

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
For The Year Ended June 30, 2010**

**STATE OF NEW MEXICO
 JUDICIAL STANDARDS COMMISSION
 INDEPENDENT AUDITORS' REPORT
 AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page #
Table of contents	i
Official roster	1
Organization chart	2
 FINANCIAL SECTION	
Independent auditors' report	3-4
 MANAGEMENT'S DISCUSSION AND ANALYSIS	5-9
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of net assets (deficit) – governmental activities	10
Statement of activities – governmental activities	11
 Fund Financial Statements	
Balance sheet – governmental fund	12
Statement of revenues, expenditures, and changes in fund balances – governmental fund	13
Statement of revenues, expenditures and changes fund balances – budget and actual non-GAAP budgetary basis – general fund	14
Notes to the Financial Statements	15-26
 OTHER REPORT	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with governmental auditing standards	27-28
Summary Schedule of current and prior audit findings	29
Schedule of findings and responses	29
Exit conference	30

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
OFFICIAL ROSTER
AS OF JUNE 30, 2010**

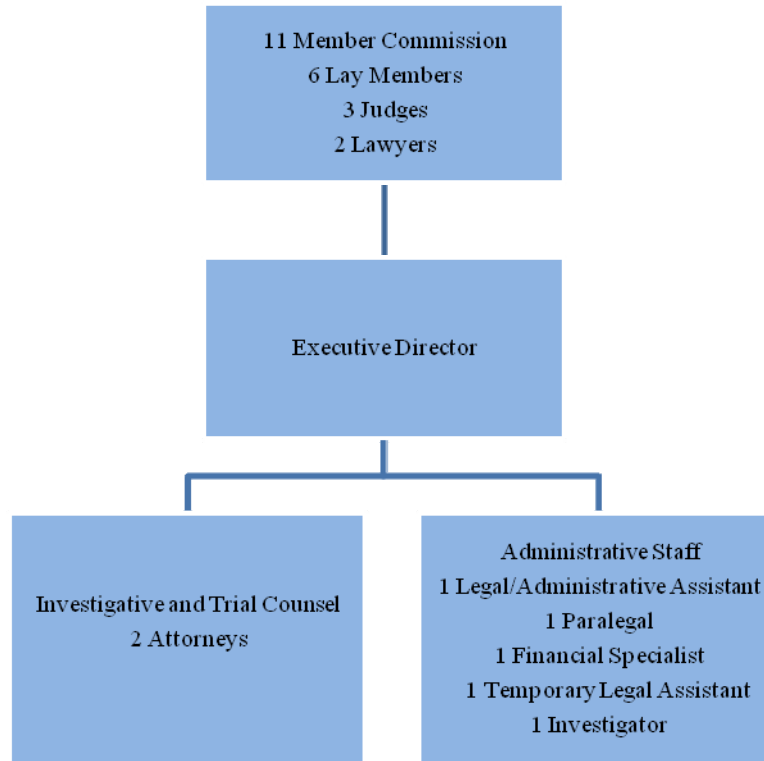
Commission Members

Name	Appointed By
Mr. David S. Smoak	Governor
Ms. Julia Y. Seligman	Governor
Mr. Jesse James Johnson	Governor
Dr. Gloria Taradash, PH.D.	Governor
Mr. William R. Valentine, D.M.D.	Governor
Mr. Larry Garcia	Governor
Ms. Rosemary L. Maestas-Swazo. Esq.	Board of Bar Commissioners
Mr. Albert J. Lama, Esq.	Board of Bar Commissioners
Hon. Buddy J. Hall	Supreme Court
Hon. Jerry H. Ritter, Jr.	Supreme Court
Hon. Nan G. Nash	Supreme Court

Administration

Name	Position
Randall D. Roybal	Executive Director

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
ORGANIZATIONAL CHART
AS OF JUNE 30, 2010**



INDEPENDENT AUDITORS' REPORT

Mr. Randall D. Roybal, Executive Director
State of New Mexico
Judicial Standards Commission
Albuquerque, New Mexico
and
Mr. Hector Balderas, State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison of the General Fund of the State of New Mexico Judicial Standards Commission (Commission) as of and for the year ended June 30, 2010, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note IA, the financial statements of the Commission are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Commission.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission at June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison of the General fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2010, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 9 is not a required part of the basic financial statements but are supplementary information required by 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 Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Hinkle & Landers, P.C.

