



**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION**

FINANCIAL STATEMENTS

JUNE 30, 2011

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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TABLE OF CONTENTS

STATE OF NEW MEXICO SUPREME COURT BUILDING COMMISSION

	Page
INTRODUCTORY SECTION	
Official Roster.....	1
FINANCIAL SECTION	
Report of Independent Auditors	2
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	9
Statement of Activities.....	10
Balance Sheet - Governmental Fund Type.....	11
Reconciliation of the Balance Sheet to the Statement of Net Assets.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Fund Type.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities - General Fund	14

TABLE OF CONTENTS

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION**

	Page
BASIC FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures - Budget and Actual - General Fund.....	15
Notes to Financial Statements.....	16
SUPPLEMENTAL INFORMATION	
Schedule of Interfund Transfers.....	29
OTHER INFORMATION	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30
Schedule of Findings and Responses.....	32
Exit Conference.....	33

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION**

Official Roster

June 30, 2011

COMMISSION MEMBERS

Name	Title
Honorable Charles W. Daniels Chief Justice of the Supreme Court	Chairman
Honorable Saul Cohen	Vice-Chairman
Edith Cherry	Member
Kathleen Jo Gibson Chief Clerk of the Supreme Court	Building Manager

Report of Independent Auditors

Honorable Charles W. Daniels, 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 and the major fund, including the budgetary comparison, of the State of New Mexico Supreme Court Building Commission (Commission) as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission'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 Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission as of June 30, 2011, and the respective changes in its financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2011 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 four through eight 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission'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.

Mess Adams LLP

Albuquerque, New Mexico
December 2, 2011

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

The Management's Discussion and Analysis (MD&A) provides an overview of the objective and program of the Supreme Court Building Commission. This discussion helps the reader understand the Supreme Court Building Commission's operation in terms of financial planning and expenditures of the annual budget. The Supreme Court Building Commission was created by statute to manage the Supreme Court Building. 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.

Agency Overview

Statutory Authority: Sections 34-3-1 et seq. NMSA 1978 sets forth the powers and duties of the Supreme Court Building Commission. The Supreme Court Building houses the Supreme Court, Supreme Court Building Commission, and Supreme Court Law Library and provides office spaces for 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 departments housed therein, although such equipment and furniture may also be maintained in part by the individual agencies.

USING THIS ANNUAL REPORT

Management Discussion and Analysis

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 Building Commission. Comparative information is provided from fiscal year ended June 30, 2011.

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 Building Commission. The financial statements are not intended to report the financial position of the State of New Mexico as a whole. The Supreme Court Building Commission is one of 100+ agencies in the State that contributes to the financial position of the State of New Mexico. The Supreme Court Building Commission had one fund during the fiscal year ending 2011, its General Fund.

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011**

Generally speaking the Supreme Court Building Commission is a reverting agency. The Supreme Court Building Commission General Fund reverts into the State General Fund after the end of the fiscal year. The Supreme Court Building Commission's revenues are mainly from the State General Fund, with nothing received from court fees.

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 Building Commission has no business type activities. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the Supreme Court Building Commission and its governmental activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term liabilities.

The Statement of Activities is focused on cost of various activities that are provided by the Supreme Court Building Commission'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 Building Commission's basic services of providing a physical facility and maintaining the contents.

Fund Financial Statements

The Supreme Court Building Commission only has one such fund: the General Fund. The Governmental Fund presentation is presented on a sources and uses of liquid resources basis.

Budgetary Comparisons

In addition to the MD&A, GASB 34 requires a budgetary comparison schedule for the General Fund. 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 2.2.2 NMAC (February 28, 2011), the Statements of Revenues and Expenditures - Budget and Actual is presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011**

GOVERNMENT -WIDE FINANCIAL ANALYSIS

Statement of Net Assets

	<u>Government Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets		
Current assets	\$ 59,845	44,573
Capital assets	<u>6,563,297</u>	6,405,659
Total assets	<u>6,623,142</u>	<u>6,450,232</u>
Current liabilities	<u>97,091</u>	81,428
Net assets		
Invested in capital assets	6,563,297	6,405,659
Unrestricted (deficit)	<u>(37,246)</u>	<u>(36,855)</u>
Total net assets	<u>\$ 6,526,051</u>	<u>6,368,804</u>

For more detailed information see the Statement of Net Assets.

