



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS  
COMMISSION  
Independent Auditor's Report  
And Financial Statements  
For The Year Ended  
June 30, 2015**



**STATE OF NEW MEXICO  
 JUDICIAL STANDARDS COMMISSION  
 INDEPENDENT AUDITOR'S REPORT  
 AND FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015**

**TABLE OF CONTENTS**

	Page #
<b>INTRODUCTORY SECTION</b>	
Table of Contents	i
Official Roster	1
Organization Chart	2
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report	3-4
 <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	
5-8	
 <b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position—Governmental Activities	9
Statement of Activities—Governmental Activities	10
 <b>Fund Financial Statements</b>	
Balance sheet—Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	12
Statement of Revenues, Expenditures and Changes Fund Balances—Budget and Actual—Modified Accrual—GAAP Budgetary Basis—General Fund and Trial Reimbursement Fund	13
 <b>Notes to the Financial Statements</b>	
14-29	
 <b>Supplemental Information</b>	
Schedule of Vendor Information	30
 <b>COMPLIANCE SECTION</b>	
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 <i>Governmental Auditing Standards</i>	31-32
Summary schedule of current and prior audit findings	33
Schedule of findings and responses	33
Exit conference	34

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
OFFICIAL ROSTER  
As of June 30, 2015**

**Commissioners**

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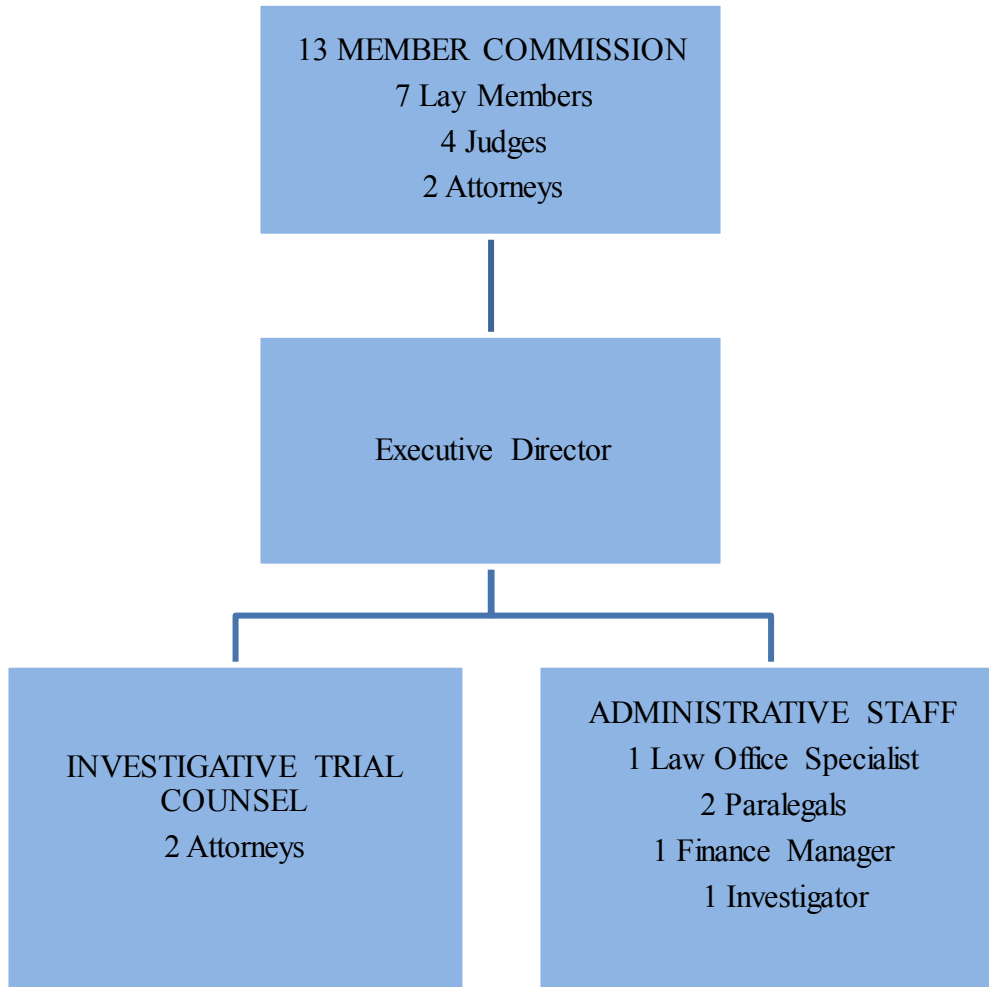
<b>Name</b>	<b>Position</b>	<b>Appointed By</b>
Ms. Joyce Bustos	Chair	Governor
Ms. Malinda Williams	Vice-Chair	Governor
Mr. John Bode	Commissioner	Governor
Mr. Jaime Chavez	Commissioner	Governor
Mr. William Leslie	Commissioner	Governor
Ms. Darla Wax	Commissioner	Governor
Ms. Elizabeth Paiz	Commissioner	Governor
Mr. Norman L. Gagne, Esq.	Commissioner	Board of Bar Commissioners
Ms. Ruth M. Schifani, Esq.	Commissioner	Board of Bar Commissioners
Hon. Buddy Hall	Commissioner	Supreme Court
Hon. Steven O. Lee	Commissioner	Supreme Court
Hon. Nan G. Nash	Commissioner	Supreme Court
Hon. Jerry H. Ritter, Jr.	Commissioner	Supreme Court

