

State of New Mexico Supreme Court Law Library



Financial Statements

June 30, 2012

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OFFICIAL ROSTER
June 30, 2012

BOARD OF TRUSTEES

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

Independent Auditor's Report

To the Honorable Petra Jimenez Maes
New Mexico Supreme Court Law Library
And
Hector Balderas
New Mexico State Auditor

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

Except as discussed in the following paragraph, 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 Library's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities. Due to a lack of sufficient appropriate audit evidence, the liability for compensated absences, the respective changes in the liability and the related footnote have not been audited.

In our opinion, except for the scope limitation described above and the effects of such adjustments, if any, as might have been determined to be necessary had the liability for compensated absences, the respective changes in the liability and the related footnote been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library as of June 30, 2012, and the respective changes in financial position thereof and the budgetary

comparisons 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 our report dated December 13, 2012 on our consideration of the 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 that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Zlotnick Law & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.

December 13, 2012

Management's Discussion and Analysis
June 30, 2012

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 NMSA 1978, §§ 18-1-1 to 18-1-12 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

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 Court. Information compares this fiscal year with the prior fiscal year.

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.

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.

**Management’s Discussion and Analysis
June 30, 2012**

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 Supreme Court 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.

Budgetary Comparisons

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	Government Activities	
	2012	2011
Current Assets	\$ 138,760	109,259
Liabilities	(173,468)	(144,502)
Total Net Assets	\$ (34,708)	(35,243)

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

Financial Highlights

The Law Library’s total assets increased from \$109,259 for fiscal year 2011 to \$138,760 for fiscal year 2012 due to an increase in cash. Interest on State General Fund Investment Pool available was \$138,760 and \$109,259 at June 30, 2012 and 2011, respectively. The net deficit for the fiscal year 2012 was \$34,708 versus fiscal year 2011 which was \$35,243. The deficit is due to compensated absences which are not funded until paid. The most significant financial issue facing the Supreme Court Law Library (Library) is the combined effect of budgetary cuts during the recession from 2008 to 2010 coupled with inflation in law books and legal databases. The Library’s primary missions are to provide adequate legal research tools, including both print and digital formats, to New Mexico’s appellate and district courts and to serve as the primary repository of legal information for the attorneys and citizens of New Mexico. These missions are endangered by cost pressures which threaten the Library’s ability to provide adequate access to information. In FY08, the Library’s appropriation was \$1,813,700. The FY13 appropriation was \$1,507,400, a 17% gap. These cuts were necessary due to the impact of the economic decline; nevertheless, they significantly weaken the Library’s ability to provide access to information. Legal research database costs have inflated at the rate of 5% yearly. Law book publishers

**Management's Discussion and Analysis
June 30, 2012**

have inflated their costs between 3% and 7% yearly. The combined pressures of cost and cuts have resulted in the Library's inability to meet our performance measure of keeping 70% of the subscriptions in our collection up-to-date. In FY12, only 56% of the subscriptions in our collection were current. Additionally, cost pressures forced the Library to reduce the content available in the District Court Westlaw contract, thus limiting easy access to some research tools by judges across the state. Flat budgets would continue the trend of reduced access as inflationary pressures will force additional cuts.

Statement of Activities

The following schedule represents the revenues and expenses for the current and prior year.

	Government Activities	
	2012	2011
Program Revenues	\$ 3,072	7,320
State General Fund Appropriations	1,483,800	1,553,700
Reversions to State General Fund	(4,586)	(4,240)
Total Revenues	1,482,286	1,556,780
Program Expenses	1,481,751	1,559,053
Change in net assets	535	(2,273)
Net assets, beginning of year	(35,243)	(32,970)
Net assets, end of year	\$ (34,708)	(35,243)

For more detailed information, see the Statement of Activities.

The Law Library's total expenses for fiscal year 2012 were \$1,481,751, versus fiscal year 2011 which were \$1,556,780. Expenditures decreased in 2011 by \$77,302 due to budgetary cutbacks.

THE SUPREME COURT LAW LIBRARY'S FUNDS

The Supreme Court Law Library has one governmental fund which is solely funded by State general fund appropriations by the State Legislature. The general fund has decreased in 2012 as well as previous years due to statewide budget cuts imposed by the State Legislature for all state government agencies.

BUDGETARY HIGHLIGHTS

The Supreme Court Law Library had two budget adjustments during fiscal year 2012, which resulted in a decrease in budget for personal services of \$24,000, decrease in budget for contractual services of \$29,397, an increase in other costs of \$53,397.