Financial Highlights

The Commission's total net assets increased from \$6,368,804 for fiscal year 2010 to \$6,526,051 for fiscal year 2011, primarily due to an increase in capital assets during the current year, resulting in an overall increase in net assets in the amount of \$157,247.

Statement of Activities

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

	<u>Government Activities</u>	
	<u>2011</u>	<u>2010</u>
General revenues		
State General Fund appropriations	\$ 771,500	796,600
Severance Tax Bond proceeds	414,495	285,504
Miscellaneous revenue	7,149	269
Reversion to the State General Fund	<u>(9,422)</u>	<u>(468)</u>
	<u>1,183,722</u>	1,081,905
Program revenues – capital grants and contributions	<u>1,873,421</u>	<u>2,270,606</u>
Total revenue	<u>3,057,143</u>	3,352,511
Program expenses	<u>2,899,896</u>	<u>2,273,470</u>
Change in net assets	157,247	1,079,041
Net assets, beginning of year	<u>6,368,804</u>	<u>5,289,763</u>
Net assets, end of year	<u>\$ 6,526,051</u>	<u>6,368,804</u>

For more detailed information see the Statement of Activities.

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011**

Statement of Activities (Continued)

Financial Highlights

The Commission's total revenues for fiscal year 2011 were \$3,057,143 versus fiscal year 2010 which were \$3,352,511. Revenues decreased in 2011 by \$268,368 due to budget cuts. Total expenses for fiscal year 2011 were \$2,899,896 versus fiscal year 2010 which were \$2,273,470. Expenditures increased in 2011 by \$626,426 primarily due to depreciation expense.

THE SUPREME COURT BUILDING COMMISSION'S FUNDS

The Supreme Court Building Commission has only one major governmental fund, which is the General Fund. Analyses of its activities are outlined above.

Capital and Infrastructure Assets

The Supreme Court Building Commission has no infrastructure assets, and the following capital assets:

- The Supreme Court Building and curtilage (land);
- Furniture, fixtures and equipment;
- Data processing equipment; and
- Vehicles.

Most of the data processing equipment, which makes up the majority (>95%) of the Supreme Court Building Commission's current assets after depreciation, was purchased by the Administrative Office of the Courts for the District and Magistrate Courts, and has never been on the premises of the Supreme Court Building, nor in the physical custody of the Supreme Court Building Commission. However, that equipment is an asset of the Supreme Court Building Commission by statute, namely Section 34-3-3 NMSA 1978, as that equipment is an asset purchased by an agency of the judicial department housed within the Supreme Court Building.

Major purchases of capital assets during the year were primarily for a Fire Suppression system for the entire building. Three separate systems were installed to accommodate the special needs of the Law Library's collections. Funding was through the Capital Outlay Budget.

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Year Ended June 30, 2011**

BUDGETARY HIGHLIGHTS

There was one budget adjustment which decreased personal services \$16,900 and contractual services \$44 and increased other costs \$16,944. The Building Commission was also appropriated through Tax Bond Proceeds, Laws of 2009, Chapter 125, Section 30 for a Fire Suppression System, \$700,000, to expire in Fiscal Year 2013. To date, \$700,000 has been expended. Unexpended General Fund appropriation amounts in the amount of \$9,422 were reverted to the State General Fund.

ANTICIPATED CHANGES

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

FINANCIAL CONTACT

Wanda Gonzales, Financial Court Manager, Supreme Court Building Commission,
supwmg@nmcourts.com.