**Administrative Officers**

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<b>Name</b>	<b>Position</b>
Mr. Randall D. Roybal, Esq.	Executive Director/CFO

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
ORGANIZATIONAL CHART  
As of June 30, 2015**





**INDEPENDENT AUDITOR’S REPORT**

Mr. Randall D. Roybal, Executive Director  
State of New Mexico Judicial Standards Commission  
and  
Mr. Tim Keller, New Mexico State Auditor  
Albuquerque, New Mexico

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons of the general fund and the major special revenue fund of the State of New Mexico Judicial Standards 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.

**Management’s Responsibility for the Financial Statements**

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

**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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Commission as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons 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 and budgetary comparison information as listed in the table of contents 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**

The schedule of vendor information, which is required by the State Auditor Rule, 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 November 10, 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* and should be considered in assessing the results of our audit.



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 10, 2015

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

**BASIC FINANCIAL STATEMENT**

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 cash equivalents and other financial assets that can readily be converted to cash and cash equivalents. The differences between governmental activities and governmental funds are reconciled on the face of the financial statements.

The Commission implemented the provisions of GASB 34. 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 as listed in the table of contents.

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 position 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, 2015.

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. Non-major funds (by category) or fund type are summarized into a single column. Due to the fund structure of the Commission, the only individual governmental funds are the General Fund and the Investigation and Trial Cost Reimbursement Fund, which have both 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, 2015**

**Condensed financial information comparing current year to prior year:**

<b>Assets</b>	<b>Statement of Net Position</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>% Change</b>
Interest in SGFIP and Cash	\$ 56,416	29,069	27,347	94%
Receivables	-	-	-	0%
Interest receivables	-	-	-	0%
Capital assets, net of accumulated depreciation	9,904	6,860	3,044	44%
<b>Total assets</b>	<b>\$ 66,320</b>	<b>35,929</b>	<b>30,391</b>	<b>85%</b>
<b>Current liabilities</b>	<b>\$ 88,392</b>	<b>63,399</b>	<b>24,993</b>	<b>39%</b>
<b>Noncurrent liabilities</b>				
Compensated absences payable expected to be paid after one year	8,380	8,981	(601)	-7%
<b>Total liabilities</b>	<b>96,772</b>	<b>72,380</b>	<b>24,392</b>	<b>34%</b>
<b>Net position</b>				
Net investment in capital assets	9,904	6,860	3,044	44%
Restricted for investigation	1,545	1,545	-	0%
Unrestricted (deficit)	(41,851)	(44,856)	3,005	-7%
<b>Total net position</b>	<b>(30,402)</b>	<b>(36,451)</b>	<b>6,049</b>	<b>-17%</b>
<b>Total net position and liabilities</b>	<b>\$ 66,370</b>	<b>35,929</b>	<b>30,441</b>	<b>85%</b>

