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**STATE OF NEW MEXICO
SUPREME COURT**

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

June 30, 2019

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

OFFICIAL ROSTER..... 1

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 2-4

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 5-8

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position 9

Statement of Activities..... 10

Fund Financial Statements

Balance Sheet - Governmental Funds 11

Reconciliation of the Balance Sheet to the
Statement of Net Position – Governmental Funds..... 12

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds..... 13

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities –
Governmental Funds..... 14

Statement of Revenues and Expenditures – Budget and Actual –
General Fund 15

Statement of Fiduciary Assets and Liabilities – Agency Fund 16

NOTES TO FINANCIAL STATEMENTS..... 17-29

SUPPLEMENTARY INFORMATION

Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund 30

Schedule of Operating Transfers 31

Independent Auditors' Report on Internal Control Over Financial Reporting, and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*..... 32-33

Schedule of Findings and Responses 34

Exit Conference 35

State of New Mexico Supreme Court

OFFICIAL ROSTER

June 30, 2019

JUSTICES

Honorable Judith K. Nakamura	Chief Justice
Honorable Barbara Vigil	Justice
Honorable Michael E. Vigil	Justice
Honorable C. Shannon Bacon	Justice
Honorable David K. Thomson	Justice

ADMINISTRATIVE OFFICIALS

Joey D. Moya	Attorney, Clerk of the New Mexico Supreme Court, CFO
Wanda M. Gonzales	Court Financial Manager, Co-CFO

INDEPENDENT AUDITORS' REPORT

Honorable Judith K. Nakamura, Chief Justice
State of New Mexico Supreme Court
and
Mr. Brian Colón
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and the aggregate remaining fund information of the State of New Mexico Supreme Court (the Court) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Court's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Court as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note A1, the financial statements of the Court are intended to present the financial position and changes in financial position of only that portion of the governmental activities, major funds and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

As discussed in Note E, the State of New Mexico, as a single employer, follows Governmental Accounting Standards Board (GASB) Standard No. 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2019, Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Court's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2019. Our opinion is not modified with respect to this matter.

As discussed in Note F, the State of New Mexico, as a single employer, follows GASB Standard No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, (OPEB) in the June 30, 2019, CAFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Court's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements, budgetary comparisons for the general funds and the aggregate remaining fund information. The supplementary information listed on the table of contents, required by Section 2.2.2 NMAC, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information required by Section 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2019

The discussion and analysis provides an overview of the objective and program of the Supreme Court of New Mexico. 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 entity created by the Constitution to head the judicial branch of state government.

Agency Overview

The Supreme Court of New Mexico is a constitutionally created entity. See N.M. Const. Art. VI, Sections 1 to 11. The Supreme Court's constitutional powers are also recognized by statute. See, e.g., NMSA 1978, Sections 34-2-1 et. seq.; NMSA 1978, Sections 34-5-10 & 34-5-14. The New Mexico Supreme Court is the highest court in the judicial branch of state government. The Supreme Court hears direct appeals from district court judgments imposing a sentence of death or life imprisonment and from the Public Regulation 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 of 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 of the decisions of the judicial standards commission.

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.

In accordance with its constitutional authority, the Supreme Court has the inherent power to manage the judicial branch of government, which includes the promulgation of rules governing the conduct of court business, the conduct of lawyers and judges, the admission to the practice of law, and the continuing legal education requirements for lawyers and judges.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2019

The Supreme Court has four funds: SHARE fund 13800 is the general fund, which reverts; SHARE fund 25100 is the docket fee suspense fund, which is not reverting; SHARE fund 89200 is the capital outlay fund, which is reverting; and SHARE fund 79300 is the certificate fee fund which transfers over every 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 except for \$4.00 from every filing fee collected pursuant to Section 34-2-6 NMSA 1978 for deposit into a suspense fund. The suspense fund is for the purpose of paying the costs of archiving closed cases and is non-reverting, with a fiscal year 2019 ending balance of \$12,547.

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 Position (Unrestricted Net Position) is designed to be similar to a bottom line for the Supreme Court and its governmental activities. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term liabilities.

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

The governmental activities reflect the Supreme Court's basic services of providing judicial review and oversight of 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.

Budgetary Comparisons

The budgetary comparison schedules present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, as stated on the government's budgetary basis.