**STATE OF NEW MEXICO
 SUPREME COURT BUILDING COMMISSION
 STATEMENT OF NET ASSETS
 June 30, 2011**

	Governmental Activities
ASSETS	
Interest in State General Fund Investment Pool	\$ 33,594
Other assets	26,251
Land	100,311
Capital assets, net	<u>6,462,986</u>
Total assets	<u>6,623,142</u>
 LIABILITIES	
Accounts payable	29,994
Due to State General Fund	9,422
Accrued salaries and benefits	20,429
Compensated absences	<u>37,246</u>
Total liabilities	<u>97,091</u>
 NET ASSETS	
Invested in capital assets	6,563,297
Unrestricted (deficit)	<u>(37,246)</u>
Total net assets	<u><u>\$ 6,526,051</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	Expenses	<u>Program Revenues Capital Grants & Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental Activities			
Administration and maintenance	\$ 769,618	-	(769,618)
Capital asset management	2,130,278	1,873,421	(256,857)
	<u>\$ 2,899,896</u>	<u>1,873,421</u>	<u>(1,026,475)</u>
General Revenues			
Transfer - State General Fund appropriation			771,500
Transfer - Severance Tax Bond proceeds			414,495
Miscellaneous revenue			7,149
Reversion to the State General Fund - 2011			(9,422)
			<u>1,183,722</u>
Change in net assets			157,247
Net assets, beginning of year			<u>6,368,804</u>
Net assets, end of year			<u>\$ 6,526,051</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 SUPREME COURT BUILDING COMMISSION
 BALANCE SHEET - GOVERNMENTAL FUND TYPE
 June 30, 2011**

	General
ASSETS	
Interest in State General Fund Investment Pool	\$ 33,594
Other assets	<u>26,251</u>
Total assets	<u><u>\$ 59,845</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 29,994
Due to State General Fund	9,422
Accrued salaries and benefits	<u>20,429</u>
Total liabilities	<u>59,845</u>
Fund Balance	
Unassigned	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 59,845</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 SUPREME COURT BUILDING COMMISSION
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 Year Ended June 30, 2011**

Fund balance - Governmental Fund	\$ -
Land and capital assets, net of accumulated depreciation, are not included in the fund financial statements	6,563,297
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds - compensated absences	<u>(37,246)</u>
Net assets of governmental activities	<u><u>\$ 6,526,051</u></u>

See Notes to Financial Statements.

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

	General
Revenue	\$ 7,149
Miscellaneous revenue	<u>7,149</u>
Expenditures	
Judicial	
Current	
Personal services	402,106
Employee benefits	213,932
In-state travel	1,726
Maintenance and repairs	51,773
Supplies	6,140
Contract services	9,456
Operating costs	84,094
Capital outlay	<u>414,495</u>
Total expenditures	<u>1,183,722</u>
Other Financing Sources (Uses)	
Transfer - State General Fund appropriation	771,500
Transfer - Severance Tax Bond proceeds	414,495
Reversion to State General Fund - 2011	<u>(9,422)</u>
	<u>1,176,573</u>
Net change in fund balance	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>

See Notes to Financial Statements.

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

Net change in fund balances - governmental fund	\$ -
Amounts reported for governmental activities in the Statement of Activities are different because	
Assets purchased by other entities	1,873,421
Capital outlay	414,495
Depreciation expense	(2,130,278)
Change in compensated absences	<u>(391)</u>
Change in net assets of governmental activities	<u><u>\$ 157,247</u></u>

See Notes to Financial Statements.

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

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
STATE GENERAL FUND APPROPRIATION				
Revenues and other financing sources				
State General Fund appropriation	\$ 771,500	771,500	771,500	-
Miscellaneous revenue	-	-	7,149	7,149
Reversions to State General Fund	-	-	(9,422)	(9,422)
Total revenues	771,500	771,500	769,227	(2,273)
Expenditures and other financing uses				
Personal services and benefits	633,900	617,000	616,038	962
Contractual services	9,500	9,456	9,456	-
Other costs	128,100	145,044	143,733	1,311
Total expenditures	771,500	771,500	769,227	2,273
Excess (deficiency) of revenues over expenditures	\$ -	-	-	-
SEVERANCE TAX BOND PROCEEDS				
Bond revenue	\$ 414,495	414,495	414,495	-
Total revenues	414,495	414,495	414,495	-
Expenditures	414,495	414,495	414,495	-
Excess (deficiency) of revenues over expenditures	\$ -	-	-	-

See Notes to Financial Statements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of New Mexico, Supreme Court Building Commission (Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America 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 Commission's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units in the reporting entity by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether government is able to exercise oversight responsibilities. Based upon the application of these criteria there are no component units.

