

# State of New Mexico Supreme Court Building Commission



## Financial Statements

**June 30, 2015**

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**OFFICIAL ROSTER**  
**June 30, 2015**

**COMMISSION MEMBERS**

Honorable Barbara Vigil Chief Justice of the Supreme Court	Chair
Honorable Saul Cohen	Vice Chair
Edith Cherry	Member
Joey D. Moya Chief Clerk of the Supreme Court	Building Manager

## Independent Auditor's Report

Tim Keller, New Mexico State Auditor  
and  
Honorable Barbara J. Vigil, Chief Justice, Chair  
New Mexico Supreme Court Building Commission  
Santa Fe, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico, Supreme Court Building Commission (Commission), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison for the capital projects fund presented as supplementary information, as defined by the Government Accounting Standards Board as of and for the year ended June 30, 2015, 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 misstatements, whether due to fraud or error.

### Auditor's 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 of 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 auditor's 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 Commission'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 Commission'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 Commission, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion the financial statements referred to above, present fairly, in all material respects the budgetary comparison for the capital projects fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 to 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 Commission's financial statements, and the budgetary comparison. 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.

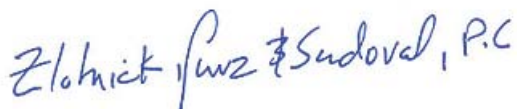
The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial

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 the 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.

The accompanying *Schedule of Vendor Information* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 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* in considering the Commission's internal control over financial reporting and compliance.



Zlotnick, Laws & Sandoval, PC  
October 26, 2015

## Management's Discussion and Analysis

June 30, 2015

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

The powers and duties of the Supreme Court Building Commission are set forth by statute. See NMSA 1978, Sections 34-3-1 to 34-3-3 (1967). 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 (1967). Such equipment and furniture may also be maintained in part by the individual agencies that purchase or use it.

### 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 Commission. 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 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.

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 Position (the "Unrestricted Net Position") 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.

Management's Discussion and Analysis

June 30, 2015

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 user's 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, 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

	<b>Government Activities</b>	
	<b>2015</b>	<b>2014</b>
Current Assets	\$ 95,547	34,956
Capital Assets	<u>3,689,250</u>	<u>4,225,578</u>
Total Assets	<u>3,784,797</u>	<u>4,260,534</u>
Liabilities	<u>143,451</u>	<u>78,868</u>
Invested in Capital Assets	3,689,250	4,225,578
Unrestricted (deficit)	<u>(47,904)</u>	<u>(43,912)</u>
Total Net Position	<u>\$3,641,346</u>	<u>4,181,666</u>

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



Management's Discussion and Analysis

June 30, 2015

Financial Highlights

	Government Activities	
	2015	2014
General Revenues:		
State General Fund Appropriations	905,200	867,100
Other Financing Sources	17,800	-
Severance Tax Bond Proceeds	133,563	154,360
Reversions to State General Fund (14000)	(1,858)	(2,239)
Total General Revenues	1,054,705	1,019,221
Program Revenues	480,606	956,902
Total Revenues	1,535,311	1,976,123
Program Expenses	2,075,631	2,286,146
Change in net position	(540,320)	(310,023)
Net position, beginning of year	4,181,666	4,491,689
Net position, end of year	3,641,346	4,181,666

For more detailed information, see the Statement of Activities.

Financial Highlights

The Commission's total revenues for fiscal year 2015 were \$1,535,311 versus fiscal year 2014 which were \$1,976,123. Revenues decreased in 2015 by \$440,812 due to other entities purchasing fewer assets in fiscal year 2015 than 2014. Total expenses for fiscal year 2015 were \$2,075,631 versus fiscal year 2014 which were \$2,286,146. Expenditures decreased in 2015 by \$210,515 primarily due to a decrease in depreciation expense.

THE SUPREME COURT BUILDING COMMISSION'S FUNDS

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

**Management's Discussion and Analysis**

**June 30, 2015**

equipment is an asset of the Supreme Court Building Commission by statute, see NMSA 1978, Section 34-3-3 (1967), as that equipment is an asset purchased by an agency of the judicial branch housed within the Supreme Court Building.

