



**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY**

FINANCIAL STATEMENTS

JUNE 30, 2011

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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STATE OF NEW MEXICO SUPREME COURT LAW LIBRARY

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STATE OF NEW MEXICO SUPREME COURT LAW LIBRARY

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SUPREME COURT LAW LIBRARY**

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**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY**

Official Roster

June 30, 2011

BOARD OF TRUSTEES

Name	Title
Honorable Charles W. Daniels	Chief Justice
Honorable Patricio M. Serna	Justice
Honorable Petra Jimenez Maes	Justice
Honorable Richard C. Bosson	Justice
Honorable Edward L. Chavez	Justice

ADMINISTRATIVE OFFICIALS

Robert A. Mead	State Law Librarian
Michael Poulson	Law Librarian Senior
Wanda M. Gonzales	Court Financial Manager
Alice Robledo	Law Librarian Senior
Feng M. Bailey	Library Technician
Stephanie Wilson	Law Librarian Senior
Carroll Hawley	Law Librarian Senior
Elvira Aquino	Library Technician
David Vermooten	Law Librarian II

Report of Independent Auditors

Honorable Charles W. Daniels, Chief Justice
Supreme Court Law Library
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities and the major fund, including the budgetary comparison, of the State of New Mexico Supreme Court Law Library (the "Law Library") as of and for the year ended June 30, 2011, which collectively comprise the Law Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Law Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Law Library's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As discussed in Note 1, the financial statements of the Law Library are intended to present the financial position and changes in financial position of only that portion of the governmental activities and major fund of the State of New Mexico that is attributable to the transactions of the Law Library. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2011, and the changes in its financial position, and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 major

Honorable Charles W. Daniels, Chief Justice
Supreme Court Law Library
and
Mr. Hector H. Balderas
New Mexico State Auditor

fund of the Law Library as of June 30, 2011, and the respective changes in its financial position and the 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 December 2, 2011 on our consideration of the Law Library'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 the 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.

Management's discussion and analysis on pages four through seven is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions that collectively comprise the Law Library's basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
December 2, 2011

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

This discussion and analysis provides an overview of the objective and program of the Supreme Court Law Library (Law Library). This discussion helps the reader understand the Law Library's operation in terms of financial planning and expenditures of the annual budget. The Law Library is an agency created by the Legislature to provide access to the primary law and related legal materials for the citizens of the State of New Mexico, including the judiciary, the legislature, and the executive branches of state government, as well as the general public, and in so doing fulfill the constitutional requirement of providing equal access to the law. The Law Library also has a special, distinct mission in support of the legal research needs of the judiciary.

Agency Overview

Statutory Authority. Sections 18-1-1 to 18-1-12 NMSA 1978 set forth the powers and duties of the Supreme Court Law Library. The program is a statewide program not only providing legal materials and research services, but also oversight over District Court Law Libraries and instruction for public and academic librarians in providing access to legal materials. The main premises of the Law Library are in the Supreme Court Building, and the assets purchased by the Law Library become the property of the Supreme Court Building Commission, although they are maintained by the Law Library.

USING THIS ANNUAL REPORT

The financial report includes the sections described below.

Management's 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 Law Library.

Financial Statements Overview

The financial statements are for the purpose of presenting to the reader the financial position and financial changes that occur on the Law Library's account books. The financial statements are not intended to report the financial position of the State of New Mexico as a whole. The Law Library is one of 100+ agencies in the State that contribute to the financial position of the State of New Mexico.

The Law Library has only one fund "SHARE Fund 13400" and is a reverting agency. The Law Library's funds revert into the State General Fund after the end of the fiscal year. The Law Library's revenues are primarily from the State General Fund and fees collected from copies and microfiche printouts.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

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 Law Library has no business type activities. The focus of the Statement of Net Assets (Unrestricted Net Assets) is designed to be similar to a bottom line for the Law Library 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 cost of various activities which are provided by the Law Library's general revenues. This is intended to summarize and simplify the users' analysis of the cost of services.

