

The logo for atkinson, featuring the word in a lowercase serif font with a small green dot above the letter 'i'.

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A large, light green circle on the left side of the page, partially overlapping a larger grey circle in the background.

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**STATE OF NEW MEXICO  
COMPILATION COMMISSION**

**FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2020**

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

**TABLE OF CONTENTS**

	Page
<b>INTRODUCTORY SECTION</b>	
Official Roster .....	1
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	2-4
Management's Discussion and Analysis (unaudited) .....	5-8
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position .....	9
Statement of Activities .....	10
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	14
Statement of Revenues and Expenditures – Budget and Actual – General Fund .....	15
Notes to Financial Statements .....	16-29

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	30-31
Schedule of Findings and Responses .....	32
Exit Conference .....	33

State of New Mexico Compilation Commission

**OFFICIAL ROSTER**

June 30, 2020

**Members of the New Mexico Compilation Commission**

Michael E. Vigil	Chief Justice, Supreme Court of New Mexico
Hector Balderas	Attorney General
Joey D. Moya	Chief Clerk of the Supreme Court, Secretary
Eileen Gauna	Designee, University of New Mexico School of Law
Gerald G. Dixon	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 B. Browde	UNM Law School
Robert J. Desiderio	Sanchez, Mowrer & Desiderio, PC
Jon Boller	Senior Staff Attorney, Legislative Council Service
Joey D. Moya	Chief Clerk, Supreme Court of New Mexico
Carolyn A. Wolf	Former General Counsel, NM Department of Taxation and Revenue
Michelle Rigual	University of New Mexico School of Law Library

**New Mexico Compilation Commission Management**

Brenda Castello	Executive Director and Chief Financial Officer
Loretta Barela	Deputy Director

## INDEPENDENT AUDITORS' REPORT

Honorable Michael E. Vigil, Chief Justice  
State of New Mexico Compilation Commission  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor  
Santa Fe, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparisons for the general fund of the State of New Mexico Compilation Commission (the Commission) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Commission'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, and the general fund of the Commission, as of June 30, 2020, and the respective changes in financial position 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.

## **Emphasis of Matters**

As discussed in Note A1, the financial statements of the Commission are intended to present the financial position and changes in financial position of only that portion of the governmental activities, major funds and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2020, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

As discussed in Note E, the State of New Mexico, as a single employer, has implemented Governmental Accounting Standards Board (GASB) Standard No. 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2020, Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Commission's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2020. Our opinion is not modified with respect to this matter.

As discussed in Note F, the State of New Mexico, as a single employer, has implemented GASB Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, (OPEB) in the June 30, 2020, CAFR. Accordingly, there is no allocation of the proportional share of the OPEB liability to individual agencies or to the Commission's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2020. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Commission's internal control over financial reporting and compliance.

ATKINSON & CO., LTD

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
October 31, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2020

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.

### AGENCY OVERVIEW

The Commission was created in 1941 and is the official legal publisher of the State of New Mexico. Sections 12-1-1 to 12-1-14 NMSA 1978 set forth the powers and duties of the Commission. The Commission's purpose is to compile and publish the official annotated laws, court opinions, annotated court rules, attorney general opinions and session laws of the state, collectively called "the laws", for free public access on its web site known as *NMOneSource.com*®. The laws are also published in print, e-book and mobile app through an exclusive content license with royalty paid to the Commission. These publications are the *New Mexico Statutes Annotated 1978*®, *New Mexico Rules Annotated*, *New Mexico Criminal and Traffic Law Manual*® and *New Mexico Selected Taxation and Revenue Laws and Regulations*®.

The Commission publishes the [Session] Laws of New Mexico, Election Law Handbook, and Constitution of the State of New Mexico for the New Mexico Secretary of State.

Prior to the free online public access to the laws, effective May 3, 2019, the laws were available through paid subscriptions to *NMOneSource.com* or through free websites containing unannotated statutes, court rules or appellate court opinions in table form.