Major purchases of capital assets during the year were primarily for replacing the cork flooring and the upgrade of the balcony. The renovation commenced in fiscal year 2014 and, has not been completed. Funding was provided through the Capital Outlay Budget

**BUDGETARY HIGHLIGHTS**

There was one budget adjustments for fiscal year 2015 resulting in an increase of \$5,000 in the Personal Services budget category and a decrease of \$107 in the Contractual Services budget category, and a decrease of the other category \$4,893. Unexpended General Fund appropriations will revert to the State General Fund. In addition, the Commission was appropriated \$300,000 through Severance Tax Bond Proceeds, Laws of 2013, Chapter 226, and Section 34, to renovate the cork floor on the Supreme Court Building Law Library. As of the end of fiscal year 2015 \$287,923 has been expended from the capital funds outlay appropriation. The remaining balance \$12,077 will be reverted.

**ANTICIPATED CHANGES**

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

**FINANCIAL CONTACT**

Joey D. Moya, Building Manager and CFO, Supreme Court Building Commission

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**STATEMENT OF NET POSITION**  
**June 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 47,041
Due from Other State Agencies	48,506
Capital Assets, net	3,689,250
Total Assets	\$ 3,784,797
<b>LIABILITIES</b>	
Accounts Payable	\$ 72,845
Accrued Payroll	20,844
Due to State General Fund	1,858
Compensated Absences:	
Due Within One Year	40,718
Due After One Year	7,186
Total Liabilities	143,451
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,689,250
Unrestricted (deficit)	(47,904)
Total Net Position	3,641,346
Total Liabilities and Net Position	\$ 3,784,797

*See Notes to Financial Statements.*

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30 2015**

	<b>Governmental Activities</b>
<b>Expenses:</b>	
Judicial:	
Administrative Services	969,073
Depreciation	1,106,558
Total Expenses	2,075,631
<b>Program Revenues:</b>	
Capital Grants and Contributions	480,606
Excess (Deficiency) of Revenue over Expenses	(1,595,025)
<b>General Revenues and Transfers</b>	
State General Fund Appropriations	905,200
Other Financing Sources	17,800
Severance Tax Bond Proceeds	133,563
Reversion - FY15	(1,858)
Change in Net Position	(540,320)
Net Position, Beginning	4,181,666
Net Position, Ending	3,641,346

*See Notes to Financial Statements.*

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Total</b>
<b>ASSETS</b>			
Investment in State Gen. Fund			
Investment Pool	\$ 47,041	-	47,041
Due from Other State Agencies	-	48,506	48,506
Total Assets	\$ 47,041	48,506	95,547
 <b>LIABILITIES</b>			
Accounts Payable	\$ 24,339	48,506	72,845
Accrued Payroll	20,844	-	20,844
Due to State General Fund	1,858	-	1,858
Total Liabilities	47,041	48,506	95,547
 <b>FUND BALANCES</b>			
Unassigned	-	-	-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	\$ 47,041	48,506	95,547

**Amounts reported in the Statement of Net Assets differ because:**

Total fund balances	\$ -
Capital assets reported in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	3,689,250
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:	
Compensated absences	(47,904)
Net Position per Statement of Net Position	\$ 3,641,346

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended June 30 2015**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Total</b>
<b>REVENUES</b>	\$ -	-	-
<b>EXPENDITURES</b>			
Judicial:			
Current:			
Personal Services and Benefits	734,660	-	734,660
Contract Services	7,092	3,882	10,974
Other Costs	179,390	40,058	219,448
Capital Outlay	-	89,623	89,623
Total Expenditures	921,142	133,563	1,054,705
Excess (Deficiency) of Revenues Over Expenditures	(921,142)	(133,563)	(1,054,705)
<b>OTHER FINANCING SOURCES (Uses)</b>			
Transfer In:			
State General Fund Appropriations	905,200	-	905,200
Other Financing Sources	17,800	-	17,800
Severance Tax Bond Proceeds	-	133,563	133,563
Transfer Out:			
Reversion - FY15	(1,858)	-	(1,858)
Net Change in Fund Balances	-	-	-
Fund Balances, beginning	-	-	-
Fund Balances, ending	\$ -	-	-

