

**STATE OF NEW
MEXICO NEW MEXICO
SUPREME COURT
FINANCIAL STATEMENTS**

JUNE 30, 2008 and 2007

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STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT

Official Roster

June 30, 2008

JUSTICES

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

ADMINISTRATIVE OFFICIAL

Kathleen Jo Gibson	Attorney, Clerk of the New Mexico Supreme Court
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Independent Auditors' Report

Honorable Edward L. Chavez, Chief Justice
New Mexico Supreme Court
and
Mr. Hector H. Balderas,
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund the general fund budgetary comparison, and the aggregate remaining fund information of the State of New Mexico Supreme Court (Court) as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements as listed in the table of contents. We have also audited the fiduciary fund of the Court as of June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Court'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 Court's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Court 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 Court. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position and general fund budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Edward L. Chavez, Chief Justice
New Mexico Supreme Court
and
Mr. Hector H. Balderas,
New Mexico State Auditor

In our opinion, the basic 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 Court as of June 30, 2008, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary fund of the Court as of June 30, 2008 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 11, 2008 on our consideration of the Court'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.

The management's discussion and analysis on pages 5 through 9 is not a required part of the basic financial statements but is supplementary information required by the 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.

Honorable Edward L. Chavez, Chief Justice
New Mexico Supreme Court
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Our audit was conducted for the purpose of forming opinions that collectively comprise the Court's basic financial statements. The accompanying financial information listed as other 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.

Moss Adams LLP

Albuquerque, New Mexico
December 11, 2008

**STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2008**

The discussion and analysis provide an overview of the objective and program of the Supreme Court. This discussion helps the reader understand the Supreme Court's operation in terms of financial planning and expenditures of the annual budget. The Supreme Court is the agency created by the Constitution to head the judicial branch of state government.

Agency Overview

Constitutional Authority: Generally, NM Const. Art. VI, §§ 1 to 11. The New Mexico Supreme Court is the highest court in the judicial branch of state government. The Supreme Court hears appeals from district court judgments imposing a sentence of death or life imprisonment and from the Public Regulatory Commission. The Supreme Court has original jurisdiction in quo warranto and mandamus against all state officers, boards, and commissions, and has superintending control over all inferior courts. The Court also has the power to issue writs of mandamus, error, prohibition, habeas corpus, certiorari, injunctions, and other writs necessary or proper for complete exercise its jurisdiction. In addition, NM Const. Art. IV, Section 35, provides for the chief justice to preside at impeachment trials; Art. V, Section 3, provides for the Supreme Court to license attorneys, Art. VI, Section 15, provides for designation of judges; and Art. VI, Sec. 31 provides for review the decisions of the judicial standards commission.

Statutory Authority: Sections 34-2-1 et seq. NMSA 1978 sets forth the powers and duties of the Supreme Court. The program is a statewide program that includes oversight and superintending control, over all state courts. The main premises of the Supreme Court are in the Supreme Court Building and the assets purchased by the Supreme Court become the property of the Supreme Court Building Commission, although they are maintained by the Supreme Court.

Rule Authority: In addition to constitutional and statutory authority, the Supreme Court has the inherent power to manage the judicial branch of government including the promulgating rules for the conduct of court business, the conduct of lawyers and judges, admission to the practice of law, and continuing legal education requirements.

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 Supreme Court. Comparative information is provided from fiscal year ended June 30, 2008.

**STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008**

Financial Statements Overview

The financial statements are for the purpose of presenting to the reader the financial position and financial changes for the Supreme Court. The financial statements are not intended to report the financial position of the State of New Mexico as a whole.

The Supreme Court has three funds: SHARE fund 13800 is the general fund, which reverts, SHARE fund 25100 is the docket fee suspense fund, which is not reverting, and SHARE fund 79300 is the certificate fee fund which transfers over month into the State General Fund, and does not accrue to the direct benefit of the Supreme Court. Generally speaking, the Supreme Court is a reverting agency. The Supreme Court's general fund reverts into the State General Fund after the end of the fiscal year. The Supreme Court's revenues are mainly from the State General Fund, with no money received from the docket fees in 2008 and 2007. The suspense fund is for the purpose of paying the document processing costs of the Court and is non-reverting, with a fiscal year 2008 ending balance of \$8,490.

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 Supreme Court 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 Supreme Court and its governmental activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term liabilities.