Included within the reporting entity:

Building Commission

The State of New Mexico, New Mexico Judicial Department created by Section 34-3-1 NMSA 1978. The Building Commission operates under a Board of Directors, three residents of the State appointed by the New Mexico Supreme Court Justices. The Building Manager of the Building Commission is responsible for administrative operations and for handling budget matters and all financial transactions. The Building Superintendent is under the Building Manager's supervision.

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

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

A. Reporting Entity (Continued)

Excluded from reporting entity:

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

B. Basic Financial Statements

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. Eliminations are made to remove the “doubling-up” effect of activity between funds.

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.

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

The government-wide focus is more on the sustainability of the Commission as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. It does not include fiduciary activities.

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

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

B. Basic Financial Statements (Continued)

The governmental fund in the fund financial statements is presented on a current financial resource measurement focus 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 Commission'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 Commission 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 Commission 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 Commission's Funds are classified into one category: governmental. Each category, in turn, is divided into separate "fund types."

General Fund - The General Fund (SHARE Fund 14000) is the primary operating fund of the Commission. It accounts for all financial resources except those required to be accounted for in another fund. The operations of the Commission 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 Commission also receives funding from other state funds, which are recorded as interagency transfers.

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

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

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.

The government-wide financial statements are presented on an accrual basis of accounting. The General Fund in the fund financial statements is presented on a modified accrual basis. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

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

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

D. Interest in the State General Fund Investment Pool

All funds allotted to the Commission are held by the New Mexico State Treasurer in the General Fund Investment Pool. Deposits are non-interest bearing. Money deposited with the State Treasurer is pooled and invested by the State Treasurer. The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institutions' operating results and capital.

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

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

D. Interest in the State General Fund Investment Pool (Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. The State of New Mexico requires collateral in an amount greater than or equal to 50% of the average investment balance not insured by Federal Insuring Agencies. 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.

There are no reconciling items in the General Fund (SHARE Fund 14000) Interest in the State General Fund Investment Pool balance of \$33,594.

E. Capital Assets

Property, plant, and equipment purchased or acquired at a value of \$5,000 or greater are capitalized. Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed when incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives with no salvage value.

	Years
Building and improvements	10-40
Furniture/fixtures	10
Data processing equipment and software	3-5
Equipment	5
Vehicles	5

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 Commission has no related debt.

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

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

F. Net Assets (Continued)

Restricted Net Assets-are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. Such restrictions are legally enforceable.

Unrestricted Net Assets-represent unrestricted liquid assets.

The Commission allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

G. Fund Balances

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

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

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

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

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

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

G. Fund Balances (Continued)

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

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

G. Fund Balances (continued)

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Program Revenues

The Commission derives program revenues (charges for services) from the following other state agencies: Administrative Office of the Courts, Court of Appeals, Supreme Court Law Library, and the Supreme Court. These revenues represent capital assets acquired by these entities.

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

NOTE 2. LEGAL COMPLIANCE - BUDGETS

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

No later than September 1, the Commission 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 Commission 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 budget is adopted on a modified accrual basis of accounting which is consistent with GAAP (General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N) 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 the next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Commission has not included such reconciliation for fiscal year 2011 as all payables were paid by the statutory deadline.

Annual appropriations, except for multi-year appropriations, lapse at the end of the fiscal year except for those amounts expended. All amounts within the General Fund revert to the State General Fund, except for multi-year appropriations.