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

State of New Mexico Supreme Court

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

	Government Activities	
	2019	2018 (Supreme Court Only)
	<u>2019</u>	<u>(Supreme Court Only)</u>
Current assets	\$ 2,477,726	\$ 289,374
Liabilities	<u>(728,918)</u>	<u>(288,005)</u>
Total net position	<u>\$ 1,748,808</u>	<u>\$ 1,369</u>

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

All amounts appropriated were expended as of June 30, 2019, except for \$196,471 which was reverted to the state general fund. The Court has a positive net position at June 30, 2019, notwithstanding that the state does not provide resources for compensated absences until they are paid.

Statement of Activities

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

	Government Activities	
	2019	2018 (Supreme Court Only)
	<u>2019</u>	<u>(Supreme Court Only)</u>
State General Fund appropriations	\$ 6,162,500	\$ 3,350,000
Capital assets transferred out	(2,195,139)	(9,957)
Miscellaneous revenue	1,834	580
Reversions to State General Fund	<u>(196,576)</u>	<u>(378)</u>
Total revenues	3,772,619	3,340,245
Program expenses	(5,158,887)	(3,239,690)
Depreciation	<u>(307,668)</u>	<u>-</u>
Total expenses	(5,466,555)	(3,239,690)
Change in net position	(1,693,936)	100,555
Net position, beginning, before restatement	<u>3,014,921</u>	<u>(99,186)</u>
Prior period restatement	<u>427,823</u>	<u>-</u>
Net position, beginning, after restatement	<u>3,442,744</u>	<u>(99,186)</u>
Net position, end of year	<u>\$ 1,748,808</u>	<u>\$ 1,369</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2019

For more detailed information, see the Statement of Activities.

Activity for fiscal year 2019 compared with 2018 reveals that the Court's State General Appropriation increased in fiscal year 2019 primarily due to the consolidation of the appropriations for the Supreme Court Building Commission and the Supreme Court Law Library into the Supreme Court.

THE SUPREME COURT'S FUNDS

The Supreme Court has one governmental fund which is solely a State general fund appropriated by the State Legislature. As noted above the general fund appropriation increased in 2019. The docket fee fund, also known as the suspense fund, had revenues of \$788 and no expenditures in fiscal year 2018.

BUDGETARY HIGHLIGHTS

The Supreme Court fiscal year 2019 appropriation increased by \$2,604,500 which includes funding the operations of the Supreme Court Building Commission and the Supreme Court Law Library. Also, the Supreme Court's program expenses increased by \$1,959,277, which includes the operations of the Supreme Court Building Commission and the Supreme Court Law Library, which resulted in a positive net position for the Supreme Court at the end of the fiscal year.

LONG-TERM DEBT ACTIVITY

The Supreme Court's long-term liabilities are for compensated absences as summarized in Note A5 to the financial statements.

ANTICIPATED CHANGES

The Supreme Court anticipates seeking additional legislative appropriations for three new full-time positions.

FINANCIAL CONTACT

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Joey D. Moya, Chief Clerk and CFO, Supreme Court of New Mexico,
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State of New Mexico Supreme Court

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Interest in State General Fund Investment Pool	\$ 691,019
Capital assets, net	<u>1,786,707</u>
Total assets	<u>\$ 2,477,726</u>
LIABILITIES	
Accounts payable	\$ 380,891
Payroll benefits payable	55,796
Payroll taxes payable	35,738
Accrued payroll	83,064
Due to State General Fund	-
Compensated absences:	
Due within one year	147,415
Due after one year	<u>26,014</u>
Total liabilities	<u>728,918</u>
NET POSITION	
Restricted	135,530
Net investment in capital assets	1,786,707
Unrestricted	<u>(173,429)</u>
Total net position	<u>1,748,808</u>
Total liabilities and net position	<u>\$ 2,477,726</u>

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

State of New Mexico Supreme Court

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Governmental Activities</u>
EXPENSES	
Judicial:	
Administrative services	\$ 5,158,887
Depreciation	<u>307,668</u>
Total expenses	5,466,555
PROGRAM REVENUES	
Court fees	788
Miscellaneous revenues	<u>1,046</u>
Total program revenues	1,834
Deficiency of revenue over expenses	(5,464,721)
GENERAL REVENUES AND TRANSFERS	
State General Fund appropriations	5,906,500
Other State funds - transfers in	256,000
Other financing sources - capital assets transferred out	(2,195,139)
Current year reversion	<u>(196,576)</u>
CHANGE IN NET POSITION	(1,693,936)
NET POSITION, beginning, before restatement	3,014,921
Prior period restatement	<u>427,823</u>
NET POSITION, beginning, after restatement	<u>3,442,744</u>
NET POSITION, ending	<u>\$ 1,748,808</u>