ANTICIPATED CHANGES

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

Management's Discussion and Analysis
June 30, 2012

FINANCIAL CONTACT

Robert A. Mead, State Law Librarian & CFO, Supreme Court Law Library, libram@nmcourts.gov

Wanda M. Gonzales, Court Financial Manager & Deputy CFO, Supreme Court,
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**Statement of Net Assets
June 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 138,760
TOTAL ASSETS	<u>\$ 138,760</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 110,224
Accrued Payroll	23,950
Due to State General Fund	4,586
Compensated Absences - current	32,231
Total Current Liabilities	<u>170,991</u>
Noncurrent Liabilities:	
Compensated Absences	2,477
TOTAL LIABILITIES	<u>173,468</u>
NET ASSETS	
Unrestricted (deficit)	<u>(34,708)</u>
TOTAL NET ASSETS	<u>(34,708)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 138,760</u>

See Notes to Financial Statements.

**Statement of Activities
For the Year Ended June 30, 2012**

	Governmental Activities
Expenses:	
Judicial:	
Administrative Services	\$ 1,481,751
Total Expenses	1,481,751
Program Revenues:	
Charges for Services	3,072
Total Program Revenues	3,072
Net Program Expenses	(1,478,679)
General Revenues and Transfers	
State General Fund Appropriations	1,483,800
2012 State General Fund Reversion	(4,586)
Total General Revenues and Transfers	1,479,214
Change in Net Assets	535
Net Assets, beginning of year	(35,243)
Net Assets, end of year	\$ (34,708)

See Notes to Financial Statements.

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

	<u>General Fund</u>
ASSETS	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 138,760
TOTAL ASSETS	<u>\$ 138,760</u>
LIABILITIES AND FUND BALANCES	
Current Liabilities:	
Accounts Payable	110,224
Accrued Payroll	23,950
Due to State General Fund	<u>4,586</u>
TOTAL LIABILITIES	<u>138,760</u>
FUND BALANCES	
Unassigned	<u>-</u>
TOTAL FUND BALANCES	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 138,760</u>

Amounts reported in the Statement of Net Assets differ because:

Total fund balances	\$ -
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	<u>(34,708)</u>
Net assets per Statement of Net Assets	<u>\$ (34,708)</u>

See Notes to Financial Statements.

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2012**

	General Fund
REVENUES	
Library Fees	\$ 3,072
Total Revenues	3,072
EXPENDITURES	
Current:	
General Government:	
Administrative Services:	
Personal Services and Benefits	608,755
Contract Services	333,103
Other Costs	540,428
Total Expenditures	1,482,286
Excess (Deficiency) of Revenues Over Expenditures	(1,479,214)
OTHER FINANCING SOURCES (Uses)	
Transfers In:	
General Fund Appropriation	1,483,800
Transfers Out:	
2012 Reversions to the State General Fund	(4,586)
Total Other Financing Sources (Uses)	1,479,214
Net Change in Fund Balances	-
Fund Balances, beginning	-
Fund Balances, ending	\$ -

Amounts reported In the Statement of Activities are different because:

Net Change in Fund Balance	\$ -
Net change in current and long-term portions of compensated absences	535
Changes in net assets of governmental activities	\$ 535

See Notes to Financial Statements.

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

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Library Fees	\$ 1,800	1,800	\$ 3,072	1,272
General Fund Appropriation	1,483,800	1,483,800	1,483,800	-
Total Revenues	<u>1,485,600</u>	<u>1,485,600</u>	<u>1,486,872</u>	<u>1,272</u>
Fund Balance	-	-		
Total Revenues and Fund Balance	<u><u>\$ 1,485,600</u></u>	<u><u>1,485,600</u></u>		
EXPENDITURES				
Administrative Services:				
Personal Services	\$ 635,000	611,000	608,755	2,245
Contractual Services	362,500	333,103	333,103	-
Other	488,100	541,497	540,428	1,069
Total Expenditures	<u><u>\$ 1,485,600</u></u>	<u><u>1,485,600</u></u>	<u><u>1,482,286</u></u>	<u><u>3,314</u></u>

See Notes to Financial Statements.

Notes to the Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

In evaluating how to define the Supreme Court 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 created by statute in 1915. The current statutory authority is found at NMSA 1978, §18-1-1 et seq. Pursuant to statute, the New Mexico Supreme Court sits as the Supreme Court Law Library's Board of Trustees. NMSA 1978, § 18-1-2. The New Mexico Supreme Court appoints a State Law Librarian as agency head. NMSA 1978, § 18-1-7.