Hinkle & Landers P.C.
November 4, 2010

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

BASIC FINANCIAL STATEMENTS

Financial data presented in these financial statements is for the activities of the Judicial Standards Commission as a single agency. It does not purport to represent the State of New Mexico as a whole.

All of the Commission's basic services are reported in governmental funds, which focus largely on the establishment of an appropriation by the state legislature and the expenditure of this money in accordance with a budget. General fund appropriations not expended or encumbered at year-end revert to the general fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The differences between governmental activities and governmental funds are reconciled on pages 13 and 15.

The Commission implemented the provisions of GASB 34 effective July 1, 2001. With the implementation of this statement, the presentation of the financial statements are significantly different from the previous general-purpose financial statements.

The new financial model includes: Management's Discussion and Analysis

This document is used to provide an objective analysis of the Commission's financial activities based on currently known facts, decision, or conditions. It provides an analysis of the Commission's overall financial position and results of operations, to assist users in assessing whether the financial position of the Commission has improved as a result of the year's activities. Additionally, it provides an analysis of significant changes that have occurred in funds and significant budget variances. It should be read in conjunction with the financial statements, which begin on page 10.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Commission and consist of a statement of net assets and a statement of activities. These statements report all of the Commission's assets, liabilities, revenues, expenses, and gains and losses. The Commission did not have any business type activities during the year ended June 30, 2010.

Fund Financial Statements

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the Major funds in either the governmental or business-type categories. Nonmajor funds (by category) or fund type are summarized into a single column. Due to the fund structure of the Commission, the only individual governmental fund, the General Fund, has been classified as a major fund. The Commission has no non-major funds.

Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the Commission's basic financial statements.

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Condensed financial information comparing current year to prior year:

	Statement of Net Assets	
	6/30/2010	6/30/2009
Assets		
Interest in SGFIP and Cash	\$ 69,030	23,968
Receivables	-	20,789
Interest receivables	-	
Capital assets, net of accumulated depreciation	10,452	14,301
Total assets	\$ 79,482	59,058
Current liabilities	\$ 100,722	71,001
Noncurrent liabilities		
Compensated absences payable expected to be paid after one year	-	-
Total liabilities	100,722	71,001
Net assets		
Invested in capital assets	10,452	14,301
Unrestricted (deficit)	(31,692)	(26,244)
Total net assets	(21,240)	(11,943)
Total net assets and liabilities	\$ 79,482	59,058

The Commission's net assets increased by \$20,424 from FY09 to FY10.

	Statement of Activities	
	6/30/2010	6/30/2009
Revenues		
Program	\$ 8,291	6,198
General fund appropriation	771,800	839,400
Special appropriations (BAR Authority for Reimbursements)	-	-
Operating State Grant	-	-
Interest earned on judgment receivable of reimbursement costs	-	-
Reversion to state general fund	(30,337)	(10,374)
Total revenues	749,754	835,224
Expenses		
General government	(759,051)	(832,271)
Loss on disposition of capital assets	-	(2,593)
Change in net assets:	9,297	360
Net assets (deficit) - beginning of year	(11,943)	(12,303)
Net assets (deficit) - end of year	\$ (21,240)	(11,943)

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Objective analysis of the Commission's financial condition as a whole:

The State of New Mexico Judicial Standards Commission is an independent state agency established by the New Mexico Constitution to investigate and prosecute cases of willful misconduct in office (judicial); persistent failure or inability to perform judicial duties; habitual intemperance; and disability or impairment of a permanent nature or those likely to become permanent, which seriously interferes with the performance of a judge's duties. Where appropriate, the Commission holds hearings and, if violations are found, recommends discipline to the New Mexico Supreme Court.