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

The governmental activities reflect the Supreme Court's basic services of providing judicial services and oversight to the Judicial Branch of state government.

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 only has two such funds: the general fund and the suspense fund. The Governmental Fund presentation is presented on a sources and uses of liquid resources basis.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2008

Capital and Infrastructure Assets

The Supreme Court 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.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

	<u>Government Activities</u>	
	2008	2007
Statement of Net Assets		
Current assets	<u>\$ 807,928</u>	240,079
Current liabilities	<u>327,267</u>	313,082
Net assets (deficit)	<u>\$ 480,661</u>	<u>(73,003)</u>

For more detailed information on the Statement of Net Assets see page 10.

In fiscal year 2008, the Court was appropriated \$634,400 in special state general fund appropriations by the state legislature. All amounts of the special appropriation were expended as of June 30, 2008 except for \$555,400 which carries over into fiscal year 2009.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 Year Ended June 30, 2008

Statement of Activities

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

	<u>Government Activities</u>	
	2008	2007
General revenues		
State General Fund and Special Appropriations	\$ 3,573,843	2,630,220
Miscellaneous Revenue	816	2,341
Reversions	<u>(18,081)</u>	<u>(21,929)</u>
Total Revenue	3,556,578	2,610,632
Program expenses	<u>3,002,914</u>	<u>2,706,921</u>
Change in net assets	553,664	(96,289)
Net assets (deficit), beginning of year	<u>(73,003)</u>	<u>23,286</u>
Net assets (deficit), end of year	<u>\$ 480,661</u>	<u>(73,003)</u>

More detailed information is on the Statement of Activities see page 11.

Activity for fiscal year 2008 is consistent with 2007 considering an increase in the State Appropriations, including special appropriations and expenses due to rising costs.

THE SUPREME COURT'S FUNDS

The Supreme Court has only one governmental fund with significant activity, which is the General Fund. Analysis of its activities are outlined above. The docket fee fund, also known as the suspense fund, was not expended from in fiscal year 2008 or 2007. The balance in the docket fee fund accumulates until it is adequate to support document processing contract needs.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2008

BUDGETARY HIGHLIGHTS

The Supreme Court had two budget adjustments during fiscal year 2008 and 2007, which resulted in increased budget for personal services of \$62,400 and decrease in the budget for contractual services and other costs in the amount of \$14,612 and \$77,012, respectively.

ANTICIPATED CHANGES

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

FINANCIAL CONTACT

Wanda M.Gonzales, Financial Administrator, Supreme Court, supwmg@nmcourts.com.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 STATEMENT OF NET ASSETS
 June 30, 2008

	Governmental Activities
ASSETS	
Interest in State General Fund Investment Pool	\$ <u>807,928</u>
LIABILITIES	
Accounts payable	112,545
Due to State General Fund	18,081
Due to other state agencies	575
Accrued wages and payroll taxes payable	112,837
Compensated absences	<u>83,229</u>
Total liabilities	<u>327,267</u>
NET ASSETS	
Restricted expendable	<u>480,661</u>
Total net assets	<u><u>\$ 480,661</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Governmental Activities				
Supreme Court	\$ (3,002,914)	816	-	(3,002,098)
Total governmental activities	(3,002,914)	816	-	(3,002,098)
General Revenues				
Transfer - General Fund appropriation				2,939,443
Transfer - Special appropriations				634,400
Reversion to State General Fund - 2008				(18,081)
Total general revenues				3,555,762
Changes in net assets				553,664
Net assets, beginning (deficit)				(73,003)
Net assets, ending				\$ 480,661

See Notes to Financial Statements.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Suspense Fund	Total
ASSETS			
Interest in State General Fund Investment Pool	\$ 799,438	8,490	807,928
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 112,545	-	112,545
Due to State General Fund	18,081	-	18,081
Due to other state agencies	575	-	575
Accrued wages and payroll taxes payable	112,837	-	112,837
Total liabilities	244,038	-	244,038
Fund balance			
Unreserved, designated	555,400	8,490	563,890
Total fund balance	555,400	8,490	563,890
Total liabilities and fund balance	\$ 799,438	8,490	807,928

See Notes to Financial Statements.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
Year Ended June 30, 2008