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 Supreme Court Law Library as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Supreme Court Law Library is a single-purpose government entity and has no business type activities. In the

**Notes to the Financial Statements
June 30, 2012**

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. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

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 fees.

The net cost by function is normally covered by general revenue. Historically, the previous model did not summarize or present net cost by function or activity. Since the Supreme Court Law Library only has one program, it does not employ direct cost allocation in the financial statements.

The fund financial statements are very similar to the financial statements presented in the previous model. Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Supreme Court Law Library's only fund is its General Fund which is considered a major fund.

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 Supreme Court 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 Supreme Court 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 Supreme Court Law Library Funds are classified as governmental.

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.

**Notes to the Financial Statements
June 30, 2012**

C. Non-Current Governmental Assets/Liabilities

Non-current assets and liabilities are not presented in the fund financial statements, but rather incorporated only in the government-wide Statement of Net Assets.

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.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The Court has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989. 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.

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.

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.

E. Encumbrances

Encumbrances follow the modified accrual basis of accounting. Outstanding valid encumbrances are classified as accounts payable if they are normally paid before 30 days after the end of the fiscal year. After this deadline, the agency may still make the expenditure for a prior year accounts payable; however, they must first obtain DFA’s permission to pay prior year bills. “Permission to

**Notes to the Financial Statements
June 30, 2012**

pay prior year bills” is a penalty under law for not paying bills timely. It penalizes an agency by mandating that they charge an expenditure of one fiscal year to the subsequent fiscal year’s budget.

F. Capital Assets

By State statute, all capital assets used by the Supreme Court Law Library are accounted for by the State of New Mexico, Supreme Court Building Commission. The Commission is responsible for the care, custody, and control of capital assets used by agencies of the judicial department housed within the Supreme Court Building. Capital assets purchased by the Supreme Court Law Library are reported as capital outlay expenditures in the General Fund.

G. Compensated Absences

Qualified employees accumulate annual leave to a maximum of 240 hours as follows:

Years of Service	Hours Earned Bi-Weekly
1 – 3 years	4.62
4 – 6 years	5.54
7 – 13 years	6.46
14 years or more	7.39

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. Accrued annual leave is recorded as a liability and net changes are recorded as expenditures in the government-wide financial statements. The fund financial statements and budgetary comparison reports only recognize the compensated absences when payments are made to employees.

H. 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 is 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 Court does not have any related debt.

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

Unrestricted Assets—represent unrestricted liquid assets.

I. Fund Balances

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for

Notes to the Financial Statements
June 30, 2012

which amounts in those 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) 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 Commission 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.

Committed - This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the Court's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Court 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 Court's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

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.

J. 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.

K. 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.

Notes to the Financial Statements
June 30, 2012

L. Budgets

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

No later than September 1, the Supreme Court 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 Supreme Court 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.

Appropriations lapse at the end of the fiscal year except for multi-year special appropriations. All amounts within the General Fund revert annually to the State General Fund, with the exception of unspent multi-year special appropriations.

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentation in these financial statements is consistent with this budgeting methodology.

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 (NMSA 1978, § 6-10-4), 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 the end of the fiscal year are not paid by the statutory deadline. No reconciliation was necessary as of June 30, 2012.

**Notes to the Financial Statements
June 30, 2012**

NOTE 2: STATE TREASURER GENERAL FUND INVESTMENT POOL

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

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

	<u>Share Fund #</u>	<u>Maturity</u>	<u>Account Balance</u>	<u>Fair Value</u>
General Fund	134	1 day	\$ <u>138,760</u>	\$ <u>138,760</u>

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, 2012.

General Fund Investment Pool Not Reconciled

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

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

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

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies

**Notes to the Financial Statements
June 30, 2012**

and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

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

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

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

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

NOTE 3: DUE TO STATE GENERAL FUND

The Supreme Court Law Library accrued a liability for reversion to the State General Fund for its unexpended general appropriations for the fiscal year ended June 30, 2012. The following is a summary of reversion activity for the fiscal year.

Budget year 2012 reversion	<u>\$ 4,586</u>
Due to State General Fund	<u>\$ 4,586</u>

**Notes to the Financial Statements
June 30, 2012**

NOTE 4: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

Balance 6/30/11	Additions	Deletions	Balance 6/30/12	Due within One Year
\$35,243	37,560	38,095	\$34,708	\$32,231

Compensated absences are liquidated with available financial resources out of the general fund. The State of NM does not budget in the current year, funds to pay any portion of the compensated absence liability at the end of the year; therefore, the current portion of compensated absences is not recorded in the fund financial statements. The Court has no other debt.