Of the 160 cases completed and disposed in FY 2010, the Commission concluded 27 cases (involving 4 judges) through formal proceedings (trials and/or Supreme Court proceedings) and issued 13 informal letters of caution. 47 cases were dismissed as appellate, 7 cases because they concerned individuals beyond our jurisdiction, 55 cases as unsubstantiated, and 5 after substantive investigations had been completed. In 3 cases, the judges were referred for informal remedial measures, which may have included mentorship, education, counseling, or other assistance. 1 complaint was withdrawn and 2 matters closed because the judge resigned, died or was not reelected.

In FY 10, the Agency expended \$749,752.96 as follows:

FY 2010 EXPENDITURES

DESCRIPTION	AMOUNT	PERCENTAGE
Employee Compensation	\$432,203.78	57.7%
Employee Benefits & Taxes	137,548.84	18.3%
Employee Training & Licensing	5,742.30	0.8%
Commission Travel	11,033.62	1.5%
Investigation & Prosecution	18,208.40	2.4%
Contractual Services	13,325.55	1.7%
Rent, Telecom, IT & Overhead	118,344.00	15.8%
Equipment, Supplies & Postage	13,346.47	1.8%
Total	\$749,752.96	100%

After adjustments, the General Government Expenses for the fund financial statements were \$756,457.

Analysis of balances and transactions on a fund basis:

The Commission operates one governmental fund in which all activity related to the Commission is recorded. The financial statements beginning on page 10 present the financial position and results of operations for the governmental fund. All appropriations are from annual appropriations by New Mexico State Legislature.

It is important to note that in FY 05, the Commission resumed seeking imposition of fines and cost reimbursement on judges found to have violated the code of judicial conduct. The Commission collects both fines and cost reimbursement, but fines are directed to the Supreme Court, whereas cost reimbursements are processed by the Commission. The Commission received statutory authority to use cost reimbursement funds (other state funds) in FY 10 up to \$30,000. In FY 10, the Commission recovered a total of \$8,202.40 in cost reimbursements.

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Significant variances between the Commission's original budget, final budget and actual expenditures:

For FY 10, the State Legislature initially appropriated \$787,600.00 to the Commission from the general fund. The Legislature authorized an additional \$30,000.00 in budget adjustment request authority for investigation trial cost reimbursements. The Legislature subsequently imposed FY 10 appropriation reductions of \$15,800, resulting in a final approved budget totaling \$771,800.00. In addition to the appropriations received, the Commission collected cost reimbursements in the amount of \$8,202.40. The Commission's expenditures totaled \$749,752.96.

The Commission did not expend \$30,337.00 of its FY 10 appropriation and cost recovery, which was reverted to the general fund. Of these reverted funds, \$22,047.04 reverted from general fund appropriations due to staff vacancies and \$8,202.40 reverted from cost reimbursements.

Activity relating to the Commission's capital assets and long-term debt activity during the year:

The Commission's long term debt at June 30, 2010 in the amount of \$0.00 represents the estimated future cost of compensated absences that will be funded and paid from future appropriations. Compensated absences represent the amount of accrued but unused vacation and sick time at current rates to be paid from future appropriations.

Additionally, in FY 10 the Commission disposed of \$0.00 of obsolete and surplus assets, both capitalized and non-capitalized.

Significant changes in the assessed condition of these assets from prior condition assessments:

Consistent with application of GASB #34, the Commission has recognized depreciation of its assets during the FY 10.

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Currently known facts, decisions or conditions expected to impact the Commission's financial position and results of operation:

The State of New Mexico's ongoing revenue shortfalls continue to negatively impact the Commission's financial position. In FY 10, the Commission's budget and appropriation were reduced \$15,800. Additional cuts were imposed for FY 11. The full impact of the State's financial situation is yet to be determined.