**Amounts reported in the Statement of Activities are different because:**

Net change in fund balance	\$ -
Net change in compensated absences	(3,991)
Capital Contributions - assets purchased by other entities	480,606
Excess depreciation over capital outlay expenditures	(1,016,935)
Changes in net position of governmental activities	\$ (540,320)

*See Notes to Financial Statements.*

**STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (BUDGETARY BASIS) –  
GENERAL FUND (14000)  
For the Year Ended June 30 2015**

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
State General Fund				
Appropriations	\$ 905,200	905,200	905,200	-
Other Financing Sources	17,800	17,800	17,800	-
	<u>923,000</u>	<u>923,000</u>	<u>923,000</u>	<u>-</u>
 <b>EXPENDITURES</b>				
Personal Services	\$ 729,100	734,100	734,660	(560)
Contractual Services	7,200	7,093	7,092	1
Other	186,700	181,807	179,390	2,417
	<u>\$ 923,000</u>	<u>923,000</u>	<u>921,142</u>	<u>1,858</u>
Excess of revenue and other financing sources over expenditures			\$ 1,858	
Reversion - FY15			<u>(1,858)</u>	
Changes in fund balances per statement of revenues, expenditures and changes in fund balances (GAAP Basis)			<u>\$ -</u>	

*See Notes to Financial Statements.*

## Notes to the Financial Statements

June 30, 2015

### 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

##### Building Commission

The Supreme Court Building Commission was created by statute. See NMSA 1978, Section 34-3-1 (1967). The Building Commission operates under a Board of Directors, three residents of the State appointed by the New Mexico Supreme Court. 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.

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, Sec on 34-3-3 (1967). Such equipment and furniture may also be maintained in part by the individual agencies that purchase or use it.

The Supreme Court Building Commission is a component unit of the Judicial Branch and these financial statements include all funds and activities over which the Building Commission has oversight responsibility. The Building Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Building Commission 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. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Building Commission has no component units that are required to be reported in its financial statements.

#### B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Supreme Court Building Commission as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Supreme Court Building Commission 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.



## Notes to the Financial Statements

June 30, 2015

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The net cost by function is normally covered by general revenue. Since the Supreme Court Building Commission only has one program, it does not employ direct cost allocation in the financial statements.

The fund financial statements differ from the governmental-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 Building Commission's funds are its General Fund and Severance Tax Bond Fund which are considered 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 Building 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 Supreme Court Building 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, 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 Building Commission's Funds are classified as governmental.

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. The General Fund is a reverting fund.

Severance Tax Bond Funds – The Capital Outlay (Severance Bonds SHARE Fund 89200) was created by an appropriation to the Supreme Court Building Commission for the replacement of the cork flooring and upgrading of the balcony railing in the Law Library.

## Notes to the Financial Statements

June 30, 2015

### 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 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 and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with requirements of GASB 33.

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

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient. The Severance Tax Bond Proceeds appropriations are recognized in an amount equivalent to the related capital and other expenditures.

### D. 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.

Notes to the Financial Statements

June 30, 2015

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

**E. 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 unpaid 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 Commission 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.

**F. 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.

*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 Commission does not have any related debt.

## Notes to the Financial Statements

June 30, 2015

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

*Unrestricted Net Position*—represents unrestricted liquid assets.

### G. 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 Commission to assess, levy, charge or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation.

**Committed** – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the 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. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

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

### H. Program Revenues

The Commission derives program revenues (capital grants and contributions) 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.

## Notes to the Financial Statements

June 30, 2015

### I. Budgets

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

No later than September 1, the Supreme Court Building Commission 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 Building 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 State of New Mexico, Administrative Office of the Courts and the director of the DFA – Budget Division and the LFC. The current year budget was adjusted in a legal manner.

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

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

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

The budget for the General Fund is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (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.