### 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.

#### 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 one fund, "07600." The Commission is a non-reverting agency wherein its fund does not revert into the State General Fund except for the special appropriation this year. 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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2020

**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 Position (the "Unrestricted Net Position") is designed to be similar to a bottom line for the Commission and its governmental activities. This statement 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 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 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, Governmental Accounting Standards Board (GASB) Standard No. 34 requires budgetary comparison schedules for the general 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 2.2.2 NMAC, 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 summarized Statement of Net Position, June 30, 2020 and 2019, represents a year-over-year comparison of the Commission's assets, liabilities and net position.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2020

**STATEMENT OF NET POSITION**

	Government Activities	
	2020	2019
Current assets	\$ 2,054,365	\$ 1,491,229
Capital assets	-	-
Total assets	<u>\$ 2,054,365</u>	<u>\$ 1,491,229</u>
Total liabilities	<u>64,395</u>	<u>115,296</u>
Net Position:		
Net invested in capital assets	-	-
Restricted	168,461	200,461
Unrestricted	<u>1,821,509</u>	<u>1,175,472</u>
Total net position	<u>\$ 1,989,970</u>	<u>\$ 1,375,933</u>

The Commission's total net position for the fiscal year 2020 was \$1,989,970. Net Position in fiscal year 2019 was \$1,375,933. The \$614,037 increase is due to a reduction in publishing and operational expenditures.

**STATEMENT OF ACTIVITIES**

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

	Government Activities	
	2020	2019
Program expenses	\$ (988,071)	\$ (1,955,459)
Program revenues	<u>691,366</u>	<u>1,230,397</u>
Deficiency of revenues over expenses	(296,705)	(725,062)
Current year reversion	(141,258)	-
General revenues and transfers	<u>1,052,000</u>	<u>619,000</u>
Change in net position	614,037	(106,062)
Net position, beginning	1,375,933	1,477,225
Increase in inventory	<u>-</u>	<u>4,770</u>
Net position, ending	<u>\$ 1,989,970</u>	<u>\$ 1,375,933</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2020

The Commission's total program and general revenues for fiscal year 2020 were \$1,743,366. The revenues in fiscal year 2019 were \$1,849,397. Revenues decreased in 2020 by \$106,031, substantially due to the operational restructure wherein the Commission no longer sells products from the agency and to the reduction in civil action filing fees collected.

The Commission's total expenses for fiscal year 2020 were \$988,071. The expenses in fiscal year 2019 were \$1,955,459. Expenditures decreased in fiscal year 2020 by \$967,388. This was due to the completion of the restructure that saved print and online production, shipping, warehousing, and financial staff costs.

The change in net position of the Commission is attributable to the decrease in expenses inherent in the publishing transformation that allowed for free online public access to the State's master database of official, annotated laws. On-going operational expenses under this operational model are expected to maintain this trajectory. Costs are relatively stable in the four-year term publishing contracts with the print and online suppliers.

**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**

The Commission self-funded the majority of the one-time expenses incurred in developing the new operational structure, effective May 3, 2019, to secure a significant future savings in print production, warehousing, staffing, sales and marketing, and the maintenance of three former web sites. By transitioning to the cloud, it optimized the data security for the maintenance of the master official database of laws for the State. New annual royalty revenue replaces the former sales revenue earned through the sales of print and online subscriptions to the public and private sectors.

**ANTICIPATED CHANGES**

The Commission has no expected or anticipated changes in FY21 that will significantly affect the financial position of the agency. However, there is uncertainty and budgetary reductions are possible. See Note J.

**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 Place, Santa Fe, New Mexico 87507-9706.

State of New Mexico Compilation Commission

**STATEMENT OF NET POSITION**

June 30, 2020

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Interest in State General Fund Investment Pool	\$ 1,911,326
Inventory	143,039
Capital assets, net	<u>-</u>
Total assets	<u>\$ 2,054,365</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 5,022
Payroll benefits payable	6,484
Payroll taxes payable	4,613
Accrued payroll	9,710
Other	12
Compensated absences:	
Due within one year	31,072
Due after one year	<u>7,482</u>
Total liabilities	<u>64,395</u>
<b>NET POSITION</b>	
Net investment in capital assets	-
Restricted	168,461
Unrestricted	<u>1,821,509</u>
Total net position	<u>1,989,970</u>
Total liabilities and net position	<u>\$ 2,054,365</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Compilation Commission