**The Commission's net position decreased by (\$6,049) from 2014 to 2015.**

<b>Revenues</b>	<b>Statement of Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>% Change</b>
General fund appropriation	858,300	836,900	21,400	3%
Interest earned on judgment receivable of reimbursement costs	-	-	-	0%
Reversion to state general fund	(2,766)	(3,328)	562	-17%
<b>Total revenues</b>	<b>855,534</b>	<b>833,572</b>	<b>21,962</b>	<b>3%</b>
<b>Expenses</b>				
General government	(849,485)	(851,895)	2,410	0%
Change in net position:	6,049	(18,323)	24,372	-133%
Net position - beginning of year	(36,451)	(18,128)	(18,323)	101%
<b>Net position - end of year</b>	<b>\$ (30,402)</b>	<b>(36,451)</b>	<b>6,049</b>	<b>-17%</b>

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.

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

In FY 2015, the Agency had expenditures from the General Fund and the Fund 11110 Trial Costs and Reimbursements as follows:

**FY 2015 GENERAL FUND EXPENDITURES**

DESCRIPTION	AMOUNT	PERCENTAGE
Employee Compensation	506,936.02	59.3%
Employee Benefits & Taxes	179,395.05	21.0%
Employee/Board Training & Licensing	19,756.00	2.3%
Commission Travel	3,870.98	0.5%
Investigation & Prosecution	4,451.95	0.5%
Contractual Services	20,141.96	2.4%
Rent, Telecom, IT & Overhead	100,399.00	11.7%
Equipment, Supplies & Postage	20,583.29	2.4%
<b>Total</b>	<b>855,534.25</b>	<b>100.0%</b>

**Analysis of balances and transactions on a fund basis:**

The Commission operates two governmental funds in which all activity related to the Commission are recorded. The financial statements beginning as noted on the table of contents present the financial position and results of operations for the governmental fund. All appropriations are from annual appropriations by New Mexico State Legislature.

In FY 05, the Commission resumed seeking imposition of fines and cost reimbursement on judges who were sanctioned. 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 2015 up to \$10,000. In FY 2015 the Commission recovered a total of \$0 in cost reimbursements.

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

For FY 2015, the State Legislature initially appropriated \$858,300 to the Commission from the general fund. The Commission collected cost reimbursements in the amount of \$0. The Commission's General Fund expenditures totaled \$858,300 (included in that expenditure is the reversion of \$2,766). The Commission expended \$0 of the Trial Costs and Reimbursement Fund. The grand total of FY 2015 expenditures was \$858,300 less the amount the Commission did not expend, which was \$2,766 of its FY 2015 General Fund appropriation. This amount not expended was reverted to the State General Fund.

The Commission retained \$1,545 of the Trial Costs and Reimbursement Fund.

**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, 2015 in the amount of \$41,901 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.

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

Additionally, in FY 2015 the Commission disposed of no obsolete and surplus assets, both capitalized and non-capitalized.