### J. 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.

**Notes to the Financial Statements**

**June 30, 2015**

**K. 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.

**NOTE 2: STATE GENERAL FUND INVESTMENT POOL**

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

**NOTE 3: STATE TREASURER GENERAL FUND INVESTMENT POOL**

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

Notes to the Financial Statements

June 30, 2015

At June 30, 2015 the Commission had the following invested in the General Fund Investment Pool:

	Share Fund #	Maturity	Account Balance	Fair Value
General Fund	14000	1 day	\$ 47,041	\$ 47,041

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 the means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2015.

**NOTE 4: DUE FROM STATE GENERAL FUND**

The Commission accrued liability for reversion of \$1,858 to the state general fund for its unexpended general appropriations for the fiscal year ended June 30, 2015.

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Land	\$ 100,311	-	-	100,311
Capital Assets:				
Buildings & Improvements	4,320,054	120,562	-	4,440,616
Furniture, Fixtures & Equipment	4,343,943	54,528	-	4,398,471
Data Processing Equipment	8,938,162	297,629	-	9,235,791
Vehicles	420,410	97,508	-	517,918
Total	18,122,880	570,227	-	18,693,107
Accumulated Depreciation:				
Buildings & Improvements	2,564,818	279,227	-	2,844,045
Furniture, Fixtures & Equipment	2,525,786	331,837	-	2,857,623
Data Processing Equipment	8,485,655	460,541	-	8,946,196
Vehicles	321,043	34,950	-	355,993
Total	13,897,302	1,106,555	-	15,003,857
Net Capital Assets	\$ 4,225,578	(536,328)	-	3,689,250



**Notes to the Financial Statements**

**June 30, 2015**

Current depreciation expense is \$1,106,558.

**NOTE 6: COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

Balance 6/30/14	Additions	Deletions	Balance 6/30/15	Due within One Year
\$ 43,912	45,526	41,534	47,904	40,718

**NOTE 7: GASB 68 - FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSIONS PLANS BY EMPLOYERS**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

The Supreme Court Building Commission, 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.

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.

**NOTE 8: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined



## Notes to the Financial Statements

June 30, 2015

by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Supreme Court Building Commission contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$9,194, \$ 8,956, and \$8,289, respectively, which equal the required contributions for each year.

**Notes to the Financial Statements**

**June 30, 2015**

**NOTE 9: RISK MANAGEMENT**

The Supreme Court Building Commission is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; or acts of God. The Commission is insured through Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the state and state agencies; manages fund to provide unemployment compensation, tort liability insurance, workman's compensation, and general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the Commission would not be liable for more than the annual premiums. The Commission expended \$40,100 to obtain this coverage.

**NOTE 10: CAPITAL OUTLAY APPROPRIATIONS**

The Commission was appropriated \$300,000 through Severance Tax Bond Proceeds, Laws of 2013, Chapter 226, and Section 34, to renovate on the Supreme Court Building Law Library, to expire in fiscal year 2017. As of the end of fiscal year 2015, \$287,923 has been expended from the capital funds outlay appropriation. The accompanying financial statements only reflect the total amount expended. The final budget in the budgetary comparison reflects the unexpended project balance at the beginning of the fiscal year.

## **SUPPLEMENTARY AND OTHER INFORMATION**

**STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (BUDGETARY BASIS) – STB CAPITAL PROJECTS  
FUND (89200)  
For the Year Ended June 30 2015**

	<u>Budget</u>		<u>Prior-Year Actual</u>	<u>Current Year Actual</u>	<u>Total Since Inception</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Severance Tax Bond Proceeds	<u>\$ 300,000</u>	<u>300,000</u>	<u>154,360</u>	<u>85,057</u>	<u>239,417</u>	<u>(60,583)</u>
<b>EXPENDITURES</b>						
Contractual Services	60,000	37,655	31,964	3,246	35,210	2,445
Other	<u>240,000</u>	<u>262,345</u>	<u>122,396</u>	<u>81,811</u>	<u>204,207</u>	<u>58,138</u>
Total Expenditures	<u>\$ 300,000</u>	<u>300,000</u>	<u>154,360</u>	85,057	<u>239,417</u>	<u>60,583</u>
Unrecorded liabilities				<u>48,506</u>		
Total expenditures per statement of revenues, expenditures and changes in fund balances (GAAP Basis)				<u>133,563</u>		

See Notes to Financial Statements.