The Governmental Activities reflect the Law Library's basic services of providing access to legal materials and legal research services.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Law Library only has one such fund: the general fund. The Governmental Fund presentation is presented on a sources and uses of liquid resources basis.

Capital and Infrastructure Assets

The Law Library does not own any capital or infrastructure assets such as roads, bridges, etc.

Budgetary Comparisons

The budgetary comparison schedules present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, as 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 are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

GOVERNMENT -WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Government Activities	
	2011	2010
Current Assets	\$ 109,259	316,374
Current Liabilities	<u>144,502</u>	<u>349,344</u>
Net Assets - unrestricted (deficit)	<u>\$ (35,243)</u>	<u>(32,970)</u>

For more detailed information, see the Statement of Net Assets.

Financial Highlights

The Law Library's total assets decreased from \$316,374 for fiscal year 2010 to \$109,259 for fiscal year 2011 due to an increase in liabilities paid for in cash. Interest in State General Fund Investment Pool available was \$109,259 and \$316,374 at June 30, 2011 and 2010, respectively. The net deficit for the fiscal year 2011 was \$35,243 versus fiscal year 2010 which was \$32,970. The deficit is due to compensated absences which are not funded until paid.

Statement of Activities

	Government Activities	
	2011	2010
Program revenues	\$ 7,320	3,075
General revenues	<u>1,549,460</u>	<u>1,657,347</u>
Total revenues	1,556,780	1,660,422
Program expenses	<u>1,559,053</u>	<u>1,652,768</u>
Change in net assets	(2,273)	7,654
Net assets, beginning of year (deficit)	<u>(32,970)</u>	<u>(40,624)</u>
Net assets, end of year (deficit)	<u>\$ (35,243)</u>	<u>(32,970)</u>

For more detailed information, see the Statement of Activities.

The Law Library's total revenues for fiscal year 2011 were \$1,556,780 versus fiscal year 2010 which were \$1,660,422. Revenues decreased in 2011 by \$103,642 due to budget cuts. Total expenses for fiscal year 2011 were \$1,559,053 versus fiscal year 2010 which were \$1,652,768. Expenditures decreased in 2011 by \$93,715 due to budget cutbacks.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

THE LAW LIBRARY'S FUNDS

The Law Library has only one major governmental fund, which is the General Fund. Analyses of its activities are outlined above.

BUDGETARY HIGHLIGHTS

There was one budget adjustment which decreased personal services \$34,286 and contractual services \$10,636 and increased other costs \$44,922.

ANTICIPATED CHANGES

The Supreme Court Law Library knows of no anticipated changes that will significantly affect the financial position of the agency.

FINANCIAL CONTACT

Wanda Gonzales, Financial Court Manager, Supreme Court Law Library,
supwmg@nmcourts.com.

**STATE OF NEW MEXICO
 SUPREME COURT LAW LIBRARY
 STATEMENT OF NET ASSETS
 June 30, 2011**

	Governmental Activities
ASSETS	
Interest in State General Fund Investment Pool	\$ 109,259
LIABILITIES	
Accounts payable	83,277
Accrued wages and taxes	21,878
Due to State General Fund	4,104
Compensated absences	35,243
Total current liabilities	<u>144,502</u>
NET ASSETS (DEFICIT)	
Unrestricted (deficit)	<u>(35,243)</u>
Total net assets (deficit)	<u>\$ (35,243)</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	Expenses	Charges for Services	Operating Grants	Governmental Activities
Governmental Activities				
Law Library operations	\$ 1,519,397	7,320	-	(1,512,077)
Library and museum acquisitions	39,656	-	-	(39,656)
Total governmental activities	\$ 1,559,053	7,320	-	(1,551,733)
General Revenues				
Transfers - State General Fund appropriation				1,553,700
Reversion to State General Fund - 2011				(4,240)
Total general revenues				1,549,460
Change in net assets				(2,273)
Net assets (deficit), beginning of year				(32,970)
Net assets (deficit), ending of year				\$ (35,243)