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

This financial report is designed to provide citizens, taxpayers, legislators and other interested parties 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 POSITION—GOVERNMENTAL ACTIVITIES  
 As of June 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Petty cash	\$ 50
Investments in state general fund investment pool	56,415
Receivables	-
Total current assets	<u>56,465</u>
Capital assets, net	<u>9,904</u>
Total assets	<u>\$ 66,369</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 29,792
Accrued payroll and taxes	18,985
Due to state general fund	6,093
Compensated absences payable - expected to be paid within one year	<u>33,521</u>
Total current liabilities	<u>88,391</u>
<b>Noncurrent liabilities</b>	
Compensated absences payable - expected to be paid after one year	<u>8,380</u>
Total noncurrent liabilities	<u>8,380</u>
Total liabilities	<u>96,771</u>
<b>NET POSITION</b>	
Net investment in capital assets	9,904
Restricted for investigation/prosecution reimbursements	1,545
Unrestricted (deficit)	<u>(41,851)</u>
Total net position	<u>(30,402)</u>
Total net position and liabilities	<u>\$ 66,369</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
 JUDICIAL STANDARDS COMMISSION  
 STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES  
 For The Year Ended June 30, 2015**

	<b>Governmental Activities</b>
<b>EXPENSES</b>	
General government	\$ <b>(849,485)</b>
Less: Program revenues	
Fines, fees and reimb. of trial costs and other revenue	-
	-
Net program (expense)/revenue and change in net position	<b>(849,485)</b>
 <b>GENERAL REVENUES (EXPENSES)</b>	
Transfers - State General Fund appropriation	<b>839,100</b>
less Transfers reversion to State General Fund FY 15	<b>(2,766)</b>
Transfers - Compensation Allocation appropriation	<b>19,200</b>
Interest earned on receivable of reimbursement of trial costs	-
Total general revenues (expenses)	<b>855,534</b>
 <b>Change in Net Position</b>	 <b>6,049</b>
Net position, beginning of year	<b>(36,451)</b>
Net position, end of year	\$ <b>(30,402)</b>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
BALANCE SHEET—GOVERNMENTAL FUNDS  
As of June 30, 2015**

	<b>General Fund</b>	<b>Investig. &amp; Trial Cost Reimb. Fund</b>	<b>Total Govern- mental Funds</b>
<b>ASSETS</b>			
Petty cash	\$ 50	-	50
Investments in state general fund investment pool	54,870	1,545	56,415
Receivable - judgment, net of allowance account	-	-	-
Total assets	\$ 54,920	1,545	56,465
<b>LIABILITIES</b>			
Vouchers payable	\$ 29,792	-	29,792
Accrued payroll and taxes	18,985	-	18,985
Due to state general fund	6,093	-	6,093
Total liabilities	54,870	-	54,870
<b>FUND BALANCES</b>			
<b>Restricted</b>			
Investigation/Prosecution Reimbursements	-	1,545	1,545
<b>Unassigned - Petty Cash</b>	50	-	50
Total fund balances	50	1,545	1,595
Total liabilities and fund balances	\$ 54,920	1,545	56,465
 Total fund balances - Governmental Funds			\$ 1,595
 Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, because:			
Rounding			-
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.			9,904
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:			
Compensated absences			(41,901)
Net position of governmental activities (Statement of Net Position)			\$ (30,402)

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 FUNDS  
For The Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Investig. &amp; Trial Cost Reimb. Fund</b>	<b>Total Govern- mental Funds</b>
<b>REVENUES</b>			
Court fines and forfeitures	\$ -	-	-
Miscellaneous income	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government:			
Personal services/employee benefits	686,331	-	<b>686,331</b>
Contractual services	20,142	-	<b>20,142</b>
Other costs	149,061	-	<b>149,061</b>
<b>Capital outlay</b>	-	-	-
Total expenditures	<u>855,534</u>	<u>-</u>	<u><b>855,534</b></u>
Excess (deficiency) of revenues over expenditures	<u>(855,534)</u>	<u>-</u>	<u><b>(855,534)</b></u>
<b>OTHER FINANCIAL SOURCES (USES)</b>			
Transfers - State General Fund appropriation	839,100	-	<b>839,100</b>
less Transfers reversion to State General Fund FY 15	(2,766)	-	<b>(2,766)</b>
Transfers - Compensation Allocation appropriation	<u>19,200</u>	<u>-</u>	<u><b>19,200</b></u>
Total other financial sources (uses)	<u>855,534</u>	<u>-</u>	<u><b>855,534</b></u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>50</u>	<u>1,545</u>	<u><b>1,595</b></u>
Fund balances, end of year	<u>\$ 50</u>	<u>1,545</u>	<u><b>1,595</b></u>

