



**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT**

**Financial Statements and Schedules
With Independent Auditor's Report Thereon**

Fiscal Year Ended June 30, 2015

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT**

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June 30, 2015

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**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT**

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STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

OFFICIAL ROSTER

June 30, 2015

Judges

| | |
|------------------------------------|-------------|
| Honorable William Parnall | Division 1 |
| Honorable Stan Whitaker | Division 2 |
| Honorable Brett R. Loveless | Division 3 |
| Honorable Beatrice Brickhouse | Division 4 |
| Honorable Nancy J. Franchini | Division 5 |
| Honorable Briana H. Zamora | Division 6 |
| Honorable John J. Romero | Division 7 |
| Honorable Cristina Jaramillo | Division 8 |
| Honorable Judith K. Nakamura | Division 9 |
| Honorable Christina P. Argyres | Division 10 |
| Honorable Gerard Lavelle | Division 11 |
| Honorable Clay Campbell | Division 12 |
| Honorable Valerie A. Huling | Division 13 |
| Honorable Marie C. Ward | Division 14 |
| Honorable Alan Malott | Division 15 |
| Honorable Carl J. Butkus | Division 16 |
| Honorable Nan G. Nash, Chief Judge | Division 17 |
| Honorable Denise Barela-Shepherd | Division 18 |
| Honorable Benjamin Chavez | Division 19 |
| Honorable Jacqueline D. Flores | Division 20 |
| Honorable Alisa A. Hadfield | Division 21 |
| Honorable Deborah Davis Walker | Division 22 |
| Honorable C. Shannon Bacon | Division 23 |
| Honorable Debra Ramirez | Division 24 |
| Honorable Elizabeth Whitefield | Division 25 |
| Honorable Charles Brown | Division 26 |
| Honorable Victor Lopez | Division 27 |

Administrative Officials

| | |
|-----------------|--------------------------------|
| James Noel | Court Executive Officer |
| Arthur Gallegos | Deputy Court Executive Officer |
| Rachelle Klump | Deputy Court Executive Officer |
| Farah French | Fiscal Services Director |



Independent Auditor's Report

Mr. Timothy Keller, New Mexico State Auditor
Santa Fe, New Mexico
and
Honorable Nan G. Nash, Chief Judge
Second Judicial District Court
Albuquerque, New Mexico

6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the combined general fund and major special revenue funds of the State of New Mexico, Second Judicial District Court (Court), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of each unit of the Court's combined general fund, fiduciary fund, and the budgetary comparisons for each unit of the combined general fund and the major capital project fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of the Court as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the combined general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each unit of the combined general fund of the Court as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for each unit of the combined 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 to 10 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the Court's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the supplementary information listed on the table of contents and other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the supplementary information listed on the table of contents and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the supplementary information listed on the table of contents and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated November 18, 2015 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Court's internal control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico
November 18, 2015

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The Second Judicial District Court's discussion and analysis is provided as an overview of the Court's financial activities for the fiscal year ending June 30, 2015.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12), provide information about the Court as a whole and presents a longer term view of the court's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Court's operations in more detail than the government-wide statements by providing information about the Court's most significant funds. The Statement of Fiduciary Assets and Liabilities provides information about activities for which the Court acts solely as agent for the benefit of others, to whom the resources belong.

Government-Wide Financial Statements

Government-wide financial statements report information about the Court as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

Fund Financial Statements

The fund financial statements provide more detailed information about the Court's most significant funds, not the Court as a whole. Funds are accounting devices that the Court uses to keep track of specific sources of funding and spending for particular purposes.