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

State of New Mexico Supreme Court

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	Supreme Court General Fund 13800	Supreme Court Suspense Fund 25100	Capital Outlay Fund 89200	Total
ASSETS				
Interest in State General Fund Investment Pool	\$ 678,472	\$ 12,547	\$ -	\$ 691,019
Due from other State agencies	-	-	-	-
Total assets	\$ 678,472	\$ 12,547	\$ -	\$ 691,019
LIABILITIES				
Accounts payable	\$ 380,891	\$ -	\$ -	\$ 380,891
Payroll benefits payable	55,796	-	-	55,796
Payroll taxes payable	35,738	-	-	35,738
Accrued payroll	83,064	-	-	83,064
Due to State General Fund	-	-	-	-
Total liabilities	555,489	-	-	555,489
FUND BALANCES				
Restricted	122,983	12,547	-	135,530
Unassigned	-	-	-	-
Total fund balances	122,983	12,547	-	135,530
Total Liabilities and Fund Balances	\$ 678,472	\$ 12,547	\$ -	\$ 691,019

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

State of New Mexico Supreme Court

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

Year Ended June 30, 2019

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 135,530
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Capital assets	\$ 3,990,465
Accumulated depreciation	<u>(2,203,758)</u>
Total capital assets, net	1,786,707
Certain other liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Liabilities at year end consist of:	
Compensated absences payable	<u>(173,429)</u>
Net position of governmental activities (Statement of Net Position (Deficit))	<u>\$ 1,748,808</u>

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

State of New Mexico Supreme Court

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

For the Year Ended June 30, 2019

	General Fund 13800	Suspense Fund 25100	STB Capital Projects Fund 89200	Total
REVENUES				
Court fees	\$ 1,046	\$ 788	\$ -	\$ 1,834
EXPENDITURES				
Judicial:				
Current:				
Personnel services and benefits	4,163,659	-	-	4,163,659
Contract services	205,059	-	-	205,059
Other costs	813,388	-	952	814,340
Capital outlay	784,969	-	7,265	792,234
Total expenditures	5,967,075	-	8,217	5,975,292
Excess (deficiency) of revenues over expenditures	(5,966,029)	788	(8,217)	(5,973,458)
OTHER FINANCING SOURCES (USES)				
Transfer In:				
State General Fund appropriations	5,906,500	-	-	5,906,500
Other State funds	256,000	-	-	256,000
Other Financing Sources	-	-	-	-
Severance Tax Bond proceeds	-	-	-	-
Transfer Out:				
Other State funds	-	-	-	-
Current year reversions	(196,471)	-	(105)	(196,576)
Total Other Financing Sources	5,966,029	-	(105)	5,965,924
NET CHANGE IN FUND BALANCES	-	788	(8,322)	(7,534)
FUND BALANCES, beginning	122,983	11,759	8,322	143,064
FUND BALANCES, ending	<u>\$ 122,983</u>	<u>\$ 12,547</u>	<u>\$ -</u>	<u>\$ 135,530</u>

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

State of New Mexico Supreme Court

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

Year Ended June 30, 2019

	<u>Supreme Court Total</u>
Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (7,534)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The net (increase) decrease in the liabilities for the year was:</p>	
	24,171
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:</p>	
Additions	\$ 792,234
Transfers to other state agencies	(2,195,139)
Depreciation expense	<u>(307,668)</u>
	<u>(1,710,573)</u>
Change in Net Position of Governmental Activities (Statement of Activities)	<u>\$ (1,693,936)</u>

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

State of New Mexico Supreme Court

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

For the Year Ended June 30, 2019

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Court fees	\$ 1,500	\$ 1,500	\$ 1,046	\$ (454)
General fund appropriation	5,906,500	5,906,500	5,906,500	-
Other financing sources	256,000	256,000	256,000	-
Total revenues	\$ 6,164,000	\$ 6,164,000	\$ 6,163,546	\$ (454)
EXPENDITURES				
Administrative Services:				
Personnel services	\$ 5,147,200	\$ 4,400,134	\$ 4,163,659	\$ 236,475
Contractual services	69,100	216,166	205,059	11,107
Other financing uses	947,700	1,547,700	1,598,357	(50,657) *
Capital outlay	-	-	-	-
Total Expenditures	\$ 6,164,000	\$ 6,164,000	5,967,075	\$ 196,925
Excess of revenue and other financing sources over expenditures			196,471	
Current year reversion			(196,471)	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis)			\$ -	

* The level of budgetary control for the Supreme Court is the total appropriation.