Net change fund balance in governmental funds \$ -

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

In the current period, these amounts are:

Depreciation expense	<b>(2,093)</b>
Capital outlay included as additions in capital assets	<b>5,137</b>
Rounding	-

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

These activities consist of:

(Increase) decrease in compensated absences	<u><b>3,005</b></u>
Change in net position - governmental activities	<u>\$ <b>6,049</b></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  
(Modified Accrual Budgetary Basis)  
For The Year Ended June 30, 2015**

**GENERAL FUND (13500)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Miscellaneous income	\$ -	-	-	-
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
<b>Current</b>				
General government:				
Personal services/Employee benefits	709,900	686,900	<b>686,331</b>	569
Contractual services	28,200	21,200	<b>20,142</b>	1,058
Other costs	120,200	150,200	<b>149,061</b>	1,139
Total expenditures	<u>858,300</u>	<u>858,300</u>	<u><b>855,534</b></u>	<u>2,766</u>
Excess (deficiency) of revenues over expenditures	<u>(858,300)</u>	<u>(858,300)</u>	<u><b>(855,534)</b></u>	<u>2,766</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Transfers - SGF appropriation less Transfers reversion to State General Fund FY 15	839,100	839,100	<b>839,100</b>	-
Transfers - Compensation Allocation appropriation	-	-	<b>(2,766)</b>	(2,766)
Total other financing sources and uses	<u>19,200</u>	<u>19,200</u>	<u><b>19,200</b></u>	<u>-</u>
Net change in fund balance	<u>858,300</u>	<u>858,300</u>	<u><b>855,534</b></u>	<u>(2,766)</u>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>50</u>	<u>50</u>	<u><b>50</b></u>	<u>-</u>

**TRIAL REIMBURSEMENT FUND (11110)**

<b>REVENUES</b>				
Court fines and forfeitures	\$ -	-	-	-
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
<b>Current</b>				
General government:				
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			-	
Fund balances, beginning of year			<u><b>1,545</b></u>	
Fund balances, end of year		\$	<u><b>1,545</b></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, 2015**

**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

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

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 inclusive of all agencies of the primary government, which can be found at [www.dfafcd.state.nm.us](http://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, 2015.

**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 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 Position, 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.

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. 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

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

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, 2015.

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 two governmental funds are the General Fund which has been classified as a major fund as required and the Commission has determined to identify the Investigation and Trial Reimbursement Fund as a major fund as well.

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 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. All funds of the Commission are considered major funds.

**GASB Statement #54**

The GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as nonspendable, restricted, or unrestricted (committed, assigned or unassigned).

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

**Spending Policy**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Commission's policy to use restricted resources first with the exception of restricted funds held in the investigation and trial cost reimbursement fund. When expenditures/expenses are incurred for purposes, for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Commission's policy to spend committed resources first.

**GASB Statement #68**

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 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.

**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 Funds of the Commission.

**a. General Fund (13500)**

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. The Commission may request budget increases up to thirty thousand dollars (\$30,000) from other state funds received from investigation and trial cost reimbursements from respondents.

**b. Investigation and Trial Cost Reimbursement Fund (11110)**

The Commission is authorized by state law to collect up to \$10,000 in investigation and trial cost reimbursements from respondent judges for deposit and retention in this fund. The purpose of the fund is to assist the Commission in funding its investigation and prosecution program. The fund is a non-reverting fund.

**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 Position.

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2015**

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The 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.

The interfund (internal) transactions, if any, are eliminated. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds." There were no interfund transactions during the year ended June 30, 2015.