**SCHEDULE OF OPERATING TRANSFERS**  
**For the Year Ended June 30, 2015**

	SHARE FUND	TITLE	TRANSFER	
			In	Out
(1)	85300	Department of Finance & Administration	\$ 905,200	-
(2)	85300	Department of Finance & Administration	17,800	-
(3)	89200	Department of Finance & Administration	133,563	-
(4)	85300	Department of Finance & Administration	-	1,858
	Total		<u>\$ 1,056,563</u>	<u>1,858</u>

- (1) General Fund Appropriation - Laws of 2014, Second Session, Chapter 63, Section 4.
- (2) Compensation Package - Laws of 2014, Second Session, Chapter 63, Section 8.
- (3) Severance Tax Bond Proceeds, Laws of 2013, Chapter 226, Section 34.
- (4) Fiscal year 2015 reversion to the State General Fund.

*See independent auditor's report.*

**SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)**

For the Year Ended June 30, 2015

<b>RFB# or RFP#</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>	<b>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</b>	<b>In-State/ Out- of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</b>	<b>Brief Description of the Scope of Work</b>
100	Request for bid	Longhorn Construction Service, Inc.	\$ 143,700	\$102,182.00	Supreme Court Law Library 237 Don Gaspar Avenue BZ Enter prizes, 3103 La Junta Rd SW, Albuquerque, NM Franken Construction, 1025 Douglas Av. , Las Vegas, NM 87701 Longhorn Construction, 9208 Lona Ln NE, Albuquerque, NIM Lockwood Construction, 406 Botulph Ln, Santa Fe, NM 87505 San Mor Construction, 1013 Santa Clara Dr., Santa Fe, NIM	Y	N	Removal and Cork flooring replacement

See independent auditor's report.

**Independent Auditor's 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***

Tim Keller, New Mexico State Auditor  
and  
Honorable Barbara J. Vigil, Chief Justice, Chair  
New Mexico Supreme Court Building Commission  
Santa Fe, New Mexico

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 aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico Supreme Court Building Commission (Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and the related budgetary comparisons of the capital projects fund, presented as supplementary information, and have issued our report thereon dated October 26, 2015.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and responses* to be a material weakness, item 2015-001.

### **Compliance and Other Matters**

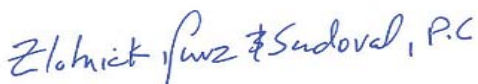
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *schedule of findings and responses* as item 2015-001.

### **The Commission's Response to Finding**

The Commission's response to the finding identified in our audit are described in the accompanying *schedule of findings and responses*. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zlotnick, Laws & Sandoval, P.C.  
October 26, 2015



**Schedule of Findings and Responses**

**June 30, 2015**

**MATERIAL NONCOMPLIANCE**

**2015-001**

**Capital Assets Listing**

Condition:

New Mexico statute 34-3-3, NMSA 1978, requires the Supreme Court Building Commission to be responsible for the care, custody and control of all equipment, furniture and fixtures purchased or used by agencies of the judicial department housed therein. The Commission's capital assets consist of about \$4.5 million in building and improvements and about \$14.35 million in furniture, fixtures, vehicles and equipment. The Worksheets provided by the Commission contained the following errors:

- Current year capital asset additions were understated by \$254,194 due to a linkage error on the worksheets.
- Security and video systems for magistrate courts totaling \$85,103 should be capitalized as collective units. These items were charged to non-capital outlay accounts.
- The capital assets listing includes equipment purchased for other district courts by funds managed by the Administrative Office of the Courts totaling \$245,119. These assets should not have been included in the Supreme Court Building Commission capital assets listing.
- Software and fixtures totaling \$2,728 were included in the capital assets listing even though they were under the capitalization threshold.
- Net depreciation expense of \$1,747 should be excluded from current year depreciation calculations because it relates to incomplete projects, assets purchased for other district courts, assets below the capitalization threshold, and assets incorrectly excluded from the capital assets listing.