Fund balances - Governmental Funds	\$	563,890
Liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Compensated absences		<u>(83,229)</u>
Net assets of governmental activities	\$	<u><u>480,661</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General Fund	Suspense Fund	Total
Other revenue	\$ -	816	816
Expenditures			
General government			
Current			
Personal services	2,668,662	-	2,668,662
Contractual services	31,740	-	31,740
Operating costs	105,323	-	105,323
Supplies	72,566	-	72,566
Travel	22,024	-	22,024
Other costs	4,939	-	4,939
Capital outlay	95,108	-	95,108
Total expenditures	3,000,362	-	3,000,362
(Deficiency) excess of revenues over expenditures	(3,000,362)	816	(2,999,546)
Other Financing Sources (Uses)			
Transfer - State General Fund appropriation	2,939,443	-	2,939,443
Transfer - Special appropriations	634,400	-	634,400
Reversion to the State General Fund - 2008	(18,081)	-	(18,081)
Total other financing sources (uses)	3,555,762	-	3,555,762
Net change in fund balance	555,400	816	556,216
Fund balances, beginning of year	-	7,674	7,674
Fund balances, end of year	\$ 555,400	8,490	563,890

See Notes to Financial Statements.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances - governmental fund \$ 556,216

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 (2.552)

Change in net assets of governmental activities \$ 553,664

See Notes to Financial Statements.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL - GENERAL FUND
 Year Ended June 30, 2008

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
CURRENT YEAR BUDGET				
Revenues and other financing sources				
State General Fund appropriation	\$ 2,824,100	2,824,100	2,824,100	-
General Fund special appropriations	79,000	79,000	79,000	-
Reversion to State General Fund	-	-	(18,081)	(18,081)
Other financing sources	115,300	115,300	115,343	43
Total revenues	<u>3,018,400</u>	<u>3,018,400</u>	<u>3,000,362</u>	<u>(18,038)</u>
Expenditures and other financing uses				
Personal services	2,745,800	2,683,400	2,668,662	14,738
Contractual services	48,400	33,788	31,740	2,048
Other costs	224,200	301,212	299,960	1,252
Total expenditures	<u>3,018,400</u>	<u>3,018,400</u>	<u>3,000,362</u>	<u>18,038</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	-	-	-
MULTI-YEAR APPROPRIATIONS				
Special appropriations	\$ 555,400	555,400	555,400	-
Expenditures--Other costs	555,400	555,400	-	555,400
Excess of revenues and other financing Sources over expenditures	\$ -	-	555,400	555,400

See Notes to Financial Statements.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
STATEMENT OF FIDUCIARY ASSETS AND
LIABILITIES-AGENCY FUNDS
June 30, 2008

ASSETS

Cash	\$	<u> -</u>
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LIABILITIES

Deposits held for others		<u> -</u>
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NET ASSETS

	\$	<u><u> -</u></u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Supreme Court is part of the State of New Mexico and is included in the financial statements for the State.

In evaluating how to define the Supreme Court, 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 each potential component unit addressed in defining the government's reporting entity.

Included within the reporting entity:

Supreme Court

The State of New Mexico, New Mexico Judicial Department created by Article VI, Section 1 of the New Mexico Constitution. The Supreme Court is the court of last resort in the State of New Mexico. The New Mexico Constitution gives the Supreme Court control over all other State Courts. The Supreme Court promulgates the rules and regulations governing procedures for all courts, as well as the Bar and other areas of the judiciary. The rules are published in New Mexico Statutes Annotated.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

**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. There are no component units for this entity.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Supreme Court as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), the new model focuses on either the Supreme Court as a whole or major individual funds (within the 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 Supreme Court 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. Internal activity is eliminated from the government-wide statements. Fiduciary funds are also excluded from the government-wide financial statements.

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 (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function and for the Supreme Court, consist of user 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 only has one program, it does not employ direct cost allocation in the financial statements.

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

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Basic Financial Statements (Continued)

The fund financial statements are very similar to the financial statements presented in the previous mode. Emphasis is on the major funds of the governmental category. There are no non-major funds. The Supreme Court has three funds, the General Fund, the Suspense Fund (a Special Revenue Fund), and the Supreme Court Fees Fund (an Agency 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'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 focus of the revised model is on the Supreme Court as a whole and the fund financial statements, including the major individual fund of the governmental category.

The financial transactions of the Supreme Court 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 uses funds in the fund based financial statements to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The Supreme Court Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Funds - are used to account for all or most of the Supreme Court's general government activities, including the collection and disbursement of earmarked monies (Special Revenue Fund).