**E. Budgetary Accounting**

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

1. No later than September 1<sup>st</sup>, 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.

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

7. The Commission's budget for the fiscal year ending June 30, 2015 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 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriations made by the 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. Formal budgetary integration is employed as a management control device during the fiscal year for the Commission's funds.
11. The budget for the Governmental Funds are 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.
12. Appropriations lapse at the end of the fiscal year. The Commission's General Fund is a reverting fund.
13. 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.
14. 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, 2015.
15. The legal level of budgetary control is at the appropriation program level.

**F. Capital Assets**

Property 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:

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

Furniture, machinery and equipment                      5 to 10 years

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.

**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, 2015 met the requirements for accrual as no one had over 600 hours of sick leave at June 30, 2015.

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 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, 2015 were as follows:

	<u>General Fund</u>
FY 15 reversion	\$ <u>2,766</u>
Total reversions	\$ <u><u>2,766</u></u>

**I. Net Position**

The government-wide financial statements utilize a net position presentation. Net Position 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 position which are 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 did not have any related debt during the year ended June 30, 2015.

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2015**

Unrestricted (deficit) Net Position—represents the deficit of the Commission at June 30, 2015. 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.

**J. 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.

**K. 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.

**L. Fund Balance**

The Commission's fund balance is classified under the following GASB Statement 54 components:

- **Nonspendable:** Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Commission has no amounts in the category of nonspendable fund balance for the year ended June 30, 2015.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The Commission's balance shown as restricted funds in the financial statements of the Investigation and Trial Cost Reimbursement Fund is for the purpose to assist the Commission in funding its investigation and prosecution program, particularly during, but not limited to, declining budget years or anticipated shortfalls.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The Commission does not have any committed fund balance for the year ended June 30, 2015.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The Commission does not have any assigned fund balance for the year ended June 30, 2015.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The Commission does not currently have a minimum fund balance policy. The



**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

unassigned amount represents petty cash in the General Fund.

**M. Other Required Individual Fund Disclosures**

Generally accepted accounting principles of the United States of America require disclosures of certain information concerning individual funds including:

- No funds maintained a deficit fund balance as of June 30, 2015.
- No funds exceeded approved budgetary authority for the year ended June 30, 2015.

**N. Concentrations**

The Commission depends on financial resources flowing from, or associated with the State of New Mexico. Because of this dependency, the Commission is subject to changes in specific flows of intergovernmental revenues based on modification to State laws and State appropriations.

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Commission has no items that meet this criterion. In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized until then. The Commission has no items that meet this criterion.

**2. CASH ACCOUNTS AND INVESTMENT POLICY**

**General Fund Investment Pool Not Reconciled**

In June 2012 an independent diagnostic report revealed that the State of New Mexico's General Fund Investment Pool has not been reconciled since the implementation of the Statewide Human resources, Accounting, and management REporting system (SHARE) in July of 2006. The Department of Finance and Administration (DFA) has Commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the NM DFA's website at: [www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert. The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is ongoing. An approach and plan to address the population of historical reconciling items has been developed during the Remediation Project, and a separate initiative has been undertaken to resolve the historical reconciling items.

Per the directive issued by the Office of the State Auditor on October 31, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2015.

That directive instructed agencies to do the following:

1. Explain to the agency's IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
2. Disclose to the IPA any communications with DFA Cash Control Bureau regarding monthly cash reconciliation issues including unreconciled items, errors and corrections submitted; and
3. Disclose in the agency notes to the financial statements the facts about the statewide cash reconciliation at the end of the fiscal year, and what the agency's policies and procedures were during the fiscal year ended 2015 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2015.

The Commission has provided copies of the referenced diagnostic reports to the IPA. The Commission has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the Commission has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

The Commission has one bank account allocated between two funds operating under the oversight of SHARE and the State Treasurers Office. The cash transactions processed by the Commission flow through the state general fund investment pool. Since SHARE was implemented, the Commission recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Commission. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities and a review of outstanding warrants. The Commission conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Commission's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. It is DFA's responsibility to perform the monthly reconciliation of the General Fund Investment Pool.