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

	<u>Governmental Activities</u>
EXPENSES	
Judicial	
Support services	\$ 458,697
Reports and compilations	<u>529,374</u>
Total expenses	<u>988,071</u>
PROGRAM REVENUES	
Civil action filing fees	533,657
Reports and compilations	<u>157,709</u>
Total program revenues	<u>691,366</u>
Deficiency of revenue over expenses	(296,705)
GENERAL REVENUES AND TRANSFERS	
Current year reversions	(141,258)
Appropriations and transfers from other state agencies	<u>1,052,000</u>
CHANGE IN NET POSITION	614,037
NET POSITION, Beginning	1,375,933
Increase (decrease) in inventory	<u>-</u>
NET POSITION, Ending	<u>\$ 1,989,970</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Compilation Commission

**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2020

	General Fund 07600
	<u>                    </u>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 1,911,326
Inventory	143,039
	<u>                    </u>
Total assets	<u>\$ 2,054,365</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 5,022
Payroll benefits payable	6,484
Payroll taxes payable	4,613
Accrued payroll	9,710
Other	12
	<u>                    </u>
Total liabilities	<u>25,841</u>
<b>FUND BALANCES</b>	
Nonspendable - Inventory	143,039
Restricted	168,461
Unassigned	1,717,024
	<u>                    </u>
Total fund balances	<u>2,028,524</u>
Total liabilities and fund balances	<u>\$ 2,054,365</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Compilation Commission

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

June 30, 2020

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 2,028,524
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets	\$ 10,034
Accumulated depreciation	<u>(10,034)</u>

Total capital assets, net	-
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Certain other liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Liabilities at year end consist of:

Compensated absences payable	<u>(38,554)</u>
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Net position of governmental activities (Statement of Net Position)	<u>\$ 1,989,970</u>
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The accompanying notes are an integral part of this financial statement.



State of New Mexico Compilation Commission

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

	General Fund 07600
REVENUES	
Civil action filing fees	\$ 533,657
New Mexico reports and compilations	157,709
	<hr/>
Total revenues	691,366
	<hr/>
EXPENDITURES	
Judicial:	
Current:	
Personnel services and benefits	456,705
Contract services	448,803
Other costs	80,571
Capital outlay	-
	<hr/>
Total expenditures	986,079
	<hr/>
Deficiency of revenues over expenditures	(294,713)
OTHER FINANCING SOURCES	
Current year reversions	(141,258)
Appropriations and transfers from other state agencies	1,052,000
	<hr/>
NET CHANGE IN FUND BALANCE	616,029
FUND BALANCES, beginning	1,412,495
Change in inventory	-
	<hr/>
FUND BALANCES, ending	<u>\$ 2,028,524</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Compilation Commission

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2020

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 616,029
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The net increase in the liabilities for the year was:	(1,992)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Additions	\$ 10,034	
Depreciation expense	<u>(10,034)</u>	
		<u>-</u>

Change in Net Position of Governmental Activities (Statement of Activities)	<u>\$ 614,037</u>
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State of New Mexico Compilation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND  
ACTUAL – GENERAL FUND**

For the Year Ended June 30, 2020

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Civil action filing fees	\$ 616,000	\$ 616,000	\$ 533,657	\$ (82,343)
New Mexico reports and compilation	-	-	157,709	157,709
Other financing sources	400,000	400,000	281,000	(119,000)
General Fund appropriation	552,000	771,000	771,000	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>1,568,000</b>	<b>1,787,000</b>	<b>\$ 1,743,366</b>	<b>\$ (43,634)</b>
Fund balance	-	-		
<b>Total revenues and fund balance</b>	<b>\$ 1,568,000</b>	<b>\$ 1,787,000</b>		
<b>EXPENDITURES</b>				
Administrative services				
Personnel services	\$ 552,000	\$ 771,000	\$ 456,705	\$ 314,295
Contractual services	616,000	616,000	448,803	167,197
Other	400,000	400,000	80,571	319,429
<b>Total expenditures</b>	<b>\$ 1,568,000</b>	<b>\$ 1,787,000</b>	<b>986,079</b>	<b>\$ 800,921</b>
Excess of revenue and other financing sources over expenditures			757,287	
Current year reversion			(141,258)	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis)			<b>\$ 616,029</b>	

The accompanying notes are an integral part of this financial statement.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the State of New Mexico Compilation Commission (“Commission”) 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:

1. 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:

*New Mexico Compilation Commission.* The Commission was established by Section 12-1-2, NMSA 1978. Revenue sources are from the sale of compilations or supplements thereto, sale of reports of the Supreme Court of New Mexico, 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 Supreme Court of New Mexico serves as President of the Commission, with the State Attorney General as member and the Supreme Court of New Mexico, Chief Clerk, as Secretary.