NOTE 5: RETIREMENT PLANS

Plan Description. Substantially all of the Supreme Court Law Library’ full-time employees participate in public employee retirement system authorized under the Public Employees Retirement Act (NMSA 1978, § 10-11-1). 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. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123.

Funding Policy. Plan members are required to contribute 10.67% of their gross salary. The Supreme Court Law Library is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and Supreme Court Law Library are established under NMSA 1978, § 10-11. The requirements may be amended by acts of the legislature. The Supreme Court Law Library contributions to PERA for the years ended June 30, 2012, 2011 and 2010 were \$60,181, \$67,871 and \$64,684, respectively, equal to the amount of the required contributions for each year.

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

Plan Description. The Supreme Court Law Library contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 (NMSA 1978, § 10-7C). 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 the 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)

**Notes to the Financial Statements
June 30, 2012**

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 post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The Retiree Health Care Act (NMSA 1978, § 10-7C-15) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal years ending June 30, 2013 through June 30, 2014 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year Employer</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

For employees who are members of an enhanced retirement plan, during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year Employer</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.500%	1.250%

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.

Notes to the Financial Statements
June 30, 2012

The Supreme Court Law Library contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$8,232, \$7,442, and \$5,287, respectively, which equal the required contributions for each year.

NOTE 10: RISK MANAGEMENT

The Supreme Court Law Library is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; or acts of God. The Court is insured through Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the state and state agencies; manages fund to provide unemployment compensation, tort liability insurance, workman's compensation, and general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the Court would not be liable for more than the annual premiums.

Schedule of Operating Transfers
For the Year Ended June 30, 2012

SHARE FUND	TITLE	TRANSFER	
		In	Out
(1) 85300	Department of Finance & Administration	\$ 1,483,800	\$ -
(1) 14900	FY 2012 Reversion	-	4,586
Total		<u>\$ 1,483,800</u>	<u>\$ 4,586</u>

(1) General Fund Appropriation, Laws of 2011, Chapter 179, Section 4

See Auditor's Report.

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*

To the Honorable Petra Jimenez Maes
New Mexico Supreme Court Law Library
And
Hector Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund of the State of New Mexico, Supreme Court Law Library (Library), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 13, 2012. The report on the governmental activities was qualified because we were unable to obtain sufficient appropriate audit evidence on the compensated absences liability and respective changes thereof. Except as discussed in the preceding sentence, 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 Supreme Court Law Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. We consider the deficiency described as item 2012-01 in the accompanying schedule of findings and responses to be a material weakness.

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. We consider the deficiencies described as items 2012-02 and 2012-03 in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Supreme Court 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-01 and 2012-03.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to NMSA 1978, § 12-6-5 which are described in the accompanying schedule of findings and responses as item 2012-02.

The Supreme Court Law Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Supreme Court Law Library's responses and, accordingly, we express no opinion on them.

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

Zlotnick Law & Sandoval, P.C.

Zlotnick, Laws & Sandoval, PC
December 13, 2012

Schedule of Findings and Responses
June 30, 2012

Status of Prior Year's Findings

None

Schedule of Findings and Responses
June 30, 2012

2012-01 – Controls over Leave Time – Material Weakness

Condition: Controls over the proper approval, use and documentation of leave time are deficient. The compensated absences balance of the Supreme Court Law Library was not fully audited as a result of lack of sufficient documentation. In our attempted test of the leave balances of employees, we found that the Law Librarian had obtained approval to engage in outside employment to teach at a local community college. The approval requires that the activity occur outside normal business hours. If the activity occurs during regular business hours, the employees are required to use annual leave. We were unable to obtain or test these transactions because sufficient supporting documentation was not available. The Supreme Court Law Library does not require the use of Leave Request Forms for all employees. During our audit field work, we became aware of allegations that leave policies were being abused by members of management. The condition of the records for certain leave transactions were not sufficient to allow us to conclude as to the fairness of the leave balances.

Criteria: New Mexico Judicial Branch Personnel Rules and Code of Conduct, Audit Rule 2012 2.2.2.10 G NMAC, and NMSA 1978, § 12-6-5.

Effect: The potential for abuse or misstatement is likely.

Cause: The controls in place to monitor and report leave are inadequate.

Auditors' Recommendation: The Supreme Court Law Library needs to update its leave policy and require all employees to use a formal Leave Request Form. The Supreme Court Law Library needs to follow the guidelines they set and ensure that they are uniformly applied to all employees including management.