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

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.

**Credit Risk for Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

**Interest Rate Risk for Investments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have an investment policy that limits investment interest rate risk.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to 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 87504-0708.

**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 on the next page 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:

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

<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	\$ 54,870	-	54,870
	STO	21000-11110	1,545	-	1,545
<b>Total investments on deposit with State Treasurer</b>			<b>\$ 56,415</b>	<b>-</b>	<b>56,415</b>
General	On Site	Cash Box	\$ 50	-	50
<b>Total cash and investments</b>			<b>\$ 56,465</b>	<b>-</b>	<b>56,465</b>

There were no deposits in transit. The STO accounts are interest-bearing but the Commission did not receive any interest for the year ended June 30, 2015.

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, 2015. There is no credit risk at the Commission's level since the cash and cash equivalents amount is under the contract of the New Mexico State Treasurer.

**3. RECEIVABLES**

<u>Receivables</u>	<u>General</u>
Judgment	\$ 7,352
Interest on judgment	3,322
Allowance for doubtful accounts	(10,674)
	<u>\$ -</u>

The Commission has two judgment receivables. The receivables both accrue interest at 8% per annum and have been fully allowed as it has been determined that their likelihood of collectability is considered remote. The judgment receivables are 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.

The Commission has adopted the State of New Mexico required receivable policy which stems from Article IV Section 32 of the New Mexico Constitution [Remission of debts due state or municipalities] which provides that:

- Agencies cannot do anything that would result in a debt being forgiven or even indicate that a debt properly owed them has been forgiven or that the person owing the debt has been released from its payment; and
- Agencies should maintain records and information concerning all debts due them, even the ones that have been recognized as being doubtful.

The Commission has not written off any receivables balances in the current or in prior

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

years. All amounts of receivables recovered are disclosed if and when they are collected. If and when the receivable is collected it will be deposited into an investigative trial cost reimbursement fund for future investigation and trial expenses.

**4. COMPENSATED ABSENCES PAYABLE**

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

	<b>2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>2015</b>	<b>Current Portion</b>
Compensated absences payable \$	44,906	43,236	(46,241)	41,901	33,521

See the current portion of the liability above as noted above that is presented in the Statement of Net Position. 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, 2014, through June 30, 2015.

**6. 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, 2015.

**7. LITIGATION**

The Commission was a party to one (1) legal proceeding during FY 2015. In *LPP Mortgage LTD v. Evelyn L. Jaramillo Griego, et al.*, Second Judicial District Court Case No. D-202-CV-2013-04938, the action was filed on June 11, 2013. This Commission was served with process on June 17, 2013 and filed an answer to the complaint on July 9, 2013. The matter is a civil lawsuit brought by a mortgage holder (plaintiff) for foreclosure on real property owned by former judge J. Wayne Griego and his wife (defendants). The Commission is a named party and is involved because it previously recorded a judgment lien against the former judge for the amount of costs (plus annual interest accruals) that the Supreme Court of New Mexico ordered him to repay the Commission. On October 2, 2014, the court granted Plaintiff's Motion for Summary Judgment. On November 12, 2014, the Plaintiff filed a Notice of Sale of the property, scheduling its sale on December 10, 2014. The property was sold, but there were no excess proceeds from the sale beyond the amount due to the mortgage company, which by law held a priority position to Commission. Consequently, the Commission could not collect any proceedings toward its outstanding judgment in this action. These legal proceedings did not have a material adverse impact on the affected funds of the Commission in FY 2015.