*Reporting Entity.* The New Mexico Compilation Commission, acting on the advice and approval of an advisory committee appointed by the New Mexico Supreme Court, may:

- A. Provide for official, annotated compilations of the New Mexico statutes and court rules as approved by the supreme court and all other necessary things pertaining to the publication, including online publication, of any compilation and related publications;
- B. Provide for the licensing of the content of the compilation and any related publications;

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

1. Financial Reporting Entity – Continued

- C. Contract with a publisher for any compilation or related publications as may be necessary or desirable to carry out the provisions of this section;
- D. Do all things necessary to keep current the master database of publications published or authorized for publication by the compilation commission; and
- E. The New Mexico Compilation Commission shall keep current the automated legal databases, known as the official “master database,” of the following legal publications, including any revisions, and shall provide free online access to these publications:
  - (1) All appellate court opinions and decisions;
  - (2) All opinions and advisory letters issued by the Attorney General of New Mexico;
  - (3) Publications of session laws and court rules of this state; and
  - (4) Parallel tables of New Mexico laws.
- F. The Commission may license any part of the master database.
- G. The Commission may include other statutory or legal content in the master database and may license the use of that information or may electronically publish that content on its online website.

*Excluded from the reporting entity:*

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

2. 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. The Commission's governmental activities are supported by charges for services 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Basic Financial Statements – Continued

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 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 collectable 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 modified accrual basis of accounting does not require full accrual.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. 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.

In addition, accounts receivable consists 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. There are no outstanding accounts receivable at June 30, 2020.

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 evidence. As of June 30, 2020, no allowance for doubtful accounts was deemed necessary.

4. 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 and nonspendable fund balance adjusted. Inventories are stated primarily at net realizable value. The increase or decrease in non-spendable inventory reserve is reflected as an overall change in fund balance in the statement of revenues, expenditures and changes in fund balances.

The primary purposes of the inventory are to comply with the statutory requirement to publish and distribute the official laws and related publications as the sole distributor and to sell the publications and collect the revenue as one of the commission's funding sources.

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, 2020, the changes in inventory did not include any decreases for obsolete items.

The Commission holds physical copies of certain laws issued in previous years, which have been superseded by versions in subsequent years, for the purpose of keeping records available to the public. However, the Commission anticipates that any future sales of these records will be immaterial going forward and has elected not to include the records in inventory.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

5. 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 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

6. 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 30, there was no compensation time owed to any employees.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

6. Accrued Compensated Absences – Continued

Accrued compensated absences consist of accumulated annual leave up to 240 hours, sick leave between 600 and 720 hours, compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

7. Net Position

In the government-wide financial statements, net position consists of three components:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The Commission has no debt related to capital assets; therefore, amounts invested in capital assets equal the capital assets, net of related accumulated depreciation. The Commission's financial statement does not show any restricted resources because it does not have any resources 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 resources that are not related to capital assets are shown as unrestricted.

8. Fund Balances

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. The Commission has a restricted fund balance of \$184,461 which comes from an original allocation of \$286,500 in FY19 for publishing expenses. The Commission spent the difference in the amount of \$102,039 in FY19. The Commission did not spend any of this restricted fund balance in FY20.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

8. Fund Balances – Continued

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.

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.

9. Reversions

There was a general fund appropriation of \$771,000 at June 30, 2020, with \$141,258 of funds reverted. Any unexpended balance remaining associated with the general fund appropriation as of June 30, 2020, shall revert to the State General Fund as provided by law, Section 12-1-5, NMSA 1978. Any other unexpended balance remaining in SHARE Fund #07600 does not revert to the State General Fund because the revenue is derived from fee-based revenues and sales of legal reports and statutory compilations.

10. 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 30.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

10. Budget and Budgetary Accounting – Continued

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 NMAC, the budgetary comparison statement has been included as part of the basic financial statements.

11. 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 disclosures. Accordingly, actual results could differ from those estimates.