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
BALANCE SHEET - GOVERNMENTAL FUND TYPE
GENERAL FUND
June 30, 2011**

ASSETS

Interest in State General Fund Investment Pool	\$ 109,259
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LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 83,277
Due to State General Fund	4,104
Accrued wages and taxes	<u>21,878</u>

Total liabilities	<u>109,259</u>
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Fund balance - Unassigned	<u>-</u>
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Total liabilities and fund balance	<u><u>\$ 109,259</u></u>
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Fund balance - Governmental Fund	\$	-
Liabilities that are not due and payable in the current period and therefore are not reported in the governmental funds		
Compensated absences		<u>(35,243)</u>
Net assets (deficit) of governmental activities	\$	<u><u>(35,243)</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND TYPE-GENERAL FUND
Year Ended June 30, 2011**

Expenditures		
General government		
Current		
Personal services	\$	452,071
Employee benefits		163,996
In-state travel		777
Maintenance and repairs		23,485
Supplies		64,636
Contract services		356,995
Operating costs		447,230
Other costs		7,934
Capital outlay		39,656
		<hr/>
Total expenditures		1,556,780
		<hr/>
Excess (deficiency) of revenues over expenditures		(1,556,780)
		<hr/>
Other Financing Sources (Uses)		
Fee revenue		7,320
Transfer - State General Fund appropriation		1,553,700
Reversion to State General Fund - 2011		(4,240)
		<hr/>
		1,556,780
		<hr/>
Net change in fund balance		-
Fund balance, beginning of year		-
		<hr/>
Fund balance, end of year	\$	-
		<hr/> <hr/>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 SUPREME COURT LAW LIBRARY
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE
 OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES-GENERAL FUND
 Year Ended June 30, 2011**

Net change in fund balance - governmental fund	\$ -
<p>Amounts reported for governmental activities in the Statement of Activities are different because some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds - change in compensated absences</p>	<u>(2,273)</u>
Change in net assets of governmental activities	<u><u>\$ (2,273)</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 SUPREME COURT LAW LIBRARY
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2011

	Budget		Actual - Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
State General Fund appropriation	\$ 1,553,700	1,553,700	1,553,700	-
Reversion to state general fund			(4,240)	(4,240)
Miscellaneous revenue	1,800	6,222	7,320	1,098
Total revenues	1,555,500	1,559,922	1,556,780	(3,142)
Expenditures				
Personal services	650,700	616,414	616,067	347
Contractual services	368,600	357,964	356,995	969
Other costs	536,200	585,544	583,718	1,826
Total expenditures	1,555,500	1,559,922	1,556,780	3,142
Excess (deficiency) of revenues over expenditures	\$ -	-	-	-

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of New Mexico, Supreme Court Law Library (Law Library) 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 of establishing governmental accounting and financial reporting principles. The more significant of the Law Library's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Law Library, 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 government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of the entities included and excluded in these financial statements.

Included within the reporting entity:

Supreme Court Law Library

The Supreme Court Law Library was established by Chapter 8, Article I, NMSA 1978 Compilation. The Supreme Court Law Library's function is to acquire and maintain all legal materials needed by The Supreme Court and its Clerk, the staff of the New Mexico Attorney General, the legal staffs of all state agencies and the general public.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Excluded from reporting entity:

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

The Law Library has no component units.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Law Library as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The Law Library is a single purpose government entity and has no business type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. The program revenues must be directly associated with the function, and consist of service fees.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The Law Library has not elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

The government-wide focus is more on the sustainability of the Law Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Law Library's only fund is its General Fund which is considered a major fund. The Law Library has no fiduciary activities.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Law Library's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The financial transactions of the Law Library are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which the spending activities are controlled.

The following fund types are used by the Law Library:

GOVERNMENTAL FUND TYPES

Governmental fund types are used to account for all of the Law Library's activities. The General Fund (SHARE Fund 13400) is the primary operating fund of the Law Library.