This financial report is designed to provide citizens, taxpayers, legislators and other stakeholders a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have any questions about this report or need addition financial information, please contact:

Randall D. Roybal
Executive Director
State of New Mexico
Judicial Standards Commission
P.O. Box 27248
Albuquerque, NM 87125-7248
(505) 222-9353

**STATE OF NEW MEXICO
 JUDICIAL STANDARDS COMMISSION
 STATEMENT OF NET ASSETS (DEFICIT)
 AS OF JUNE 30, 2010**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Petty cash	\$ 50
Investments in State General Fund Investment Pool	68,980
Receivables	-
Total current assets	<u>69,030</u>
Capital assets, net	<u>10,452</u>
Total assets	<u>\$ 79,482</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 10,959
Accrued payroll and taxes	27,684
Due to State General Fund (reversion FY10)	30,337
Compensated absences payable - expected to be paid within one year	31,742
Total current liabilities	<u>100,722</u>
Noncurrent liabilities	
Compensated absences payable - expected to be paid after one year	-
Total noncurrent liabilities	-
Total liabilities	<u>100,722</u>
NET ASSETS (DEFICIT)	
Invested in capital assets	10,452
Unrestricted (deficit)	<u>(31,692)</u>
Total net assets (deficit)	<u>(21,240)</u>
Total net assets and liabilities	<u>\$ 79,482</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 JUDICIAL STANDARDS COMMISSION
 STATEMENT OF ACTIVITIES
 FOR YEAR ENDED JUNE 30, 2010**

	<u>Governmental Activities</u>
EXPENSES	
General government	\$ (759,051)
Less: Program revenues	
Reimbursement of trial costs and other revenue	<u>8,291</u>
	<u>8,291</u>
Net program (expense)/revenue	<u>(750,760)</u>
 GENERAL REVENUES (EXPENSES)	
Transfers - State General Fund appropriation	771,800
less Transfers reversion to State General Fund FY 10	(30,337)
Transfers - Compensation Allocation appropriation	-
Interest earned on receivable of reimbursement of trial costs	-
Loss on disposition of capital assets	-
Total general revenues (expenses)	<u>741,463</u>
 Change in net assets	 (9,297)
Net assets, beginning of year	<u>(11,943)</u>
Net assets (deficit), end of year	\$ <u><u>(21,240)</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 JUDICIAL STANDARDS COMMISSION
 BALANCE SHEET - GOVERNMENTAL FUND
 AS OF JUNE 30, 2010**