The Court has two types of funds:

- Governmental funds - Most of the Court's basic services are included in governmental funds, which focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending.
- Fiduciary funds - The Court maintains three agency funds to account for monies held on behalf of others. These funds are purely custodial in nature thus do not include measurement of the results of operations.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Condensed Financial Information:

| | <u>FY2015</u> | <u>FY2014</u> | <u>Percent Change</u> |
|-----------------------------------|---------------------------|--------------------------|---------------------------|
| STATEMENT OF NET POSITION | | | |
| ASSETS | | | |
| Current and other assets | \$ 1,636,985 | \$ 1,583,758 | 3.36% |
| Capital assets, net | <u>1,092,819</u> | <u>782,398</u> | <u>39.68%</u> |
| Total assets | <u>2,729,804</u> | <u>2,366,156</u> | <u>15.37%</u> |
| LIABILITIES | | | |
| Current liabilities | 1,516,418 | 1,470,377 | 3.13% |
| Long term liabilities | <u>133,881</u> | <u>120,334</u> | <u>11.26%</u> |
| Total liabilities | <u>1,650,299</u> | <u>1,590,711</u> | <u>3.75%</u> |
| NET POSITION | | | |
| Invested in capital assets | 1,092,819 | 782,398 | 39.68% |
| Restricted | 817,050 | 793,514 | 2.97% |
| Unrestricted | <u>(830,364)</u> | <u>(800,467)</u> | <u>3.73%</u> |
| Total net position | <u>\$ 1,079,505</u> | <u>\$ 775,445</u> | <u>39.21%</u> |
| STATEMENT OF ACTIVITIES | | | |
| REVENUES | | | |
| Program revenues | \$ 3,527,324 | \$ 3,799,973 | -7.18% |
| General revenue, net of transfers | <u>23,459,687</u> | <u>22,118,867</u> | <u>6.06%</u> |
| Total revenues | 26,987,012 | 25,918,840 | 4.12% |
| EXPENSES | | | |
| Judicial | <u>26,682,951</u> | <u>25,419,186</u> | <u>4.97%</u> |
| Change in net position | 304,060 | 499,654 | -39.15% |
| Net position, beginning of year | <u>775,445</u> | <u>275,791</u> | <u>181.17%</u> |
| Net position, end of year | <u><u>\$1,079,505</u></u> | <u><u>\$ 775,445</u></u> | <u><u>39.21%</u></u> |

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Financial Highlights

The financial position and results from operations for the Second Judicial District Court during the year ended June 30, 2015 are detailed below. Total assets at June 30, 2015, were \$2,729,804. This includes petty cash of \$1,500 and Interest in State General Fund Investment Pool of \$1,140,375, due from external parties of \$38,256, due from other state agencies of \$11,137, due from local governments of \$371,892, supplies inventory of \$73,825 and capital assets of \$3,966,071, net of accumulated depreciation of \$1,092,819. Total liabilities were \$1,650,299, including current liabilities of \$1,516,418 and long-term liabilities of \$133,881. Net position includes unrestricted net position of (\$830,364), restricted net position of \$817,050 and \$1,092,819 invested in capital assets.

Total revenues for the year ended June 30, 2015 were \$26,987,011. This included State general fund appropriation of \$22,616,565, net of reversion, bond proceeds appropriation of \$204,122, other state funds of \$639,000, charges for services in the amount of \$191,110, court fees of \$355,725, revenue from federal grants-operating of \$1,101,132 and revenue from other operating grants of \$1,879,358. Total expenses were \$26,682,951. The total change in net position for the year was an increase of \$304,060, resulting in a net asset balance of \$1,079,505 as of June 30, 2015.

The amount due to the State General Fund was \$24,335. This reversion figure includes the actual amount reverted for fiscal year 2015. The Child Support Hearing Officer Program reversion for fiscal year 2015 was \$24,335.