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

State of New Mexico Supreme Court

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND

June 30, 2019

	<u>Supreme Court Fees Fund 79300</u>
ASSETS	
Cash	<u>\$ -</u>
 LIABILITIES	
Deposits Held for Others	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of New Mexico Supreme Court (Court) 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's accounting policies are described below:

1. Reporting Entity

The Judicial Branch of government for the State of New Mexico is 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 Rules Annotated.

The Supreme Court is a component unit of the Judicial Branch and these financial statements include all funds and activities over which the Court has oversight responsibility. The Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State.

In evaluating how to define the Court for financial reporting purposes, management has evaluated the Court's potential component units. The basic, but not the only, criterion for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestations of this ability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the Court. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing or fiduciary relationships, regardless of whether the Court is able to exercise oversight responsibilities.

Effective July 1, 2018, pursuant to Chapter 39, of New Mexico Laws of 2018, the Law Library and Building Commission were combined for funding and operational oversight purposes into the Supreme Court as all assets, liabilities and net position account balances were transferred into the Supreme Court's operations. The Supreme Court has no component units for the year ended June 30, 2019.

The following entities are included within the Court's general fund appropriation but remain separate legal entities that are overseen by the Justices of the Supreme Court:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity – Continued

The New Mexico Supreme Court Law Library (Library) is a New Mexico judicial state agency located in the Supreme Court building in Santa Fe, New Mexico. The 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 fulfills 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. The Library has no component units.

The Supreme Court Law Library was created by statute in 1915. The current statutory authority is found at NMSA 1978, § §34-2-10 to -15. Pursuant to statute, the New Mexico Supreme Court has responsibility for the management, control and supervision of the Supreme Court Law Library. NMSA 1978, § 34-2-11. The New Mexico Supreme Court appoints a Law Librarian who is responsible for the care and custody of the law library. NMSA 1978, § 34-2-13(A).

The New Mexico Supreme Court Building Commission (Building Commission) is a New Mexico judicial state agency located in the Supreme Court building in Santa Fe, New Mexico. The Supreme Court Building Commission is responsible for the building and grounds of the Supreme Court Building and all material contents including books and computer equipment. The Building Commission consists of the Chief Justice and Justices of the Supreme Court. The Building Commission has no component units.

The Supreme Court Building Commission was created by statute. See NMSA 1978, Section 34-3-1 (1967). The Chief Justice serves as chair of the Building Commission and the Supreme Court Clerk serves as its Secretary. The Secretary of the Building Commission is responsible for administrative operations and for handling budget matters and all financial transactions. The Building Superintendent is under the Clerk's supervision.

The Supreme Court Building houses the Supreme Court, Supreme Court Building Commission, and Supreme Court Law Library. The Supreme Court Building Commission also provides office space for the New Mexico Court of Appeals and the Administrative Office of the Courts. By statute, the Supreme Court Building Commission has care, custody and control of the Supreme Court Building and its grounds, along with all equipment, furniture and fixtures purchased or used by agencies of the judicial branch housed within it. See NMSA 1978, Section 34-3-3 (2018). Such equipment and furniture may also be maintained in part by the individual agencies that purchase or use it.

2. Basic Financial Statements

The basic financial statements include both government-wide (based on the Supreme Court 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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements – Continued

Supreme Court is a single-purpose government entity and has no business type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets, receivables and deferred outflows of resources, as well as long-term debt and deferred inflows of resources.

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, as well as 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. Since the Supreme Court only has one program, it does not employ indirect cost allocation in the financial statements.

The fund financial statements differ from the government-wide financial statements. Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Supreme Court's only major fund is its General Fund; however, management has elected to present the Suspense Fund (25100) and Capital Projects Fund (89200) as major funds.