12. Subsequent Events

Subsequent events have been evaluated through October 31, 2020, the date which the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2020. Management believes no material subsequent events have arisen that would require adjustment or disclosure. Please refer to Note J.

**NOTE B – 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, 2020, 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	\$ 1,911,326	\$ 1,911,326

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE B – INVESTMENT IN STATE TREASURER GENERAL FUND INVESTMENT POOL – CONTINUED**

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

Credit Risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2020.

**NOTE C – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Machinery and Equipment	\$ 10,034	\$ -	\$ -	\$ 10,034
Accumulated Depreciation	(10,034)	-	-	(10,034)
Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the fiscal year ended June 30, 2020 was \$0.

**NOTE D – COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Annual Leave	<u>\$ 36,561</u>	<u>\$ 32,272</u>	<u>\$ (30,279)</u>	<u>\$ 38,554</u>	<u>\$ 31,072</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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE E – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

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

The Commission's contributions to PERA for the years ended June 30, 2020, 2019 and 2018 were \$58,479, \$53,536, and \$58,599, respectively, which equal the required contributions for each year.

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

The Commission, 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE F – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED**

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred 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.

The Commission's contributions to the RHCA for the years ended June 30, 2020, 2019 and 2018 were \$6,784, \$6,302 and \$6,898, respectively, which equal the required contributions for each year.

**NOTE G – OPERATING LEASES**

The Commission leases Office space under a lease agreement with a four-year term beginning November 1, 2016, and terminating on October 31, 2020. Additionally, the Commission leases equipment, all with terms of four years beginning in fiscal year 2015, which renewed in 2019. Expenditures for leases for the year ended June 30, 2020, was \$55,742. Future minimum lease payments are as follows:

Year ending June 30	Equipment	Building
2021	\$ 5,052	\$ 16,000
2022	5,052	-
2023	1,684	-
Total	<u>\$ 11,788</u>	<u>\$ 16,000</u>

The office lease will be renewed under the same terms extended for four more years to be made effective November 1, 2020.

**NOTE H – RISK MANAGEMENT**

The Commission is exposed to various risks of loss 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. Risk management expenditures for the Commission are accounted for in the General Fund. Any claims are processed through RMD. Claims incurred have not exceeded insurance coverage.

The Commission's policy with the Risk Management Division may require the Commission to share in litigation assessments or settlements that may arise after July 1, 2019, determined on a case by case basis. There are no outstanding legal assessments or settlements at June 30, 2020, and through the date of these financial statements.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE I – SCHEDULE OF OPERATING TRANSFERS**

	SHARE FUND	TITLE	TRANSFER	
			In	Out
(1)	13300	Legislative Council Service	\$ 281,000	\$ -
(2)	85300	General Fund Appropriation	771,000	-

(1) Legislative Council Service – Laws of 2019, Chapter 1, Section 9

(2) General Fund Appropriation – Laws of 2019, Chapter 271, Sections 4 and 5

**NOTE J – COVID-19 IMPACT DISCLOSURE**

In response to the COVID-19 (Coronavirus) Pandemic, the Commission has seen several significant changes to the agency operations from mid-March 2020 through October 2020. The duration and continued effects from the pandemic are uncertain and cannot be predicted. In light of recent public health orders mandated by the Office of the Governor and the New Mexico Supreme Court, changes for judges, employees, the public, attorneys, and law enforcement have been ongoing.

Specific to the Commission, since the start of the pandemic, the safety and health of our employees, as well as the general public that we serve, has been, and remains, of great importance to the Commission. The Commission has remained open 40 hours a week by rotating one staff person in the agency at one time until September. A public notice is posted on the front door of the Commission with contact information for the occasional visitor or supplier. Starting in March, all visitors to the Commission were screened prior to entry. Employees are required to take daily temperature checks prior to entering the agency, to wear masks when not in their private, closed door individual offices, maintain social distancing, to use the provided sanitization products frequently, and to stay home if not feeling well. Training of a new employee beginning in September required that there be up to four employees in the agency on any given day. Staff has been equipped with laptops with financial and publishing software to work remotely as much as possible. The director and chief financial officer has virtually attended relevant budget and management meetings of the judicial and executive branches, business meetings and management and financial training sessions to ensure that the administration and financial management of the agency was not impacted negatively by COVID-19 restrictions and complications.