Total fund equity was \$892,375, which includes \$1,500 for petty cash, \$73,825 for supplies inventory, \$71,767 from Adult Drug Court program fees, \$160,373 from the Residential Mortgage Foreclosure Settlement Facilitation Pilot Project Grant Agreement between the Court and the Office of the New Mexico Attorney General, \$304,907 from the Court Mediation fund, and \$280,002 from the Court Arbitration fund. Special Revenue Funds are non-reverting funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds include Court Mediation and Court Arbitration.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Other Financial Highlights

The Second Judicial District Court is responsible for monitoring and maintaining all litigant funds. Agency funds are not "operating" funds but are purely custodial and thus do not involve a measurement of results of operations. The funds are deposited into registry and savings trust accounts. The Court's savings account is established through the State Treasurer's Local Government Investment Pool (LGIP) and earned an average of .12% interest during the year ending June 30, 2015. In order for the Court to deposit funds into this account, deposits must exceed \$25,000 or the Court Order must specify the funds be deposited into a savings account. All other funds are deposited into the registry account through a local bank and any bank interest accrued is transferred to the State General Fund.

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to the Court. Budget adjustments require approval by the New Mexico Department of Finance and Administration. These budget adjustments fall into the following three categories:

- Amendments approved shortly after the beginning of the year to reflect the actual beginning account balances.
- Budget adjustment requests that increase or decrease other State funds based on actual revenues.
- Increases or reallocations of appropriations to prevent budget overruns.

The fiscal year 2015 legislative session lasted 60 days. The Court requested \$27.3 million and was appropriated \$27.7 million with an additional \$90,000 for Capital Outlay. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration.

Approved budgets increased by \$172,945, during the year from the original amount of \$27,827,522 to \$28,000,467. This .6% increase is primarily attributed to increasing the Bernalillo County Pre Trial Services Grant, the Optum Health Veteran's Court Grant and the Child Support Grant budgets to match the actual contract amounts, and decreasing the Probation Violation Docket Grant budget to match the actual contract amount. Actual budgetary basis expenditures of \$26,963,476 are within the total allowed in the final approved budget by \$1,036,991.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The statement of revenues and expenditures reflects a balance of \$23,535 for the net change in fund balances in the Total Governmental Funds column. Contributing factors to the increase were that the Court increased the revenue carryover for Special Revenue Funds. These special revenue funds include Mediation and Court Alternatives (Arbitration).

Capital Assets

The Court's capital assets for the year ended June 30, 2015 increased by \$546,978. This includes furniture and equipment and computers needed for the courthouse. The Court does not own any real property or infrastructure assets.

Long Term Liabilities

Long term Liabilities consist entirely of accrued compensated absences. The long term portion of accrued compensated absences increased by \$13,547 during the year.

Agency Highlights

The fund financial statements provide more detailed information about the Second Judicial District Court's General Fund and its components, which include the child support enforcement hearing officer fund, grants, and contracts. The general fund appropriation of \$22,640,900 includes Court Regular, Adult Drug Court, Juvenile Drug Court and Judicial Supervision Program f/k/a Mental Health Court. This amount is an increase of \$1,046,900, or 4.8%, from the prior fiscal year. The other state funds amount of \$639,000 consists of \$422,000 for a compensation package, \$186,999 from AOC for the LETF DWI Grant for Juvenile Drug Court and \$30,000 from AOC for CASA. The Child Support Enforcement Hearing Officer fund was created through a grant agreement from the Human Services Department for \$1,101,132. This amount is an increase of \$89,891, or 8.9% from the prior fiscal year. The amount of \$1,879,358 for other grants under the general fund column consists of funds received from Bernalillo County for the Pre Trial Services Program and Probation Violation Dockets, and from OptumHealth for Veterans' Court. Grant revenue is on a cost reimbursement basis.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

The Major Fund column in the fund financial statement consists of the Court Mediation fund, which primarily supports the Court Clinic Division. The Court Clinic is a division within the Court that provides services to all District Court Judges, Hearing Officers, and Special Commissioners. The revenue generated comes from a portion of domestic relations filings fees collected as well as advisory consultation fees collected from clients based on a sliding fee scale and excess parent fees remitted by the provider for the Neutral Corner Supervised Visitation program. The Court has statutory authority to collect these fees. Expenses incurred from the Court Mediation fund include salary and benefits. Revenue generated in fiscal year 2015 was \$198,990, a decrease of \$47,991 or 18% from fiscal year 2014. The Court Mediation fund is non-reverting.