These excel worksheets provided by the Commission are inadequate representations of the capital assets listing. There are no descriptions, tag numbers and locations of the assets on the list; as a result, the Commission was unable to provide a year end certification of a physical inventory of the capital assets.

Criteria:

New Mexico statute Section 12-6-10(A) NMSA 1978, requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

In addition, under the GASB *Comprehensive Implementation Guide*, Question 7.9.8, capitalization policies should ensure that all material capital assets, collectively, be reported.

Cause:

The fixed asset manager under the Administrative Office of the Court (AOC) provides the capital assets listing to the Commission. The fixed asset manager uses excel spreadsheets to account for these assets. The worksheets only contain date purchased, vendor names, purchase order numbers, voucher numbers and amounts, which can be downloaded from SHARE AP\_JOURNAL\_DETAIL report. The fixed asset

## Schedule of Findings and Responses

June 30, 2015

manager capitalizes all assets purchased under the capital outlay accounts (548100 to 548900), even if the items were below the capitalization threshold. Also, judicial agencies housed within the Supreme Court building do not provide documentation to the fixed assets manager, which makes it difficult to manage the capital assets listing.

### Effect:

The capital asset worksheets provided are inaccurate; the worksheets may overstate one asset category and understate others. Because the capital worksheets do not have the description of the assets, these items may no longer exist or be in use.

### Recommendation:

The Commission may want to invest in a fixed assets software in order to provide a more accurate capital assets listing, such a listing would include tag number, item description, amount, location and date the asset is placed in service, as well as an automatic calculation of annual depreciation expense. A Physical inventory should be performed annually. Also, judicial agencies housed within the Supreme Court building should provide documents for all capital purchases on a timely basis to the fixed asset manager, so that he can determine whether the items should be included in the capital assets listing.

The Commission also needs to have a system in place to transfer capital assets purchased for other State Agencies so that they are reflected on the financial report of that State agency.

### Management Response and Corrective Action:

The Supreme Court Building Commission (SCBC) will purchase new fixed asset software to facilitate the accurate tracking of the SCBC capital assets listing and to ensure the proper management and oversight of those assets. SCBC, in consultation with the Administrative Office of the Courts (AOC), will research which software will have the capability of storing all pertinent fixed asset information needed to comply with the pertinent provisions in New Mexico Administrative Code adopted by the Office of the State Auditor.

SCBC is responsible under NMSA 1978, Section 34-3-3 (1967) for the “care, custody, and control of . . . all equipment, furniture, and fixtures purchased or used by” the judicial entities housed in the Supreme Court Building. In accordance with that responsibility, SCBC will review, document, and implement appropriate financial reporting policies and procedures to ensure that fixed assets are properly recorded and reviewed periodically for its annual physical inventory of assets.

A Memorandum of Understanding will be established between SCBC, AOC, the Supreme Court Law Library, and the New Mexico Court of Appeals to document the roles of those judicial entities and the AOC Fixed Asset Manager for the proper reporting of the fixed assets held by those judicial entities housed within the Supreme Court Building. The AOC Fixed Assets Manager will review all documents, including but not limited to, purchase requisitions, purchase orders, and payment invoices for compliance with proper procedures for the recording and tracking of fixed assets. The AOC Asset Manager will also retain copies of all documentation for the year-end physical inventory and reconciliation to audit schedules.

**Schedule of Findings and Responses**

**June 30, 2015**

**Prior Year Findings**

None

**Exit Conference  
June 30, 2015**

The contents of this report were discussed on November 13, 2015. The following individuals were in attendance:

**New Mexico Supreme Court Building Commission**

Honorable Barbara Vigil, Chair, Chief Justice of the Supreme Court

Joey D. Moya, Building Manager and Chief Clerk of the Supreme Court, CFO

Wanda M. Gonzales, Court Financial Manager, CO-CFO

Lynne Rhys, Law Librarian, Supreme Court Law Library

Arthur Pepin, Director, Administrative Office of the Courts

Oscar Arevalo, CFO, Administrative Office of the Courts

**Zlotnick, Laws & Sandoval, PC**

Asa Laws, CPA Partner