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

NOTE 3. DUE TO STATE GENERAL FUND

The Commission's liabilities for reversions to the State General Fund consist of the following:

2011 budget year reversion – State General Fund appropriations	\$ <u>9,422</u>
Total due to State General Fund	\$ <u><u>9,422</u></u>

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 7/1/10	Additions	Deletions	Balance 6/30/11
Land	\$ <u>100,311</u>	-	-	<u>100,311</u>
Cost				
Buildings & improvements	\$ 2,580,652	656,756	-	3,237,408
Furniture, fixtures & equipment	3,451,765	417,026	-	3,868,791
Data processing equipment	9,854,364	1,214,134	-	11,068,499
Vehicles	<u>313,292</u>	-	-	<u>313,292</u>
Cost	<u>16,200,073</u>	<u>2,287,916</u>	-	<u>18,588,300</u>
Accumulated Depreciation				
Buildings & improvements	\$ 1,691,324	162,798	-	1,854,122
Furniture, fixtures & equipment	1,343,589	249,987	-	1,593,576
Data processing equipment	6,749,102	1,659,361	-	8,408,462
Vehicles	<u>110,710</u>	<u>58,133</u>	-	<u>168,843</u>
Net accumulated depreciation	<u>9,894,725</u>	<u>2,130,278</u>	-	<u>12,025,003</u>
Net depreciable assets	<u>\$ 6,305,348</u>	<u>157,638</u>	-	<u>6,462,986</u>

The Building Commission does not have any debt related to capital assets. Depreciation expense is included in the capital asset management program.

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

NOTE 5. COMPENSATED ABSENCES

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

	Balance 7/1/10	Increase	Decrease	Balance 6/30/11
Compensated absences	<u>\$ 36,855</u>	<u>30,245</u>	<u>(29,854)</u>	<u>37,246</u>

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

The Commission's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

Qualified employees accumulate maximum annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
1 month – 3 years	10	1 ¼	30
Over 3 – 7 years	12	1 ½	30
Over 7 – 14 years	14	1 ¾	30
Over 14/beyond	16	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, 2011, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences. At June 30, 2011, accrued sick leave in excess of 600 hours amounted to \$1,175.

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

**NOTE 6. RETIREMENT PLAN – PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION**

Plan Description. Substantially all of the Commission's full-time employees participate in public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Commission is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Commission are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's contributions to PERA for the years ending June 30, 2011, 2010 and 2009 were \$60,521, \$64,614, and \$73,747, respectively, equal to the amount of the required contributions for each year.

NOTE 7. POST-EMPLOYMENT BENEFITS

Plan Description. Building Commission contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the

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

NOTE 7. POST-EMPLOYMENT BENEFITS (CONTINUED)

period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle 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. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

NOTE 7. POST-EMPLOYMENT BENEFITS (CONTINUED)

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 Building Commission's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$6,636, \$5,265, and \$4,941, respectively, which equal the required contributions for each year.

NOTE 8. RISK MANAGEMENT

The Commission 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 9. SPECIAL APPROPRIATIONS

The Commission received a multi-year special appropriation under the Laws of 2009, Chapter 125, Section 30, in the amount of \$700,000 from severance tax bond proceeds for a fire suppression system to be expended in fiscal years 2010 through 2013. As of June 30, 2011, \$700,000 of this appropriation has been expended and recognized as revenue.

**STATE OF NEW MEXICO
 SUPREME COURT BUILDING COMMISSION
 SCHEDULE OF INTERFUND TRANSFERS
 June 30, 2011**

SHARE Fund	Title	Operating Transfers	
		In	Out
(1) 85300	Department of Finance and Administration	\$ 771,500	-
(2) 85300	Department of Finance and Administration	414,495	-
(3) 85300	Department of Finance and Administration	-	9,422
		<u>\$ 1,185,995</u>	<u>9,422</u>

- (1) For State General Fund appropriations
- (2) For special appropriations
- (3) Reversion to State General Fund

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

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

We have audited the financial statements of the governmental activities, each major fund, including the budgetary comparison, of the State of New Mexico, New Mexico Building Commission (Commission), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission'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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Mess Adams LLP

Albuquerque, New Mexico
December 2, 2011

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

Prior Year Findings

None.

Current Year Findings

None.

**STATE OF NEW MEXICO
SUPREME COURT BUILDING COMMISSION
EXIT CONFERENCE
June 30, 2011**

We discussed the contents of this report during the exit conference held December 5, 2011. The exit conference was attended by the following individuals:

New Mexico Supreme Court and Administrative Office of the Courts:

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

Moss Adams LLP:

Larry Carmony	Partner
Angela Murdock	Senior

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