The next Major Fund column in the fund financial statements consists of the Court Alternatives (Arbitration) Program, which offers settlement facilitation for civil and domestic relations cases. The program generates revenues through a portion of the civil filing fees collected. Pursuant to statute, any judicial district that has established a Court Alternatives Program may collect a fee of \$15 on all new and reopened civil cases. In fiscal year 2015, the revenue generated for this program was \$156,735, an increase of \$3,735, or 2.4% from fiscal year 2014. This is also a non-reverting fund.

The final Major Fund column in the fund financial statements consists of the Severance Tax Bonds Capital Outlay Funds. In FY14, the Court was appropriated \$174,100 for Security Equipment and \$162,000 for a Server for a grand total of \$326,100. The Court expended \$211,978 leaving a balance of \$114,122 to be expended in fiscal year 2015. Additionally, in FY15, the Court was appropriated \$90,000 for a Court Reporting System. The \$90,000 combined with the \$114,122 represents the total amount of \$204,122.

Economic Factors and Next Year's Budget

The budget request for fiscal year 2016 was \$29.1 million, which included the general fund and special revenue funds. The approved appropriation was \$27.8 million. The Court's budget is prepared as part of the Unified Budget Process for the entire New Mexico Judiciary. As a branch of the government, the Judiciary's FY16 Unified Budget represented approximately 2.59% of the total state budget, and the Court's represented approximately 14% of the total unified budget.

The most significant impact on the state's budget consists of revenues generated by severance taxes on the extractive industries, most specifically oil and gas. Depressed oil and gas prices have resulted in less revenue on stable production, and also mean less exploration and expansion of production due to a lack of financial feasibility. While there

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

has been some reduction in both civil and criminal case filings, family court and juvenile court files remain steady. The Second Judicial District Court continues to expand services through specialty courts and other programs, which require additional Court resources. The Court has reached space capacity in its current facilities, and is beginning the process of planning for future expansion.

Request for Information

This financial report is designed to provide the general public and other interested parties with a general overview of this Court's finances and accountability of funds. Questions concerning this report or request for additional information should be addressed to the Second Judicial District Court, 400 Lomas Blvd. NW, Albuquerque, NM 87102.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF NET POSITION
 June 30, 2015

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Petty cash | \$ 1,500 |
| Investments in State General Fund Investment Pool | 1,140,375 |
| Due from external parties | 38,256 |
| Due from other state agencies | 11,137 |
| Due from local governments | 371,892 |
| Supplies inventory | 73,825 |
| Capital assets, net (see Note 8) | <u>1,092,819</u> |
| Total assets | <u>2,729,804</u> |
| LIABILITIES | |
| Accounts payable | 63,802 |
| Accrued payroll | 656,123 |
| Due to State General Fund | 24,335 |
| Other liabilities | 350 |
| Compensated absences (see Note 9) | |
| Due within one year | 771,808 |
| Due in more than one year | <u>133,881</u> |
| Total liabilities | <u>1,650,299</u> |
| NET POSITION | |
| Net investment in capital assets | 1,092,819 |
| Restricted for program expenditures | 817,050 |
| Unrestricted | <u>(830,364)</u> |
| Total net position | <u>\$ 1,079,505</u> |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2015

| | Governmental Activities |
|--|----------------------------|
| EXPENSES | |
| Judicial: | |
| Administrative services | \$ 26,446,394 |
| Depreciation expense | 236,557 |
| Total expenses | <u>26,682,951</u> |
| PROGRAM REVENUES | |
| Charges for services | 191,110 |
| Court fees | 355,725 |
| Federal grants - operating | 1,101,132 |
| Other operating grants and contributions | 1,879,357 |
| Total program expenses | <u>3,527,324</u> |
| Net program expenses | <u>(23,155,627)</u> |
| GENERAL REVENUE | |
| General Fund appropriation | 22,640,900 |
| Other state funds | 639,000 |
| Bond proceeds appropriation | 204,122 |
| Reversion to State General Fund | (24,335) |
| Total general revenue | <u>23,459,687</u> |
| Change in net position | 304,060 |
| Net position at beginning of year | <u>775,445</u> |
| Net position at end of year | <u><u>\$ 1,079,505</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2015