The Commission staff remains committed to the mission of the Commission and ensuring that adequate internal controls over financial transactions and reporting are maintained. The pandemic has confirmed and demonstrated the exponential benefits of the Commission's restructure in FY20. No publishing for financial deadline has been missed or delayed. The Commission encourages the legal community and public to use the free NMOneSource.com for legal research and court forms to avoid unnecessary trips to libraries or courts.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE J – COVID-19 IMPACT DISCLOSURE – CONTINUED**

The Commission has two revenue sources in the civil action filing fee and royalty on print sales revenues. Both are budgeted in each annual operating budget as a critical revenue component. Both have seen a decline since the pandemic began. The Commission understands that civil action filings are experiencing a downward spiral and not expected to return to former levels for the foreseeable future. Operating budgets of state and local governments and private sector law firms are severely strained due to the economic impacts of COVID-19 which are ultimately impacting the sales of print publications. These reductions, along with general fund challenges, create an uncertain revenue outlook for the coming year(s).

As a result of current events, the economy in which the State operates has seen significant declines in the market values of investments, gross receipts tax revenues, and revenues derived from the oil and gas industry. These are significant sources of revenue for the State of New Mexico, which allocates the funds through appropriations to individual state agencies. Due to these significant declines, a Special Session of the Legislature was called in June of 2020 to discuss budget cuts to ensure the continued operation of state government. The Commission's FY21 general fund budget was reduced below the FY19 and FY20 operating budgets. The FY22 budget requests have been submitted with a subsequent demand from the Legislative Finance Committee and the Governor that agencies further reduce budget requests by 5% and to eliminate all open positions for the past two years. The FY22 budgets will be determined in the 2021 legislative session that begins in January.

**NOTE K – NEW ACCOUNTING STANDARDS**

GASB 87 – Leases

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Lessor accounting for recognition of lease receivables and deferred inflows of receivables at commencement of the lease term will need to be considered. The lessor should not derecognize the asset underlying the lease. Lessee accounting for operating leases also will be more like capital lease accounting.

GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY21) with earlier application encouraged. This statement may have some impact on the assets and liabilities of the Commission.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE K – NEW ACCOUNTING STANDARDS – CONTINUED**

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

Many of the above issued GASB standards were set for implementation in FY20 and thus are delayed until FY21.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

GASB 96 – Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB 96 is effective for periods beginning after June 15, 2022 (FY23). This statement may have some impact on the assets and liabilities of the Commission.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' 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**

Honorable Michael E. Vigil, Chief Justice  
State of New Mexico Compilation Commission  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparisons for the general fund of the State of New Mexico Compilation Commission (the Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 31, 2020.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Commission's basic 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 matters 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico  
October 31, 2020

State of New Mexico Compilation Commission  
**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2020

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unmodified

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Material weakness(es) identified?  Yes  No  
Significant deficiency(s) identified?  Yes  None Reported

**COMPLIANCE AND OTHER MATTERS**

Noncompliance material to the financial statements noted?  Yes  No

**CURRENT YEAR FINDINGS**

*Findings – Financial Statement Audit*

None

*Findings in Accordance with 2.2.2 NMAC (State Audit Rule)*

None

**PRIOR YEAR FINDINGS**

*Findings – Financial Statement Audit*

None

*Findings in Accordance with 2.2.2 NMAC (State Audit Rule)*

None

State of New Mexico Compilation Commission

**EXIT CONFERENCE**

Year Ended June 30, 2020

An exit conference was held on October 29, 2020. The conference was held online using a virtual forum as allowed in accordance with 2.2.2.10(M)(1) NMAC. The following individuals were present:

**The New Mexico Compilation Commission was represented by:**

Brenda Castello

Executive Director and  
Chief Financial Officer

Artie Pepin

Director, Administrative Office of the Courts

**Atkinson & Co., Ltd.:**

Clarke Cagle, CPA, CCIFP, CGFM  
Andrea Brewer, CPA, CFE  
Valerie Torrez, CPA

Audit Director  
Audit Senior Manager  
Audit Senior

**PREPARATION OF FINANCIAL STATEMENTS**

Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are correct and in balance. The financial statements presented in this report have been prepared by the independent auditor with the assistance of the Commission. Management has reviewed and approved the financial statements.

ATKINSON & CO. LTD  
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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