		<u>General Fund</u>
ASSETS		
Petty cash	\$	50
Investments in the State General Fund Investment Pool		68,980
Receivable - Judgment, net of allowance account		-
Total assets	\$	<u>69,030</u>
LIABILITIES		
Vouchers payable	\$	10,959
Accrued payroll and taxes		27,684
Due to State General Fund		30,337
Total liabilities		<u>68,980</u>
FUND BALANCES		
Reserved for petty cash		50
Unreserved		-
Total fund balances		<u>50</u>
Total liabilities and fund balances	\$	<u>69,030</u>
 Total fund balances - Governmental Fund	 \$	 50
 Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, because:		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.		
		10,452
 Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:		
Compensated absences		<u>(31,742)</u>
Net assets (deficit) of governmental activities (Statement of Net Assets)	\$	<u>(21,240)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 JUDICIAL STANDARDS COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - GOVERNMENTAL FUND
 FOR YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>
REVENUES	
Reimbursement of trial costs other revenue	\$ 8,291
Interest earned on receivable of reimbursement of trial costs	-
Total revenues	<u>8,291</u>
EXPENDITURES	
Current	
General government:	
Personal services/employee benefits	570,168
Contractual services	27,096
Other costs	159,193
Capital outlay	
Total expenditures	<u>756,457</u>
Excess (deficiency) of revenues over expenditures	<u>(748,166)</u>
OTHER FINANCIAL SOURCES (USES)	
Transfers - State General Fund appropriation	771,800
less Transfers reversion to State General Fund FY 10	<u>(30,337)</u>
Transfers - Compensation Allocation appropriation	-
Total other financial sources (uses)	<u>741,463</u>
Net change in fund balances	(6,703)
Fund balances, beginning of year	<u>6,753</u>
Fund balances, end of year	\$ <u><u>50</u></u>
Net change fund balance in governmental funds	\$ (6,703)
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p> <p>In the current period, these amounts are:</p>	
Depreciation expense	(3,849)
Capital outlay included as additions in capital assets	-
Loss on disposition of capital assets only affects the governmental activities and not the fund financials	-
<p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> <p>These activities consist of:</p>	
(Increase) decrease in compensated absences	<u>1,255</u>
Change in net assets - governmental activities	\$ <u><u>(9,297)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	Favorable (Unfavorable)
REVENUES				
Reimbursement of trial costs	\$ -	8,202	8,291	89
Interest earned on receivable of reimbursement of trial costs	-	-	-	-
Total revenues	<u>-</u>	<u>8,202</u>	<u>8,291</u>	<u>89</u>
EXPENDITURES				
Current				
General government:				
Personal services/Employee benefits	629,100	587,300	570,168	17,132
Contractual services	42,600	32,600	27,096	5,504
Other costs	115,900	160,102	159,193	909
Total expenditures	<u>787,600</u>	<u>780,002</u>	<u>756,457</u>	<u>23,545</u>
Excess (deficiency) of revenues over expenditures	<u>(787,600)</u>	<u>(771,800)</u>	<u>(748,166)</u>	<u>23,634</u>
OTHER FINANCIAL SOURCES (USES)				
Transfers - State General Fund appropriation	787,600	771,800	771,800	-
less Transfers reversion to State General Fund FY 10	-	-	(30,337)	(30,337)
Transfers-Compensation Allocation appropriation	-	-	-	-
Total other financing sources and uses	<u>787,600</u>	<u>771,800</u>	<u>741,463</u>	<u>(30,337)</u>
Net change in fund balance	-	-	(6,703)	(6,703)
Fund balances, beginning of year	<u>17,398</u>	<u>17,398</u>	<u>6,753</u>	<u>(10,645)</u>
Fund balances, end of year	<u>\$ 17,398</u>	<u>17,398</u>	<u>50</u>	<u>(17,348)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of New Mexico Judicial Standards Commission (Commission) was created by the Constitution of the State of New Mexico, Article VI, Sect. 32, and By Laws 1968, Chapter 48. The Commission consists of six lay members appointed by the Governor of New Mexico, two lawyers appointed by the Board of Commissioners of the State Bar Association and three members appointed by the New Mexico Supreme Court.

The purpose of the Commission is to receive complaints against any justice, judge or magistrate of any state court in New Mexico. The Commission has jurisdiction to prosecute cases of willful misconduct in office, persistent failure to perform duties, habitual intemperance and disability seriously interfering with the performance of judicial duties which is, or is likely to become, of a permanent character.

The financial statements for the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on size of government.

The Commission implemented the provisions of GASB #34 effective July 1, 2001. As a part of this Statement, there is a reporting requirement regarding the government's infrastructure (road, bridges, etc.) The Commission does not own any infrastructure assets and therefore is unaffected by this requirement. The Commission also implemented the provisions of the later related GASB statements #37 and #38 which affect GASB #34 and its implementation.

A. Financial Reporting Entity

Governmental Accounting Standards Board Statement (GASBS) 14, "The Financial Reporting Entity," effective for periods beginning, after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments.

GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government." A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Commission, therefore, 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 issues an audited Comprehensive Annual Financial Report

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

inclusive of all agencies of the primary government, which can be found at www.dfafcd.state.nm.us.