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 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types."

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements – Continued

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).

General Fund - The general fund is the primary operating fund of the Supreme Court and is 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 general operations of the Supreme Court except as authorized by NMSA 1978 34-2-6. The Suspense Fund was established by NMSA 1978, Section 34-2-6. 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 is not budgeted in current fiscal year for expenditures, and does not revert to the State General 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 streamline the financial statement presentation.

Capital Outlay Fund - The Attorney General Capital Outlay with a balance of \$8,322 was transferred in from the Building Commission because a small expenditure occurred in fiscal 2019. The remainder amount of \$104 was reverted back to the Attorney General.

The restricted fund balance of \$122,983 in the general fund does not revert as the primary source of funds in the amount of \$123,000 came from the NM General Services Department Capital Building Repair Fund on June 27, 2018, reported as other financing sources specifically for building improvements, which included expenditures for stucco repairs during FY19.

Supreme Court Fees Fund – This agency fund receives certificate fees which it remits to the State General Fund.

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 activities in these funds are on behalf of other governments, it is excluded from the entity-wide financial statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. 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 Statement of Net Position and the Statement of Activities display information about the Court, the primary government, as a whole, without displaying the individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Court has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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, deferred outflows of resources and liabilities, deferred inflows of resources 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 Governmental Accounting Standards Board Statement No. 33 (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.

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 unearned revenue by the recipient.

4. Capital Assets

Property and equipment purchased or acquired at a value of \$5,000 or greater are capitalized. 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 Building Commission is responsible for the care, custody, and control of capital assets used by agencies of the

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Capital Assets – Continued

judicial branch housed within the Supreme Court Building. Capital assets purchased by the Supreme Court are reported as capital outlay expenditures in the General Fund. During the year ended June 30, 2019, the Supreme Court Building Commission transferred capital assets at historical cost of \$15,851,834 and accumulated depreciation of \$13,656,695 as net capital assets of \$2,195,139 out to the Administrative Office of the Courts, the Court of Appeals, and to various district courts that had been incorrectly included on the Supreme Court Building Commission capital asset inventory for many years as those assets were not housed within the Supreme Court Building. Prior to transfer, any assets under \$5,000 and assets that were obsolete and no longer being used were removed from the capital asset inventory.

5. Compensated Absences

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

<u>Years of Service</u>	<u>Hours Earned Bi-Weekly</u>
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 annual leave as of the date of termination, up to the maximum of 240 hours.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours, on July 1 or January 1 of each year. However, sick leave is paid at 50% of the employee's regular hourly wage. At retirement, employees can receive 50% payment for up to 400 hours of accumulated sick leave above 600 hours. Therefore, the only sick leave which has been accrued represents the hours earned at June 30th, over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences.

In addition, the Court allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

Accrued compensated absences are recorded as liabilities and net changes are recorded as expenditures in the government-wide financial statements. The fund financial statements only recognize the compensated absences when due and payable at year end.

6. Net Position

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Net Position – Continued

Invested in Capital Assets (net of related debt) – is intended to reflect the portion of net position 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 Net Position – are liquid assets which have third-party, legally enforceable, (statutory, bond covenant or granting agency) limitations on their use. When there is an option, the Supreme Court spends restricted resources first.

Unrestricted Net Position – represent unrestricted liquid assets. The balance at June 30 of (\$173,429) represents unfunded accrued compensated absences, which will be paid out of current resources when redeemed.

7. 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 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 Court 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 or order) 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 a 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. 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 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 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.

The legal level of budgetary control is at the appropriation program level, meaning total expenditures for the program need to be compared to the program's approved final budget for compliance.

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 (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if all accounts payable at the end of the fiscal year are not paid by the statutory deadline.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Inter-Fund Activity

Inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation of the government-wide financial statements.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Subsequent Events

Subsequent events have been evaluated through October 31, 2019, the date which the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2019. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

NOTE B – STATE TREASURER GENERAL FUND INVESTMENT POOL

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

At June 30, 2019, 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	13800	1 day	\$ 678,472	\$ 678,472
Supreme Court Fees Fund	79300	1 day	-	-
Supreme Court Suspense Fund	25100	1 day	12,547	12,547
Total governmental funds			<u>\$ 691,019</u>	<u>\$ 691,019</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.