C. Non-Current Governmental Assets/Liabilities

The Law Library does not own any capital assets. It does, however, maintain the State Law Library. While current volumes are maintained, the library is largely historical and is preserved as an official record of court cases and other documents. In addition, there is no charge to the public for using the Law Library. For these reasons, the library collection is not capitalized and included in the entity wide financial statements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange 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 requirements of GASB 33.

The General Fund utilizes the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Interest in State General Fund Investment Pool

All funds allotted to the Law Library are held by the New Mexico State Treasurer. Deposits are non-interest bearing. Money deposited with the State Treasurer is pooled and invested by the State Treasurer. The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institutions operating results and capital. Collateral for the fiscal account is required in amounts equal to 50% of the average investment balance. Separate financial statements of the State Treasurer indicate collateral categories of risk and market value of purchased investments. All collateral is held in third-party safekeeping.

At June 30, 2011, the Law Library, SHARE Fund number 13400, had the following in pooled cash:

New Mexico State General Fund Investment Pool	<u>\$ 109,259</u>
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There were no reconciling items.

F. Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt)—is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Law Library does not have any capital assets.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Net Assets (Continued)

Restricted Assets—are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Law Library spends restricted resources first.

Unrestricted Assets—represent unrestricted liquid assets.

The net deficit in the accompanying Statement of Net Assets is due to compensated absences which are not funded until paid. Future appropriations are expected to cover this liability.

G. Fund Balances

Governmental Accounting Standards Board (GASB) Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, restricted, committed, assigned, and unassigned. GASB Statement No. 54 was implemented in the current fiscal year as follows:

In the governmental fund financial statements, fund balance is reported in five classifications.

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

Restricted - This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; (b) Enabling legislation, as the term is used authorizes the Law Library to assess, levy, charge or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Fund Balances (continued)

Committed - This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the Law Library's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Law Library removes or changes the specific use by taking the same type of action (for example resolution, ordinance) it employed to previously commit those amounts.

Assigned - This classification includes amounts that are constrained by the Law Library's *intent* to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance.

Unassigned - This classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

The Law Library only has unassigned fund balance.

H. Compensated Absences

Vested or accumulated vacation leave and vested sick leave are reported in the entity-wide financial statements, since they are not expected to be liquidated with expendable available financial resources. No current expenditures are reported in the General Fund financial statements for these amounts.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of the General Fund. The remaining portion of such obligations is reported in the entity-wide financial statements.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 2. BUDGETS

The Law Library follows these procedures in establishing the budgetary data reflected in the financial statements:

No later than September 1, the Law Library submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.

Appropriation request hearings are scheduled by the DFA. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

The Law Library submits to the DFA, no later than May 1, an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budget adjustments must be approved by the State of New Mexico, Administrative Office of the Courts and the director of the DFA - Budget Division and the LFC. The current year budget was adjusted in a legal manner.

Legal budget control for expenditures is by category of line item. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

All amounts within the General Fund revert annually to the State General Fund.

The budget for the General Fund 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 (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if all accounts payable at end of fiscal year are not paid by the statutory deadline. No reconciliation was necessary as of June 30, 2011.

**STATE OF NEW MEXICO
 SUPREME COURT LAW LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2011**

NOTE 3. DUE TO STATE GENERAL FUND

The Law Library accrued a liability for reversion to the State General Fund for the fiscal year ended June 30, 2011, consisting of unexpended appropriation. The following is a summary of reversion activity for the fiscal year.

2011 Budget year reversion – State General Fund	\$ 4,240
Remitted during the year	<u>(136)</u>
Total due to State General Fund	<u>\$ 4,240</u>

NOTE 4. COMPENSATED ABSENCES

During the year ended June 30, 2011, the following changes occurred in compensated absence liabilities:

	Balance 7/1/10	Increase	(Decrease)	Balance 6/30/11
Compensated Absences	<u>\$ 32,970</u>	<u>27,073</u>	<u>(24,800)</u>	<u>35,243</u>

The portion of compensated absences due after one year is not material, and therefore, not separately presented. Substantially all of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year end plus applicable payroll taxes.