| | Major Funds | | | | Total Governmental Funds |
|--|-----------------------------|-------------------------------------|------------------------------|---|---|
| | Combined General Fund | STB Capital Outlay (89200) | Mediation Fund (92000) | Alternative Dispute Resolution (92200) | |
| ASSETS | | | | | |
| Petty cash | \$ 1,500 | - | - | - | 1,500 |
| Investment in SGFIP | 554,129 | - | 305,155 | 281,091 | 1,140,375 |
| Due from external parties | 35,031 | - | 1,530 | 1,695 | 38,256 |
| Due from other state agencies | 11,137 | - | - | - | 11,137 |
| Due from local governments | 371,892 | - | - | - | 371,892 |
| Supplies inventory | 73,825 | - | - | - | 73,825 |
| Total assets | \$ 1,047,514 | - | 306,685 | 282,786 | 1,636,985 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 63,802 | - | - | - | 63,802 |
| Accrued payroll | 651,562 | - | 1,778 | 2,783 | 656,123 |
| Due to State General Fund | 24,335 | - | - | - | 24,335 |
| Other liabilities | 350 | - | - | - | 350 |
| Total liabilities | 740,049 | - | 1,778 | 2,783 | 744,610 |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Petty cash | 1,500 | - | - | - | 1,500 |
| Inventory | 73,825 | - | - | - | 73,825 |
| Restricted | 232,140 | - | 304,907 | 280,003 | 817,050 |
| Total fund balances | 307,465 | - | 304,907 | 280,003 | 892,375 |
| Total liabilities and fund balances | \$ 1,047,514 | - | 306,685 | 282,786 | 1,636,985 |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 June 30, 2015

Total fund balances for governmental funds \$ 892,375

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

| | |
|-------------------------------|--------------------|
| Property, plant and equipment | \$ 3,966,070 |
| Accumulated depreciation | <u>(2,873,251)</u> |

| | |
|-----------------------------|-----------|
| Total capital assets | 1,092,819 |
|-----------------------------|-----------|

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:

| | |
|----------------------|------------------|
| Compensated absences | <u>(905,689)</u> |
|----------------------|------------------|

| | |
|--|----------------------------|
| Net position of governmental activities | <u><u>\$ 1,079,505</u></u> |
|--|----------------------------|

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2015

| | Major Funds | | | | Total Governmental Funds |
|--|-----------------------------|-------------------------------------|------------------------------|---|--------------------------------|
| | Combined General Fund | STB Capital Outlay (89200) | Mediation Fund (92000) | Alternative Dispute Resolution (92200) | |
| REVENUES | | | | | |
| Charges for services | \$ 191,110 | - | - | - | 191,110 |
| Court fees | - | - | 198,990 | 156,735 | 355,725 |
| Federal grants - operating | 1,101,132 | - | - | - | 1,101,132 |
| Other grants | 1,879,357 | - | - | - | 1,879,357 |
| Total revenues | 3,171,599 | - | 198,990 | 156,735 | 3,527,324 |
| EXPENDITURES | | | | | |
| Judicial | | | | | |
| Current: | | | | | |
| Administrative services | 26,180,001 | 32,058 | 97,775 | 106,663 | 26,416,497 |
| Capital outlay | 374,914 | 172,064 | - | - | 546,978 |
| Total expenditures | 26,554,915 | 204,122 | 97,775 | 106,663 | 26,963,475 |
| Excess (deficiency) of revenues over expenditures | (23,383,316) | (204,122) | 101,215 | 50,072 | (23,436,151) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers out: | | | | | |
| Reversions to the State General Fund FY2015 | (24,335) | - | - | - | (24,335) |
| Transfers in: | | | | | |
| General fund appropriation | 22,640,900 | - | - | - | 22,640,900 |
| Other state funds | 639,000 | - | - | - | 639,000 |
| Bond proceeds appropriation | - | 204,122 | - | - | 204,122 |
| Total other financing sources (uses) | 23,255,565 | 204,122 | - | - | 23,459,687 |
| Net change in fund balances | (127,751) | - | 101,215 | 50,072 | 23,536 |
| Fund balances at beginning of year | 464,569 | - | 203,692 | 229,931 | 898,192 |
| Decrease in reserve for supplies inventory | (29,353) | - | - | - | (29,353) |
| Fund balances at end of year | \$ 307,465 | - | 304,907 | 280,003 | 892,375 |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 23,536