Management's Response: The Supreme Court Law Library reinstated the use of paper Leave Request Forms effective December 1, 2012 to provide the independent auditors a means of verifying leave totals in the Human Capital Management (HCM) module of the NM SHARE system.

The allegations of leave abuse made against management are categorically denied. The State Law Librarian was preapproved by the Chief Justice to teach paralegal courses at Santa Fe Community College while on annual leave. His annual leave balances in the HCM module verify his propriety in taking annual leave while teaching.

To avoid future concerns, the Chief Justice has approved a modified work schedule for the State Law Librarian such that he is teaching on his off-hours rather than while on annual leave.

Schedule of Findings and Responses
June 30, 2012

2012-02 – Fraud Policy – Significant Deficiency

Condition: Supreme Court Law Library policies and procedures address some elements of SAS No. 99; however, the Supreme Court Law Library has not established a formal fraud policy that includes a management assessment of fraud, monitoring, and procedures whereby employees can report fraud.

Criteria: Management is responsible for creating an atmosphere of honesty and ethical behavior. Statement on Auditing Standards (SAS) No. 99 created new responsibilities for management to formalize this responsibility.

Cause: Management believed the current policies and procedures and code of conduct addressed the condition.

Effect: The Supreme Court Law Library has not formally established the manner in which employees can report fraud.

Recommendation: We recommend that the Supreme Court Law Library formalize a fraud policy as soon as possible. The policy should cover all of the necessary elements described in the condition above.

Management's Response: The Supreme Court Law Library will work with the Supreme Court and Administrative Office of the Courts to implement a SAS No. 99 compliant fraud policy.

**Schedule of Findings and Responses
June 30, 2012**

2012-03 – Responsibility for the Financial Statements – Significant Deficiency

Condition: Responsibility for the financial statements is delegated to lower levels of management. Management is not thoroughly reviewing the initial drafts of the financial statements provided to the auditors. The auditors significantly enhanced the financial statement presentation and disclosures.

Criteria: Good internal controls require that management maintain the ability to prepare financial statements and take responsibility for their content even in situations where they have obtained the assistance of their auditor in preparing the financial statements. The State Audit Rule 2.2.2.8 (J) states that the Supreme Court Law Library is responsible for the content of the audited financial statements. In addition, 2.20.5.8 (B) NMAC states that the Chief Financial Officer (CFO) responsibilities should be assigned “to any employee within the agency that has the educational background, knowledge, and experience necessary to supervise, monitor, and control the state agency’s accounting function.” Also, 2.20.5.8 (C)(10) NMAC further states, “it is the responsibility of the CFO to ensure that all reporting of financial information must be timely, complete and accurate, to the state agency’s management and to oversight agencies and entities.”

Effect: Management’s ability to take responsibility for the financial statements is impaired if drafts of the financial statements are not thoroughly reviewed.

Cause: The individual designated as the Chief Financial Officer (CFO) is not an accountant position.

Auditors’ Recommendation: The Chief Justice should take responsibility for verifying that the report has been read, thoroughly understood and approved to allow management to take responsibility for the financial statements. The Supreme Court Law Library should seek the assistance of accounting personnel at the Administrative Office of the Courts when drafting the annual financial statements to ensure that this condition does not recur.

Management’s Response: The State Law Librarian reviewed and approved the financial statements for FY12. The State Law Librarian, as agency head, is required by NMAC 2.20.5.8 to “carry out the responsibilities of the chief financial officer.” The Law Library does not have sufficient funding to create a position to have a delegated accountant CFO. Consequently, the State Law Librarian has delegated some functions to the Deputy CFO, the Financial Court Manager for the Supreme Court. The State Law Librarian, acting as the agency CFO, will ensure fully independent preparation of the financial statements in FY13 and full compliance with GASB standards.

Other Disclosures
June 30, 2012

Preparation of the Financial Statements

Zlotnick, Laws & Sandoval, PC assisted in the preparation of the financial statements presented in this report. The Supreme Court Law Library's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on December 13, 2012. The following individuals were in attendance:

New Mexico Supreme Court Law Library

Honorable Petra Jimenez Maes	Chief Justice
Robert A. Mead	State Law Librarian

Zlotnick, Laws & Sandoval, PC

Asa Laws, CPA	Shareholder
Rick Sandoval, CPA	Shareholder
Ban Trinh, CPA	Staff
Brian Laws, CPA	Staff