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the Commission has prepared and issued its own audited, agency Annual Financial Report.

Included within the Commission for this purpose are the following: All of the programs that are administered and/or controlled by the Commission have been included.

No entities were noted that should be considered component units of the Commission. No entities were specifically excluded from the Commission because no entities were noted as meeting any of the criteria for potential inclusion. Also, there were no fiduciary funds held by the Commission as of June 30, 2010.

B. Basic Financial Statements - GASB Statement #34

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. The new reporting model focus is on either the Commission as a whole or major individual fund (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 activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources measurement focus basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Commission did not have any business-type activities during the year ended June 30, 2010, so no FASB pronouncements were applicable to the Commission.

For its government-wide activities, the Commission has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business type activity. The Commission includes only one function (general government).

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. The Commission does not currently employ indirect cost allocation systems. The Commission only receives one type of program revenue, which is reimbursement of trial and court costs and the Commission only serves one function, therefore, there is no need to allocate indirect expenses to one or more functions. The Commission's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first. No such expenses occurred during the year ended June 30, 2010.

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

This 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 current fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business type categories. Non-major funds (by category) or fund type are summarized into a single column. Due to the limited fund structure of the Commission; the only governmental fund is the General Fund which has been classified as a major fund as required.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) 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 activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental wide presentation.

C. Basis of Presentation

The financial transactions of the Commission are maintained on the basis of 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 spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Commission, the only individual governmental fund, the General Fund, has been classified as a major fund. Only individual governmental or individual enterprise funds can be considered for major fund status.

1. Governmental Fund Types

The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Fund of the Commission.

2. General Fund

The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily from appropriations from the State of New Mexico General Fund.

3. Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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 Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Commission, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. Budgetary Accounting

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

1. No later than September 1st, the Commission prepares a budget appropriation request by category to be presented to the next Legislature.
2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. 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.
7. The Commission's budget for the fiscal year ending June 30, 2010 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The Commission submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.

9. All subsequent budget adjustments must be approved by the Commission and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
12. The budget for the General Fund is not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts except as noted in Note 10 of this report.
13. Appropriations lapse at the end of the fiscal year. The Commission's General Fund is a reverting fund.
14. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable 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. There were no accounts payable paid out of the next year's budget.
15. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 2010.
16. The legal level of budgetary control is at the appropriation unit level.

F. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values 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 as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the Commission's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The Commission does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Commission's depreciation guidelines.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Commission utilizes Internal Revenue Service guidelines to estimate the useful lives on capital assets as follows:

Furniture, machinery and equipment	5 to 10 years
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GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Commission does not own any infrastructure assets.

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

G. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements. No sick leave at June 30, 2010 met the requirements for accrual as no one had over 600 hours of sick leave at June 30, 2010.

Qualified employees, per the schedule approved by the Commission, accumulate annual leave to a maximum of 240 hours as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
Between 1 month to 3 years	4.62
Between 3 to 7 years	5.54
Between 7 and 14 years	6.46
Over 14 years	7.39

H. Due to State General Fund (Reversions)

Reversions to the State General Fund by the Judicial Standards Commission are based on the definitions of reverting funds.

Reverting Funds - All funds that are not identified by law as non-reverting, such funds are those in excess of budgeted appropriated expenditures.

Current reversions due to the State General Fund as of June 30, 2010 were as follows:

<u>General Fund</u>	
FY10 reversions	30,337
Total reversions \$	30,337

I. Reservations of Fund Balances

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Petty Cash - This reserve was created to represent the portion of fund balance that is used in petty cash or imprest cash in bank account.

J. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Commission did not have any related debt during the year ended June 30, 2010.

Unrestricted (deficit) Net Assets - represent the deficit of the Commission at June 30, 2010. It consists of the Commission's current assets less the current liabilities and the noncurrent liabilities.

It is expected that the deficit related to the compensated absences payable will be financed by future state appropriations.

K. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. The only revenues the Commission receives other than State appropriations are due to reimbursements of investigation and trial costs.

Expenditures are recognized when the related fund liability is incurred.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH ACCOUNTS AND INVESTMENT POLICY

Investments in the State Treasurer General Fund Investment Pool

Please see the State Treasurer's annual audit report for the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608.

The following is a summary of the investment and cash balances of the Commission. The investments are with the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA) at fair value:

<u>Fund Type</u>	<u>Location</u>	<u>SHARE No./ Description</u>	<u>Per Depository</u>	<u>Warrants/ Checks</u>	<u>Financial Statements</u>
General	STO	21000-13500	\$ 68,980	-	68,980
Total investments on deposit with State Treasurer			\$ 68,980	-	68,980
General	On Site	Cash Box	\$ 50	-	50
Total cash and investments			\$ 69,030	-	69,030

There were no deposits in transit.

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment account of the Commission. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Commission is not permitted to have any investments other than what is held at the State Treasurer's Office and the Commission did not have any other investments during the year ended June 30, 2010. There is no credit risk at the Commission's level since the cash amount is under the

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

contract of the New Mexico State Treasurer.

Credit Risk: The New Mexico State Treasurer pools are not rated.

Interest Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State General Fund does not have an investment policy that limits investment policy as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. RECEIVABLES

	General
Judgment	\$ 6,704
Interest on judgment	536
Allowance for doubtful accounts	(7,241)
	\$ (0)

The Commission has one judgment receivable. The receivable accrues interest at 8% per annum and has been fully allowed as it has been determined that its likelihood of collectability is considered remote. The judgment receivable is considered a reimbursement of investigation and trial costs required to be spent by the Commission as part of its mission to prosecute cases of willful misconduct in office, persistent failure to perform duties, habitual intemperance and disability seriously interfering with the performance of judicial duties which is, or is likely to become, of a permanent character.

If and when the receivable is collected it will be deposited into an investigative trial cost reimbursement fund for future investigation and trial expenses. This is a non-reverting fund established in FY 2011.

4. COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, is as follows:

	2009	Increases	Decreases	2010	Current Portion
Compensated absences payable	\$ 32,997	34,093	(35,348)	31,742	31,742

See the current portion of the liability above as noted above that is presented in the Statement of Net Assets. In prior years, the General Fund was used to liquidate compensated absences.

5. INSURANCE COVERAGE

The Commission obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. The coverage is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Commission are covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2009, through June 30, 2010.

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

6. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, as follows:

Governmental Activities	2009	Additions	Deletions	2010
Machinery and equipment	\$ 10,425	-	-	10,425
Data processing equipment	9,715	-	-	9,715
Furniture	15,660	-	-	15,660
	<u>35,800</u>	<u>-</u>	<u>-</u>	<u>35,800</u>
Less accumulated depreciation for:				
Machinery and equipment	(4,831)	(1,577)	-	(6,408)
Data processing equipment	(9,008)	(706)	-	(9,714)
Furniture	(7,660)	(1,566)	-	(9,226)
	<u>(21,499)</u>	<u>(3,849)</u>	<u>-</u>	<u>(25,348)</u>
Capital assets, net	<u>\$ 14,301</u>	<u>(3,849)</u>	<u>-</u>	<u>10,452</u>

Depreciation expense for the year ended June 30, 2010 was \$3,849. All of the depreciation expense relates to the general government function.

7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Commission’s full-time employees participate in a 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 benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

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 in State statute 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 fiscal years ending June 30, 2010, 2009, and 2008 were \$63,887, \$82,391, and \$71,467, respectively, which equal the amount of the required contributions for each fiscal year.

8. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

Plan Description. The 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

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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 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, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 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>
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Commission's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$5,441, \$6,456 and \$5,601, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

9. COMMITMENTS—OPERATING LEASES

The Commission entered into a lease beginning July 1, 2004 for office space. The initial term of the lease is for a five-year period with one five-year option and then with five one-year options. All leases may be terminated at any time with sixty days notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Commission decides that termination is necessary to protect the best interests of the State of New Mexico. Rental expenditures for the year ended June 30, 2010 under this lease were \$63,466 for the office space and \$5,217 for the copier. For the office space, rate increases will be three percent per year for the first five-year lease period and for the one five-year option period. The five one-year options would increase at the same rate as the last year of the five-year option period beginning with \$5,289 per month.

The Commission entered into a 45 month lease agreement for a photocopier expiring June 30, 2014. Minimum lease payments, on an annual basis, are as follows under equipment for the year ended June 30:

Rental expenditures for the years included for the five-year period are as follows:

Year Ending June 30	Amounts	
	Facilities	Copier
2011	65,370	3,557
2012	67,331	3,557
2013	69,351	3,557
2014	71,432	1,482
Total \$	<u>336,950</u>	<u>12,153</u>
Thereafter		
2015-2019	-	-
Total \$	<u>336,950</u>	<u>12,153</u>

The Commission during the five-year option period of 2010 through 2014 has a \$10,000 credit that can be used for capital improvements (for instance new carpeting) at its discretion during this period.

10. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

There were no differences between the budgetary basis and the modified GAAP basis for the General Fund for the year ended June 30, 2010.

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**STATE OF NEW MEXICO
 JUDICIAL STANDARDS COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010**

11. INTER-AGENCY TRANSFERS

The agency received appropriations from DFA. There were no operating transfers in the current year.

Description	Agency Transferred From	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred In
General Fund Appropriation	DFA	34101	13500	Laws 2009, Ch124, Sec10	FY 10	\$ 771,800
Other Financing Sources						
Compensation Allocation	DFA	34100	13500	n/a	n/a	-
Total Other Financing Sources						<u>771,800</u>
Description	Agency Transferred To	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred Out
General Fund Reversion	DFA	13500	34100	Reversion of FY 10 appropriation	FY10*	<u>(30,337)</u>
						<u>\$ 741,463</u>

* Transfer took place in FY11 year

12. LITIGATION

The Commission is party to legal proceedings, which occasionally occur in the course of its operations. As of June 30, 2010, the Commission was involved in an appeal of a lawsuit, pending from a prior fiscal year. The underlying lawsuit was dismissed, but the complainant was pursuing appeal through the federal courts. The underlying action concerned the Commission's dismissal of a complaint concerning judicial misconduct. The appeal was finally denied and the matter resolved in the Commission's favor in the second quarter of fiscal year 2011. There was no effect on the Commission and the proceedings did not have a material adverse impact on the affected funds of the Commission.

**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***

Mr. Randall Roybal, Executive Director
State of New Mexico
Judicial Standards Commission
Albuquerque, New Mexico
and
Mr. Hector Balderas, State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund and the budgetary comparison of the General Fund of the State of New Mexico, Judicial Standards Commission (Commission) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, in internal control over financial reporting 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 are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive script.

Hinkle & Landers P.C.
November 4, 2010

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Summary Schedule of Current and Prior Audit Findings

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>
09-01 Lack of Notification For The Disposition of Capital Assets	Resolved

There were no current year findings

**STATE OF NEW MEXICO
JUDICIAL STANDARDS COMMISSION
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was held in a closed conference on November 4th, 2010.
Attending were the following:

State of New Mexico, Judicial Standards Commission

Mr. David S. Smoak, Chairman

Dr. Gloria Taradash, Vice-Chairman

Mr. Randall D. Roybal, Executive Director

Ms. Krista Gianes, Financial Specialist

Hinkle & Landers P.C.

Farley Vener, CPA, CFE

FINANCIAL STATEMENT PREPARATION

The financial statements were primarily prepared from the original books and records of the Commission as of June 30, 2010 by Hinkle & Landers PC. The financial statements are the responsibility of management.