

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**June 30, 2018**



**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
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**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
OFFICIAL ROSTER  
June 30, 2018

**COMMISSIONERS**

<u>NAME</u>	<u>POSITION</u>	<u>APPOINTED BY</u>
Ms. Joyce Bustos	Chair	Governor
Ms. Malinda Williams	Vice-Chair	Governor
Ms. Elizabeth Paiz	Commissioner	Governor
Ms. Kimberli Ronquillo	Commissioner	Governor
Mr. John Bode	Commissioner	Governor
Mr. Caleb Chandler	Commissioner	Governor
Mr. Norman Gagne, Esq.	Commissioner	Board of Bar Commissioners
Ms. Ruth Schifani, Esq.	Commissioner	Board of Bar Commissioners
Hon. John A. Dean, Jr.	Commissioner	Supreme Court
Hon. Maurine Laney	Commissioner	Supreme Court
Hon. Alisa Hart	Commissioner	Supreme Court
Hon. Steven Lee	Commissioner	Supreme Court
Vacant	Commissioner	Governor

**ADMINISTRATIVE OFFICIAL**

<u>NAME</u>	<u>POSITION</u>
Mr. Randall D. Roybal, Esq.	Executive Director/CFO



## INDEPENDENT AUDITORS' REPORT

Mr. Randall D. Roybal, Executive Director  
State of New Mexico Judicial Standards Commission  
and  
Honorable Wayne Johnson  
New Mexico State Auditor

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the major fund, the nonmajor fund, and the budgetary comparison of the general fund of the State of New Mexico Judicial Standards Commission (Commission), a component unit of the State of New Mexico, as of and for the year ended June 30, 2018, and the related notes 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 misstatements, whether due to fraud or error.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the major fund and nonmajor fund of the Commission as of June 30, 2018, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

As discussed in Note 1, the financial statements of the Commission are intended to present the financial position and changes in financial position of only that portion of the governmental-type activities and the major fund of the State of New Mexico that are attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 17, 2018, on my consideration of the Commission's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*James L. Hartogensis, CPA LLC*

Albuquerque, New Mexico  
October 17, 2018

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Required Supplementary Information  
Year Ended June 30, 2018

**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 a governmental fund, 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. This fund reports 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 the governmental fund are reconciled on the face of the financial statements.

The Commission implemented the provisions of GASB 34. With the implementation of this statement, the presentations 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, 2018.

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. The General Fund is the only fund classified as a major fund. The Commission has one non-major fund, the Investigation and Trial Cost Reimbursement Fund, which has limited activity.

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Required Supplementary Information  
Year Ended June 30, 2018

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.

Condensed financial information comparing current year to prior year:

	Statement of Net Position			
	June 30, 2018	June 30, 2017	Change	% Change
<b>Assets:</b>				
Current assets	\$ 36,296	\$ 30,552	\$ 5,744	18.80%
Capital assets	2,054	4,035	(1,981)	-49.10%
<b>Total assets</b>	<b>\$ 38,350</b>	<b>\$ 34,587</b>	<b>\$ 3,763</b>	<b>10.88%</b>
<b>Liabilities:</b>				
Current liabilities	\$ 74,271	\$ 70,494	\$ 3,777	5.36%
Noncurrent liabilities	-	4,443	(4,443)	-100.00%
<b>Total liabilities</b>	<b>74,271</b>	<b>74,937</b>	<b>(666)</b>	<b>-0.89%</b>
<b>Net position:</b>				
Investment in capital assets	2,054	4,035	(1,981)	-49.10%
Unrestricted	(37,975)	(44,385)	6,410	-14.44%
<b>Total net position</b>	<b>\$ (35,921)</b>	<b>\$ (40,350)</b>	<b>\$ 4,429</b>	<b>-10.98%</b>

The Commission's net position increased by \$4,429 from 2017 to 2018.

