms another four years. Additionally, the Commission leases equipment, all with terms of four years. Expenditures for leases for the year ended June 30, 2012 was \$71,469. Future minimum lease payments are as follows:

Year ending June 30	Equipment	Building
2013	\$ 10,920	48,000
2014	10,920	48,000
2015	10,920	48,000
2016	4,696	48,000
2017	-	16,000
Thereafter	-	-
Total	\$ <u>37,458</u>	<u>208,000</u>

NOTE 8: RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and, natural disasters. Section 15-7-2, NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state laws have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure, and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Commission are accounted for in the General Fund. Any claims are processed through RMD.

Notes to the Financial Statements
June 30, 2012

NOTE 8: OPERATING TRANSFERS

Share Fund	Title	Transfer In	Out
(1) 62000	Legislative Council Service	400,000	
<p>(1) Laws of 2011, Chapter 1, Section 11</p>			

NOTE 9: RESTATEMENT OF NET ASSETS AND FUND BALANCE

During the Fiscal Year 2012 management discovered that some inventory items had erroneously been reported as obsolete. In prior periods management had reported inventory net of an allowance for obsolete items, or for items that may not be sold in the near future. Management determined that a change in the way inventory was valued was necessary in order to more accurately reflect the Commission's purposes and mission. Many of the items held as inventory, and considered obsolete in prior periods, are required by New Mexico State Statutes (Section 12-1-3 NMSA 1978) to be maintained by the Commission and therefore are not obsolete. The Restatements of Fund Balance and Net Assets are as follows:

	Net Assets	Fund Balance
Balance as of June 30, 2012 as previously stated	\$ 1,614,113	1,658,644
Increase in Inventory	120,338	120,338
Balance as of June 30, 2012 as restated	<u>\$ 1,734,451</u>	<u>1,778,982</u>

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

Hector H. Balderas
New Mexico State Auditor
and
To the Members of
State of New Mexico
Compilation Commission
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico Compilation Commission (Commission) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. 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.

Internal Control over Financial Reporting

Management of the commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Commission, others within the entity, the State Auditor, the Department of Finance and Administration, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.

November 20, 2012

Schedule of Findings and Responses
June 30, 2012

STATUS OF PRIOR YEAR'S FINDINGS

None

CURRENT YEAR'S FINDINGS

None

Other Disclosures
June 30, 2012

The contents of this report were discussed at an exit conference held December 13, 2012.

The Commission was represented by:

Petra Jimenez Maes, Chief Justice, Supreme Court of New Mexico, President
Joey D. Moya, Chief Clerk of the Supreme Court, Secretary
Brenda Castello, Executive Director

Zlotnick, Laws & Sandoval, P.C. was represented by:

Asa Laws, CPA	Partner
Richard Sandoval, CPA	Partner
Ban Trinh, CPA	Staff
Brian Laws, CPA	Staff

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C.