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Basic Financial Statements (Continued)

General Fund - The general fund is the primary operating fund of the Supreme Court, and it presented as a major fund. It accounts for all financial resources except those required to be accounted for in another fund. The operations of the Supreme Court are funded primarily by appropriations from the State General Fund which are recorded as "other financing sources" in the general fund in the year appropriated. The General Fund is a reverting fund. The New Mexico Supreme Court was created by Article VI, Section 1 of the NM Constitution and is SHARE fund 13800.

Supreme Court Suspense Fund - This special revenue fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures from the special revenue fund can be made for the operations of the Supreme Court. The Suspense Fund was established by Section 34-2-6 NMSA, 1978 Compilation. This statute authorized the Supreme Court to retain in the Suspense Fund four dollars (\$4) of fees collected on each case docketed in the Supreme Court. These funds are designated to defray the cost of filming, binding and storing Supreme Court documents and records. The Suspense Fund does not revert to the State General Fund as is not a budgeted fund. This is the only special revenue fund of the New Mexico Supreme Court and it is SHARE fund 25100. The Supreme Court has elected to present this fund as a major fund to stream line the financial statement presentation.

Fiduciary Funds - are used to account for all assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Since the activity in these funds are on behalf of other governments, it is excluded from the entity-wide financial statements.

Supreme Court Fees Fund. This agency fund receives certificate fees which it remits to the State General Fund on a monthly basis.

C. 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.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Basis of Accounting (Continued)

Accrual Basis. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The Department has elected not 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 exchanged 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 governmental funds utilize 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.

When both restricted and unrestricted resources are available, the Supreme Court expends the restricted resources first.

D. Interest in State General Fund Investment Pool

All funds allotted to the Supreme Court are held by the New Mexico State Treasurer. Deposits are non-interest bearing. Money deposited by the Supreme Court 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

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D. Interest in State Treasurer Investment Pool (Continued)

are in excess of the \$100,000 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, 2008, the Court had the following in pooled cash which had no reconciling items:

New Mexico State General Fund Investment Pool	
General fund SHARE 13800	\$ 799,438
Suspense fund SHARE 25100	<u>8,490</u>
	<u>\$ 807,928</u>

E. Capital Assets

By State statute, all capital assets used by the Supreme Court 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 are reported as capital outlay expenditures in the General Fund.

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 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 Supreme Court does not have any capital assets.

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

Unrestricted Assets-represent unrestricted liquid assets.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

G. 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.

H. 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.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

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

No later than September 1, the Supreme Court submits to 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 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 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 expenditure category. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund. The Special Revenue Fund is not budgeted.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Annual appropriations, except for multi-year appropriations, lapse at the end of the fiscal year except for those amounts expended or encumbered. All amounts within the General Fund revert 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 NSA 1978), that must be paid out of next years 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, 2008.

NOTE 3. DUE TO STATE GENERAL FUND

The Supreme Court's liabilities to the State General Fund are as follows:

General Fund	
Budget year 2007 reversion	\$ 21,929
Budget year 2008 special appropriation reversion	423
Budget year 2008 general appropriation reversion	<u>17,658</u>
Total reversion	40,010
Amount reverted during fiscal year 2007	<u>(21,929)</u>
Total due to State General Fund	<u>\$ 18,081</u>

NOTE 4. COMPENSATED ABSENCES

During the year ended June 30, 2008, the following changes occurred in compensated absence liabilities:

	Balance 7/1/07	Increase	Decrease	Balance 6/30/08
Compensated absences	<u>\$ 80,677</u>	<u>128,301</u>	<u>(125,749)</u>	<u>83,229</u>

The Supreme Court estimates that compensated absences are due within one year. 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 Supreme Court's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 4. COMPENSATED ABSENCES (CONTINUED)

Qualified employees accumulate maximum annual leave as follows:

Years of Service	Hours Earned Per Month	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 above maximums.

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, 2007, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences. At June 30, 2008, the Supreme Court had no employees with accumulated sick leave in excess of 600 hours.

NOTE 5. RETIREMENT PLAN

Plan Description. Substantially all of the Supreme Court 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. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 5. RETIREMENT PLAN (CONTINUED)

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Supreme Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Supreme Court are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Supreme Court's contributions to PERA for the years ending June 30, 2008 and 2007 were \$230,649 and \$211,675, respectively, equal to the amount of the required contributions for each year.