	Statement of Activities			
	June 30, 2018	June 30, 2017	Change	% Change
<b>Revenues:</b>				
Appropriation	\$ 818,300	\$ 818,300	\$ -	0.00%
Miscellaneous	1,900	-	1,900	N/A
<b>Total revenues</b>	<b>820,200</b>	<b>818,300</b>	<b>1,900</b>	<b>0.23%</b>
<b>Expenses:</b>				
General government	(812,841)	(825,059)	12,218	-1.48%
<b>Total expenses</b>	<b>(812,841)</b>	<b>(825,059)</b>	<b>12,218</b>	<b>-1.48%</b>
<b>Reversion</b>	<b>(2,930)</b>	<b>(828)</b>	<b>(2,102)</b>	<b>253.86%</b>
<b>Change in net position</b>	<b>4,429</b>	<b>(7,587)</b>	<b>12,016</b>	<b>-158.38%</b>
<b>Beginning net position</b>	<b>(40,350)</b>	<b>(32,763)</b>	<b>(7,587)</b>	<b>23.16%</b>
<b>Ending net position</b>	<b>\$ (35,921)</b>	<b>\$ (40,350)</b>	<b>\$ 4,429</b>	<b>-10.98%</b>

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)  
Required Supplementary Information  
Year Ended June 30, 2018

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.

In FY 2018, the Agency had expenditures from the General Fund as follows:

Description	Amount	Percentage
Employee compensation	\$ 509,594	62.35%
Employee benefits and taxes	175,496	21.47%
Employee/Board training and licensing	9,598	1.17%
Commission travel	3,525	0.43%
Investigation and prosecution	1,758	0.22%
Contractual services	19,865	2.43%
Rent, telecom, IT and overhead	78,809	9.64%
Equipment, supplies and postage	18,625	2.28%
	\$ 817,270	100.00%

Analysis of balances and transactions on a fund basis:

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

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

For FY 2018, the State Legislature appropriated \$818,300. The Commission collected cost reimbursements in the amount of \$1,900. The Commission’s General Fund expenditures totaled \$820,200 (included in that expenditure is the reversion of \$1,030 and cost reimbursements of \$1,900 for a total of \$2,930). These amounts not expended were reverted to the State General Fund. There was one budget adjustment during the year. \$500 was reallocated from the category “Other Costs” to “Contractual Services”.

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

The Commission had no long-term debt at June 30, 2018. During FY 2018, capital assets with an original cost of less than \$5,000 were removed from the capital asset inventory. The State Audit Rule eliminated the requirement to keep old assets capitalized under historical thresholds (under \$5k) on the inventory listing until they are disposed of.



**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Required Supplementary Information  
Year Ended June 30, 2018

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

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 additional 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  
June 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Investment in State Treasurer General Fund Investment Pool	\$ 36,246
Petty cash	50
<b>Total current assets</b>	<b>36,296</b>
Non-current assets	
Capital assets, net of accumulated depreciation	2,054
<b>Total assets</b>	<b>\$ 38,350</b>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 9,969
Accrued salaries payable	12,393
Payroll taxes payable	5,903
Payroll benefits payable	7,981
Current portion of compensated absences	38,025
<b>Total current liabilities</b>	<b>74,271</b>
 <b>NET POSITION</b>	
Investment in capital assets	2,054
Unrestricted (deficit)	(37,975)
<b>Total net position</b>	<b>\$ (35,921)</b>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO  
 JUDICIAL STANDARDS COMMISSION  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2018**

	<u>Governmental Activities</u>
<b>EXPENSES:</b>	
Governmental activities:	
General government	\$ (812,841)
Total expenses	<u>(812,841)</u>
<b>PROGRAM REVENUES:</b>	
Miscellaneous income	<u>1,900</u>
Net program revenues (expenses)	<u>(810,941)</u>
<b>GENERAL REVENUES AND TRANSFERS:</b>	
Transfers:	
State General Fund appropriation	818,300
Reversion to State General Fund - FY 2018	<u>(2,930)</u>
Total general revenues and transfers	815,370
Change in net position	<u>4,429</u>
Net position (deficit), beginning of year	<u>(40,350)</u>
Net position (deficit), end of year	<u>\$ (35,921)</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO  
 JUDICIAL STANDARDS COMMISSION  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2018**