State of New Mexico Supreme Court

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE B – STATE TREASURER GENERAL FUND INVESTMENT POOL – CONTINUED

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, 2019.

NOTE C – CAPITAL ASSETS

	Balance June 30, 2018, Before Restatement	Prior Period Restatement	Balance June 30, 2018 After Restatement	Additions	Transfers to Other State Agencies	Balance June 30, 2019
Capital assets:						
Land	\$ 100,311	\$ -	\$ 100,311	\$ -	\$ -	\$ 100,311
Building and improvements	5,748,010	(34,860)	5,713,150	601,022	(2,981,029)	3,333,143
Aircraft, autos and trucks	518,398	(41,123)	477,275	80,431	(446,610)	111,096
Information tech equipment	9,900,349	(1,064,565)	8,835,784	58,377	(8,705,147)	189,014
Furniture and fixtures	4,992,983	(1,069,438)	3,923,545	52,404	(3,719,048)	256,901
Total capital assets at cost	<u>21,260,051</u>	<u>(2,209,986)</u>	<u>19,050,065</u>	<u>792,234</u>	<u>(15,851,834) *</u>	<u>3,990,465</u>
Less accumulated depreciation for:						
Building and improvements	3,981,025	(206,973)	3,774,052	273,212	(2,151,113)	1,896,151
Aircraft, autos and trucks	365,993	(47,066)	318,927	1,500	(295,764)	24,663
Information tech equipment	9,970,451	(1,466,819)	8,503,632	27,435	(8,430,264)	100,803
Furniture and fixtures	3,873,125	(916,951)	2,956,174	5,521	(2,779,554)	182,141
Total accumulated depreciation	<u>18,190,594</u>	<u>(2,637,809)</u>	<u>15,552,785</u>	<u>307,668</u>	<u>(13,656,695) *</u>	<u>2,203,758</u>
Total capital assets, net	<u>\$ 3,069,457</u>	<u>\$ 427,823</u>	<u>\$ 3,497,280</u>	<u>\$ 484,566</u>	<u>\$ (2,195,139) *</u>	<u>\$ 1,786,707</u>

Current depreciation expense is \$307,668.

*See Notes A4 and I.

State of New Mexico Supreme Court

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE D – COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
\$ 110,365	\$ 411,523	\$ (348,459)	\$ 173,429	\$ 147,415

NOTE E – PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico follows the standard for the fiscal year ending June 30, 2019.

The New Mexico Supreme Court, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

The New Mexico Supreme Court also has a single employer defined benefit pension plan for Supreme Court Justices (Judicial Retirement) administered by PERA. Disclosure requirements for governmental funds apply to the primary government, as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the CAFR of the State of New Mexico.

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

The Supreme Court's contributions to PERA for the years ended June 30, 2019, 2018 and 2017 were \$370,654, \$392,387 and \$381,141, respectively, which equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

The Court, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the CAFR of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico CAFR for the year ended June 30, 2019, and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

The Supreme Court's contributions to RHCA for the years ended June 30, 2019, 2018 and 2017 were \$51,039, \$49,641 and \$50,014, respectively, which equal to the required contributions for each year.

NOTE G – RISK MANAGEMENT

The Supreme Court is exposed to various risks 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 a separate fund within that agency of the State of New Mexico. In general, Risk Management Division responds to suits against the state and state agencies; manages the 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. Any claims against the Supreme Court have not exceeded available coverage. However, the Court would not be liable for more than the annual premiums.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2019

NOTE H – REVERSIONS TO STATE GENERAL FUND

Current year reversions for the State General Fund as of June 30, 2019, were as follows:

<u>Appropriation Year</u>	<u>Fund Type</u>	<u>SHARE System Fund</u>	<u>Reversion</u>
Laws of 2017	General Fund	13800	\$ 196,471
Laws of 2018	STB Capital Projects Fund	89200	<u>105</u>
			<u>\$ 196,576</u>

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert.