Judicial Retirement Plan

Plan Description. Substantially all of the Justices of the Supreme Court participate in a defined benefit contributory retirement plan through the Judicial Retirement Act (JRA) (Chapter 10, Article 12B, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the 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 3% of their gross salary if they participate in the plan existing prior to June 30, 1980, or 5% if they participate in the plan after June 30, 1980. The Supreme Court is required to contribute 9% of the Justices' gross covered salary. The contribution requirements of plan members and the Supreme Court are established under Chapter 10, Article 12B, NMSA 1978. The requirements may be amended by acts of the legislature. The Supreme Court's contributions to JRA for the years ending June 30, 2008 and 2007 were \$71,314 and \$70,247, respectively, equal to the amount of the required contributions for each year.

NOTE 6. POST-EMPLOYMENT BENEFITS

Plan Description. The Supreme Court 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 (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.

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 6. POST-EMPLOYMENT BENEFITS (CONTINUED)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also 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 Supreme Court contributions to the RHCA for the years ended June 30, 2008 and 2007 were \$23,948, and \$25,775, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE 7. RISK MANAGEMENT

The Supreme Court 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.

NOTE 8. SPECIAL APPROPRIATIONS

During 2008, the Supreme Court received the following State General Fund special appropriations.

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Unexpended Portion
Laws of 2008, Chapter 3, Section 5(4) to furnish newly elected justice chambers expiring 2008	\$ 5,000	5,000	5,000	-
Laws of 2008, Chapter 3, Section 6(1) for transcription of criminal cases expiring 2008	10,000	10,000	9,757	423
Laws of 2007, Chapter 21, Section 1, paralegal position, expiring 2008	64,000	64,000	64,000	-
Laws of 2008, Chapter 3, Section 5(3) for a five suppression system expiring 2009	555,400	555,400	-	555,400

There were no outstanding encumbrances for these appropriations.

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 SCHEDULE OF CHANGES IN ASSETS AND
 LIABILITIES - AGENCY FUND
 June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
ASSETS				
Cash	\$ 41	-	41	-
LIABILITIES				
Deposits held for others	\$ 41	-	41	-

STATE OF NEW MEXICO
 NEW MEXICO SUPREME COURT
 SCHEDULE OF OPERATING TRANSFERS
 Year Ended June 30, 2008

	SHARE Fund	Title	Inter-agency Operating Transfers	
			In	Out
(1)	85300	Department of Finance and Administration, 341	\$ 3,573,843	18,081

(1) For State General Fund Appropriations and Special Appropriations and Reversion from the Supreme Court General Fund

Report 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 Edward L. Chavez, Chief Justice
New Mexico Supreme Court
and
Mr. Hector H. Balderas,
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund, including the general fund budgetary comparison, and the aggregate remaining fund information of the State of New Mexico, Supreme Court (Court), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. We have also audited the fiduciary fund. 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

In planning and performing our audit, we considered the Court'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 Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Honorable Edward L. Chavez, Chief Justice
New Mexico Supreme Court
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 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 Court'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 required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Court, the State Auditor, and 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.

Moss Adams LLP

Albuquerque, New Mexico
December 11, 2008

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2008

07-01 Reconciliation of Agency Interest in the State Investment Pool (Agency Cash Balances)	Resolved
07-02 Journal Entries	Resolved
07-03 Lack of Adequate Monitoring	Resolved
07-04 Prior Period Adjustment	Resolved

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2008

None

STATE OF NEW MEXICO
NEW MEXICO SUPREME COURT
EXIT CONFERENCE
June 30, 2008

We discussed the audit during the exit conference held December 11, 2008. The exit conference was attended by the following individuals:

New Mexico Supreme Court

Honorable Edward L. Chavez
Kathleen Jo Gibson

Wanda Gonzales
Oscar Arevalo

Lydia Romero

Chief Justice
Chief Clerk of the New Mexico
Supreme Court
Financial Administrator
Director of Fiscal Services – Administrative
Office of the Courts
Assistant Director of Fiscal Services -
Administrative Office of the Courts

Moss Adams LLP

Larry Carmony
Christopher Wolf

Partner
Senior Accountant

Moss Adams LLP assisted with the preparation of the financial statements which are the responsibility of the Supreme Court.