	<u>General Fund 13500</u>	<u>Investigation &amp; Trial Cost Reimbursement Fund 11110</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Investment in State Treasurer General Fund Investment Pool	\$ 36,246	\$ -	\$ 36,246
Other receivables, net of allowance for uncollectible accounts	-	-	-
Petty cash	50	-	50
Total assets	<u>\$ 36,296</u>	<u>\$ -</u>	<u>\$ 36,296</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 9,969	\$ -	\$ 9,969
Accrued salaries payable	12,393	-	12,393
Payroll taxes payable	5,903	-	5,903
Payroll benefits payable	7,981	-	7,981
Total liabilities	<u>36,246</u>	<u>-</u>	<u>36,246</u>
<b>FUND BALANCE</b>			
Unassigned	50	-	50
Total fund balance	<u>50</u>	<u>-</u>	<u>50</u>
Total liabilities and fund balance	<u>\$ 36,296</u>	<u>\$ -</u>	<u>\$ 36,296</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**June 30, 2018**

Total fund balance - governmental funds	\$	50
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p style="padding-left: 40px;">Capital assets and related accumulated depreciation used in governmental activities are not current financial resources and, therefore, are not reported in the funds</p>		
Capital assets	\$ 20,010	
Accumulated depreciation	<u>(17,956)</u>	
Net capital assets		2,054
<p style="padding-left: 40px;">Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds</p>		
		<u>(38,025)</u>
Net position (deficit) of governmental activities	\$	<u><u>(35,921)</u></u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO  
 JUDICIAL STANDARDS COMMISSION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - GOVERNMENTAL FUNDS  
 Year Ended June 30, 2018**

	<u>General Fund 13500</u>	<u>Investigation &amp; Trial Cost Reimbursement Fund 11110</u>	<u>Total Governmental Funds</u>
REVENUES:			
Miscellaneous	\$ 1,900	\$ -	\$ 1,900
EXPENDITURES:			
General government:			
Current:			
Personal services & employee benefits	685,089	-	685,089
Contractual services	19,865	-	19,865
Other costs	112,316	-	112,316
Capital outlay	-	-	-
Total expenditures	<u>817,270</u>	<u>-</u>	<u>817,270</u>
Excess (deficiency) of revenues over expenditures	<u>(815,370)</u>	<u>-</u>	<u>(815,370)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out):			
State General Fund appropriation	818,300	-	818,300
Reversion to State General Fund FY 2018	<u>(2,930)</u>	<u>-</u>	<u>(2,930)</u>
Total other financing sources (uses)	<u>815,370</u>	<u>-</u>	<u>815,370</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>50</u>	<u>-</u>	<u>50</u>
Fund balance, end of year	<u><u>\$ 50</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 50</u></u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO  
 JUDICIAL STANDARDS COMMISSION  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2018**

Net change in fund balances - governmental funds	\$	-
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p style="padding-left: 40px;">Changes in accrued compensated absences are not recorded in the current year in the governmental funds, however the corresponding amount is recorded in the government-wide statement of activities:</p>		
(Increase) decrease in compensated absences		6,410
<p style="padding-left: 40px;">Capital outlays are reported as expenditures in the governmental funds. However, in the government-wide statement of activities, the cost of capital assets is allocated over their useful estimated lives as depreciation expense.</p>		
Capital outlay		-
Depreciation		<u>(1,981)</u>
Change in net position of governmental activities	\$	<u><u>4,429</u></u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
**STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amount Budgetary Basis	Favorable (Unfavorable)
<b>REVENUES:</b>				
State General Fund appropriations	\$ 818,300	\$ 818,300	\$ 818,300	\$ -
Miscellaneous revenues	-	-	1,900	1,900
	<u>818,300</u>	<u>818,300</u>	<u>820,200</u>	<u>1,900</u>
<b>EXPENDITURES:</b>				
General government:				
Personal services & employee benefits	\$ 685,600	\$ 685,600	\$ 685,089	\$ 511
Contractual services	19,400	19,900	19,865	35
Other costs	113,300	112,800	112,316	484
	<u>\$ 818,300</u>	<u>\$ 818,300</u>	<u>817,270</u>	<u>\$ 1,030</u>
Net change in fund balance, budgetary basis			2,930	
Reversion to State General Fund FY 2018			<u>(2,930)</u>	
Net change in fund balance, GAAP basis, page 12			<u>\$ -</u>	

The accompanying notes are an integral part of the financial statements



**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 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 seven lay members appointed by the Governor of New Mexico, two lawyers appointed by the Board of Commissioners of the State Bar Association and four 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."