NOTE I – PRIOR PERIOD RESTATEMENT

During 2019, it was determined that a prior period restatement was required to correct beginning historical cost of capital assets of \$21,260,051 and accumulated depreciation of \$18,190,594 as of June 30, 2018, for capital assets, net, as follows:

Capital assets, net, at June 30, 2018, before restatement	\$ 3,069,457
Capital assets, net, prior period restatement	<u>427,823</u>
Capital assets, net, at June 30, 2018, after restatement	<u>\$ 3,497,280</u>

SUPPLEMENTARY INFORMATION

State of New Mexico Supreme Court

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND

June 30, 2019

	Balance			Balance
	<u>July 01, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
ASSETS				
Cash	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Deposits Held for Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico Supreme Court

SCHEDULE OF OPERATING TRANSFERS

For the Year Ended June 30, 2019

	Share Fund	Title	Transfer	
			In	Out
(1)	85300	Department of Finance & Administration	\$ 5,906,500	\$ -
(2)	85300	Department of Finance & Administration	256,000	-
(3)	21800	Transfer of capital assets to NM Adminstrive Office Of the Courts	-	2,036,211
(3)	23100	Transfer of capital assets to NM 1st Judicial District Court	-	4,318
(3)	23200	Transfer of capital assets to NM 2nd Judicial District Court	-	2,684
(3)	23300	Transfer of capital assets to NM 3rd Judicial District Court	-	-
(3)	23400	Transfer of capital assets to NM 4th Judicial District Court	-	28,082
(3)	23500	Transfer of capital assets to NM 5th Judicial District Court	-	-
(3)	23600	Transfer of capital assets to NM 6th Judicial District Court	-	23,456
(3)	23900	Transfer of capital assets to NM 8th Judicial District Court	-	32,352
(3)	24000	Transfer of capital assets to NM 9th Judicial District Court	-	5,775
(3)	24100	Transfer of capital assets to NM 10th Judicial District Court	-	1,791
(3)	24200	Transfer of capital assets to NM 11th Judicial District Court	-	52,500
(3)	24300	Transfer of capital assets to NM 12th Judicial District Court	-	7,970
(4)	85300	Department of Finance & Administration Reversion	-	196,576
	Total		<u>\$ 6,162,500</u>	<u>\$ 2,391,715</u>

(1) General Appropriation Act of 2018

(2) Laws of 2018, 53rd 2nd Session CH 73, Section 1

(3) Capital assets, net, transferred out to various NM Judicial District Courts and the Adminstrative Office of the Court from the Supreme Court in total of \$ 2,195,139

(4) Fiscal year 2019 reversion to the State General Fund.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING, AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Judith K. Nakamura, Chief Justice
State of New Mexico Supreme Court
and
Mr. Brian Colón
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general funds and the aggregate remaining fund information of the State of New Mexico Supreme Court (the Court), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Court's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses and significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 2.2.2 NMAC.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATKINSON & CO., LTD

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2019

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified? Yes X No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? Yes X No

CURRENT YEAR FINDINGS

Findings – Financial Statement Audit

None

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

None

PRIOR YEAR FINDINGS

Findings – Financial Statement Audit

- 2015-001 Capital Assets (Material Weakness) – Supreme Court Building Commission Resolved
- 2018-002 (2015-001) Reconciliation and Review of Capital Assets (Significant Deficiency) – Supreme Court Building Commission – Resolved
- 2018-003 State Procurement Code Violation (Control Deficiency and Noncompliance) – Supreme Court Building Commission – Resolved

Findings in Accordance with 2.2.2 NMAC (State Audit Rule)

- 2018-001 Compensated Absences (Other Noncompliance) – Supreme Court – Resolved
- 2018-004 Capital Asset Disposition (Other Noncompliance) – Supreme Court Building Commission – Resolved
- 2018-005 Compensated Absences (Other Noncompliance) – Supreme Court Building Commission – Resolved
- 2018-006 Compensated Absences (Other Noncompliance) – Supreme Court Law Library – Resolved

State of New Mexico Supreme Court

EXIT CONFERENCE

Year ended June 30, 2019

An exit conference was held on October 29, 2019. The following individuals were present:

New Mexico Supreme Court

Honorable Judith K. Nakamura
Joey D. Moya
Wanda Gonzales
Artie Pepin
Jen Scott
Deborah Dungan

Chief Justice
Attorney, Clerk of the Supreme Court, CFO
Court Financial Manager, Co-CFO
Director, Administrative Office of the Courts
Deputy Clerk of the Supreme Court
Chief Justices Administrative Assistant

Atkinson & Co., Ltd.:

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

Audit Director
Audit Manager
Audit Senior

PREPARATION OF FINANCIAL STATEMENTS

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

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