The Law Library’s policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

Qualified employees accumulate maximum annual leave as follows:

Years of Service	Hours Earned Per Pay Period	Days Earned Per Month	Days of Maximum Accrual
1 month – 3 years	4.62	1 ¼	30
Over 3 – 7 years	5.54	1 ½	30
Over 7 – 14 years	6.46	1 ¾	30
Over 14/beyond	7.39	2	30

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the maximum 240 hours.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 4. COMPENSATED ABSENCES (CONTINUED)

Accrued Sick Leave. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1 or January 1 of each year. However, the sick leave will be paid at 50% of the employee's regular hourly wage.

At retirement, employees may receive 50% payment for up to 400 hours for the hours over 600 of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2011, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences. At June 30, 2011, accrued sick leave in excess of 600 hours amounted to \$2,162.

NOTE 5. RETIREMENT PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Law Library's full-time employees participate in 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, 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, PO 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 8.92% of their gross salary. The Law Library is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and Law Library are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Law Library's contributions to PERA for the years ending June 30, 2011, 2010, and 2009 were \$67,871, \$64,684 and \$86,198, respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011**

NOTE 6. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. The Law Library 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 N.E., 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.

**STATE OF NEW MEXICO
 SUPREME COURT LAW LIBRARY
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2011**

NOTE 6. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .833% 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:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 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 Law Library’s contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$7,442, \$5,287 and \$6,112, respectively, which equal the required contributions for each year.

NOTE 7. RISK MANAGEMENT

The Law Library is exposed to various risks of loss for which it carries insurance (Workers’ Compensation, General Liability, Civil Rights, and Property) with the State of New Mexico Risk Management Division of the General Services Department.

STATE OF NEW MEXICO
 SUPREME COURT LAW LIBRARY
 SCHEDULE OF OPERATING TRANSFERS
 Year Ended June 30, 2011

	SHARE Fund 00134	Title	Inter-agency Operating Transfers	
			In	Out
(1)	00853	Department of Finance and Administration, 341	\$ 1,553,700	
(2)	00853	Department of Finance and Administration, 341	\$ 1,553,700	
				\$ 4,240

(1) For State General Fund Appropriations

(2) Reversion due to State General Fund

**Report of Independent Auditors on Internal Control
Over Financial Reporting and
On Compliance and Other Matters Based on an Audit of the
Financial Statements Performed in Accordance With
*Government Auditing Standards***

Honorable Charles W. Daniels, Chief Justice
Supreme Court Law Library
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, including the budgetary comparison, of the State of New Mexico, New Mexico Supreme Court Law Library (Law Library), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. 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 Law Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Law Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Law Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Law Library'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 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.

Honorable Charles W. Daniels, Chief Justice
Supreme Court Law Library
and
Mr. Hector H. Balderas
New Mexico State Auditor

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 Law Library'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 is required to be reported under *Government Auditing Standards*.

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

Mess Adams LLP

Albuquerque, New Mexico
December 2, 2011

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

Prior Year Findings

None

Current Year Findings

None

**STATE OF NEW MEXICO
SUPREME COURT LAW LIBRARY
EXIT CONFERENCE
June 30, 2011**

We discussed the results of the audit during the exit conference held on December 5, 2011. That exit conference was attended by the following individuals:

Law Library:

Honorable Charles W. Daniels	Chief Justice of the Supreme Court
Rob Mead	State Law Librarian
Wanda Gonzales	Court Financial Manager – New Mexico Supreme Court
Kathleen Jo Gibson	Chief Clerk of the Supreme Court

Moss Adams LLP:

Larry Carmony	Partner
Angela Murdock	Senior

The financial statements were prepared with the assistance of Moss Adams LLP.