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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 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 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, 2018.

**B. Basic Financial Statements**

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. The Commission has no business-type activities.

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.

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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 does not receive any type of program revenue, 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, 2018.

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 funds are the General Fund and the Investigative & Trial Cost Reimbursement Fund which have been classified as major funds.

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 government-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.

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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).

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 implemented the standard for the fiscal year ending June 30, 2017.

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.

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

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.

Investigation and Trial Cost Reimbursement Fund (11110)

The Commission was authorized by state law to collect up to \$2,000 in investigation and trial cost reimbursement from respondent judges for deposit and retention in this fund. The fund was not used during the fiscal year ended June 30, 2018. The judgment receivables disclosed in Note 3 are reported in this fund, which net to zero.

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.

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 the accrual basis of accounting. The Governmental Fund in the Fund Financial Statements is presented on a modified accrual basis.

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.

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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, 2018 as there was only one fund in use.

**E. Budgetary Accounting**

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

1. No later than September 1, the Commission prepares a budget request for the subsequent fiscal year by appropriation unit to be presented to the next legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature for approval of the final budget plan.
5. Budgetary control is exercised by the Commission at the appropriation unit level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
6. The budget for the General Fund is adopted on a modified accrual basis of accounting. Per the General Appropriations Act, Laws of 2014, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the next fiscal year's budget. At June 30, 2018, the Commission did not have any payables that were paid subsequent to the statutory deadline.
7. 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. The Commission had no multi-year appropriations during the year ending June 30, 2018.

The budgetary comparison statement for the major general fund is included with the basic financial statements.

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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. 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

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

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, 2018 met the requirements for accrual as no one had over 600 hours of sick leave at June 30, 2018.

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>
1 month to 3 years	4.62
Between 3 to 7 years	5.54
Between 7 to 14 years	6.46
Over 14 years	7.39

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

H. Fund Balance Classifications

Fund balances in the governmental fund statements are classified as follows:

Restricted - amounts that have constraints placed on the use of the resources either by external sources such as creditors, grantors, contributors, laws or regulations, or by enabling legislation.

Committed - amounts that have constraints placed on the use of the resources by formal action of the government's highest level of decision-making authority, which is the Executive Director.

Assigned - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed; these assignments would be exercised by the Executive Director if there was need to do so.

Unassigned - represents amounts that do not meet the definition of restricted, committed, or assigned.

The agency has not developed an internal policy to determine whether amounts expended are considered to have been spent from committed, assigned, or unassigned fund balances when amounts from any of these fund balance types are available.

I. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investments in capital assets, restricted and unrestricted.

Investment in Capital Assets - Is intended to reflect the portion of net assets which are associated with non-liquid, capital assets, which amounted to \$2,054 as of June 30, 2018.

Restricted Assets - are liquid assets (generated from revenues and bond proceeds appropriations), which have third-party (statutory enabling legislation or granting agency) limitation on their use, and which are legally enforceable as to their use. The Commission had no restricted assets as of June 30, 2018.

Unrestricted Assets - represent unrestricted liquid assets. The remaining net position is reported as unrestricted net position as of June 30, 2018.

J. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.