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

**8. CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>2015</b>
Machinery and equipment	\$ 10,426	5,137	-	15,563
Data processing equipment	19,248	-	-	19,248
Furniture	15,660	-	-	15,660
	<u>45,334</u>	<u>5,137</u>	<u>-</u>	<u>50,471</u>
<b>Less accumulated depreciation for:</b>				
Machinery and equipment	(10,426)	-	-	(10,426)
Data processing equipment	(12,574)	(1,907)	-	(14,481)
Furniture	(15,474)	(186)	-	(15,660)
	<u>(38,474)</u>	<u>(2,093)</u>	<u>-</u>	<u>(40,567)</u>
Capital assets, net	<u>\$ 6,860</u>	<u>3,044</u>	<u>-</u>	<u>9,904</u>

Depreciation expense for the year ended June 30, 2015 was \$2,093. All of the depreciation expense relates to the general government function.

**9. 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](http://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 16.99% 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, 2015, 2014, and 2013 were \$85,726, \$80,923, and \$66,933, respectively, which equal the amount of the required contributions for each fiscal year.

**10. 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 optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2015**

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](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 Commission's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$10,096, \$9,771 and \$8,877, 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, 2015**

**11. 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. The Commission has committed to one year in advance. All leases may be terminated at any time with sixty days of 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.

The Commission has also entered into a copier lease for 5 years. The minimum lease commitments for offices space and the copier is as follows:

Year Ending June 30	Amounts	
	Facilities	Copier
2016 \$	67,746	2,536
2017	-	2,536
2018	-	2,536
Total \$	67,746	7,608

Rental expenditures for the year ended June 30, 2015 under this lease were \$65,773 for the office space and \$2,721 for the copier.

**12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

U.S. generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. No funds that maintained a deficit fund balance as of June 30, 2015.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2015.

**13. CONCENTRATIONS**

The Commission depends on financial resources flowing from, or associated with the State of New Mexico. Because of dependency, the Commission is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and State appropriations.

**14. INTER-AGENCY TRANSFERS**

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



**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015**

Description	Agency			Reference	Appropriation Period	Amount Transferred In
	Transferred From	From Fund	To Fund			
General Fund Appropriation	DFA	34101	13500	Laws 2014 1st Session, Ch 227, FY 15 Sec 8 DFA		\$ 839,100
Other Financing Sources	DFA	34101	13500			19,200
<b>Total Other Financing Sources</b>						<b>858,300</b>

Description	Agency			Reference	Appropriation Period	Amount Transferred Out
	Transferred To	From Fund	To Fund			
General Fund Reversion	DFA	13500	34100	Reversion of FY 15 appropriation	FY 15	*(2,766)
						<u>\$ 855,534</u>

\*Transfer will take place in FY16

**16 EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Commission recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Commission's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Commission has evaluated subsequent events through November 10, 2015, which is the date the financial statements were available to be issued.





**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**

Mr. Randall Roybal, Executive Director  
State of New Mexico  
Judicial Standards Commission  
and  
Mr. Tim Keller, New Mexico State Auditor  
Albuquerque, NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons of the general fund and the major special revenue fund of the State of New Mexico, Judicial Standards 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 have issued our report thereon dated November 10, 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 agency’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

November 10, 2015

**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, continued**

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**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*.

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 10, 2015

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2015**

**Summary Schedule of Current and Prior Audit Findings**

<b>Findings</b>	<b>Status of Current and Prior Year Findings</b>
No prior year findings	N/A

There were no current year findings.

**STATE OF NEW MEXICO  
JUDICIAL STANDARDS COMMISSION  
EXIT CONFERENCE  
For the Year Ended June 30, 2015**

An exit conference was held in a closed conference on November 10, 2015.

Attending were the following:

State of New Mexico, Judicial Standards Commission

Ms. Joyce Bustos, Chair

Mr. Randall D. Roybal, Executive Director

Ms. Krista Ganes-Chavez, Finance Manager

Hinkle + Landers, P.C.

Farley Vener, CPA, CFE, CGMA, Managing Shareholder

FINANCIAL STATEMENT PREPARATION

The financial statements were primarily prepared from the original books and records of the Commission as of June 30, 2015 by Hinkle + Landers, PC. The financial statements are the responsibility of management.