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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

K. Deferred Inflows/Outflows 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.

**NOTE 2 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL**

The Commission's account on deposit with the State Treasurer in the State General Fund Investment Pool consists of the following:

SHARE Fund Number	Account Name	Balance Per Treasurer	Reconciling Items	Balance Per Books
13500	General Fund	\$ 36,246	\$ -	\$ 36,246
13500	General Fund Petty Cash	50	-	50
		<u>\$ 36,296</u>	<u>\$ -</u>	<u>\$ 36,296</u>

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged because they are deposits with another governmental entity. The Commission is not authorized to make investments. However, certain cash accounts are authorized to earn interest and are deposited by DFA into the New Mexico State Treasurer's Office Interest Bearing Pool. The pool invests in repurchase agreements secured at 102% by U.S. Treasury notes and bills, certificates of deposit, and other interest-bearing instruments. Because all monies are held by another governmental entity, Governmental Accounting Standards Board Statement #3, *"Deposits with Financial Institutions Investments (Including Repurchase Agreements)"*, and *"Reverse Purchase Agreements"* is not applicable. Deposits do not have to be classified according to custodial credit risk.

The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978, as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

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**NOTE 2 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL – CONTINUED**

- A. Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- B. Contracts for the present purchase and resale at specified time in the future, not to exceed one year or, in the case of bond proceeds appropriations, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. no such contract shall be invested in unless the contract is fully secured by obligations of the united states or other securities backed by the united states having a market value of at least one hundred two percent of the amount of the contract;
- C. Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm, or recognized institutional investor has a net worth in excess of five hundred million dollars;
- D. Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- E. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- F. Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.
- G. No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

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**NOTE 2 – INVESTMENT IN STATE GENERAL FUND INVESTMENT POOL – CONTINUED**

*Interest Rate Risk* - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

*Credit Risk* - The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

**NOTE 3 – OTHER RECEIVABLES**

As of June 30, 2018, other receivables consist of the following:

Receivables	Amount
Judgments receivable	\$ 7,352
Accrued interest on judgments receivable	5,086
Less: allowance for uncollectible accounts	(12,438)
	\$ -

The Commission has two judgments receivable. 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 judgments receivable 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 receivable balances in the current year or in prior 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 investigations and trial expenses.

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**NOTE 4 – CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>Capital Assets Being Depreciated:</b>				
Furniture and fixtures	\$ 15,660	\$ -	\$ (15,660)	\$ -
Information technology equipment	17,720	-	(3,050)	14,670
Equipment and machinery	5,340	-	-	5,340
Total capital assets	<u>38,720</u>	<u>-</u>	<u>(18,710)</u>	<u>20,010</u>
<b>Accumulated depreciation</b>				
Furniture and fixtures	(15,660)	-	15,660	-
Information technology equipment	(13,685)	(1,981)	3,050	(12,616)
Equipment and machinery	(5,340)	-	-	(5,340)
Total accumulated depreciation	<u>(34,685)</u>	<u>(1,981)</u>	<u>18,710</u>	<u>(17,956)</u>
Net capital assets	<u>\$ 4,035</u>	<u>\$ (1,981)</u>	<u>\$ -</u>	<u>\$ 2,054</u>

In 2018, 2.2.2.10.W NMAC was revised to eliminate the requirement to keep old assets capitalized under historical thresholds (under \$5,000) on agency inventory listings until they are disposed of. To comply with the change, the Commission deleted \$18,710 of capital assets, with accumulated depreciation of \$18,710, from the agency inventory.

The Commission does not have any debt related to capital assets. Depreciation expense for the year ended June 30, 2018 was \$1,981.

**NOTE 5 – COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences payable for the year ended June 30, 2018, is as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Current compensated absences payable	<u>\$ 44,435</u>	<u>\$ 44,659</u>	<u>\$ (51,069)</u>	<u>\$ 38,025</u>	<u>\$ 38,025</u>

Historically, all compensated absences have been paid out of the general fund.

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**NOTE 6 – REVERSIONS TO THE STATE GENERAL FUND**

Unexpended cash balances at year end of State General Fund monies appropriated to the Commission are reverted to the State General Fund, unless otherwise specified in the appropriation language.

The General Fund 13500 receives a State General Fund appropriation annually. Any unexpended funds at the end of the year revert to the State General Fund. In 2018, the Commission received a general fund appropriation of \$818,300. Any other revenue received in the fund, which is not specifically appropriated by the legislature, also reverts to the State General Fund.

The reversion to the State General Fund for the year ended June 30, 2018 was \$2,930.

**NOTE 7 – TRANSFERS TO/FROM OTHER AGENCIES**

The following are transfers to/from other state agencies for the year ending June 30, 2018:

<u>From Agency/Fund</u>	<u>To Agency/Fund</u>	<u>Purpose</u>	<u>Amount</u>
34101/85300	21000/13500	General fund appropriation Laws of 2017, Ch. 135, Sec. 4	\$ 818,300
21000/13500	34101/85300	General fund reversion - FY 2018	<u>(2,930)</u>
			<u>\$ 815,370</u>

**NOTE 8 – 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, 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, New Mexico 87504-2123. That 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 the plan members and the Board are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Commission’s employer contributions to PERA for the years ending June 30, 2018, 2017, and 2016 were \$86,580, \$86,762, and \$89,101, respectively, equal to the amount of the required contributions for each year.

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**NOTE 9 – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

Compliant with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico CAFR for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

*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.

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.

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 9 – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED**

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA 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, 2018, the statutes 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, 2018, 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, 2018, 2017, and 2016 were \$10,192, \$10,214, and \$10,489, respectively, which equal the required contributions for each year.

**NOTE 10 – OPERATING LEASES**

The Commission entered into a lease beginning July 1, 2004 for office space. The initial term of the lease was 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. Current monthly payments are \$5,426.

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**NOTE 10 – OPERATING LEASES - CONTINUED**

The Commission also leases a copier. The terms of this lease call for monthly payments of \$211 and expires in June 2019.

Lease expenses under all of these operating leases were \$67,810 for the year ending June 30, 2018.

Future minimum payments under all operating leases are as follows:

Year ended June 30, 2019	<u>\$ 2,536</u>
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**NOTE 11 – RISK MANAGEMENT**

The Judicial Standards Commission is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the State. The Commission pays premiums to participate in the program.

The Commission obtains its coverage through the Risk Management Division. This coverage includes liability and civil rights, property, vehicle, employee bond, workers' compensation, group insurance, and State unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. Risk management expenditures for the Commission are accounted for in the general fund. Any claims are processed through RMD. All employees of the Commission were covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2016 through June 30, 2018.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before 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. Transactions or events occurring after year-end may be disclosed if significant.

The Commission has evaluated subsequent events through October 17, 2018, which is the date the financial statements were available to be issued. No matters were identified for recognition in the accounts.



## **SUPPLEMENTAL INFORMATION**



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

Mr. Randall D. Roybal, Executive Director  
State of New Mexico Judicial Standards Commission  
and  
Honorable Wayne Johnson  
New Mexico State Auditor

I 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued my report thereon dated October 17, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control.

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

State of New Mexico, Judicial Standards Commission and  
Honorable Wayne Johnson, New Mexico State Auditor  
Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commission's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*James L. Hartogensis, CPA LLC*

Albuquerque, New Mexico  
October 17, 2018

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2018

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Material weaknesses identified? No

Significant deficiencies identified not considered  
to be material weaknesses? No

**COMPLIANCE AND OTHER MATTERS**

Noncompliance material to the financial statements noted? No

**CURRENT YEAR FINDINGS**

None.

**PRIOR YEAR FINDINGS**

None.

**STATE OF NEW MEXICO**  
**JUDICIAL STANDARDS COMMISSION**  
EXIT CONFERENCE  
For the Year Ended June 30, 2018

The basic financial statements have been prepared by James L. Hartogenesis, CPA LLC, with the assistance of the Judicial Standards Commission. The contents of this report are the responsibility of the Judicial Standards Commission.

\* \* \* \* \*

An exit conference was held on October 10, 2018 and attended by the following:

**For the State of New Mexico Judicial Standards Commission:**

Joyce Bustos	Commission Chair
Randall Roybal	Executive Director
Phyllis Dominguez	Deputy Director
Krista Ganes-Chavez	Deputy Chief Financial Officer

**For James L. Hartogenesis, CPA LLC:**

James Hartogenesis	Principal
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