Amounts reported for governmental activities in the statement
 of activities are different because:

Certain outlays are reported as expenditures in
 governmental funds. However, in the statement of
 activities, these costs are expensed as they are consumed or
 allocated over their estimated useful lives. In the current
 period these amounts are:

| | | |
|--|------------------|----------|
| Capital outlay | \$ 546,978 | |
| Depreciation expense | <u>(236,557)</u> | |
| Excess of capital outlay over depreciation expense | | 310,421 |
| Supplies inventory | | (29,353) |

Expenses recognized in the Statement of Activities, not
 reported in governmental funds:

| | |
|---|--------------|
| (Increase) decrease in compensated absences | <u>(544)</u> |
|---|--------------|

Change in net position of governmental activities \$ 304,060

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 Year Ended June 30, 2015

| | Combined General Fund | | | |
|---|------------------------------|-------------------|---|---|
| | Budget Original | Budget Final | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| REVENUES | | | | |
| Other gifts and grants | \$ 2,003,600 | 2,086,523 | 1,879,357 | (207,166) |
| Miscellaneous revenue | 230,000 | 230,000 | 191,110 | (38,890) |
| Appropriations | 22,640,900 | 22,640,900 | 22,640,900 | - |
| Federal grants | 1,011,200 | 1,101,132 | 1,101,132 | - |
| Other financing sources | 639,000 | 639,000 | 639,000 | - |
| Total revenues | <u>26,524,700</u> | <u>26,697,555</u> | <u>26,451,499</u> | <u>(246,056)</u> |
| Fund balance | 309,290 | 309,290 | | |
| Total resources | <u>\$ 26,833,990</u> | <u>27,006,845</u> | | |
| EXPENDITURES | | | | |
| Administrative services: | | | | |
| Personal services and benefits | \$ 24,786,522 | 24,790,952 | 24,428,710 | 362,242 |
| Contractual services | 435,100 | 615,100 | 582,300 | 32,800 |
| Other costs | 1,612,368 | 1,600,793 | 1,543,905 | 56,888 |
| Total expenditures | <u>\$ 26,833,990</u> | <u>27,006,845</u> | <u>26,554,915</u> | <u>451,930</u> |
| Deficiency of revenue and other financing sources over expenditures and transfers | | | \$ (103,416) | |
| Less reversion FY15 | | | <u>(24,335)</u> | |
| Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP basis) | | | <u>\$ (127,751)</u> | |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 MAJOR FUND
 Year Ended June 30, 2015

| | Mediation Fund (92000) | | | |
|------------------------------|-------------------------------|-----------------------|---|---|
| | Budget Original | Budget Final | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| REVENUES | | | | |
| Court costs | \$ 110,100 | 110,100 | 147,240 | 37,140 |
| Pay/care individual | 110,200 | 110,200 | 51,750 | (58,450) |
| Total revenues | <u>220,300</u> | <u>220,300</u> | <u>198,990</u> | <u>(21,310)</u> |
| Fund balance | 202,900 | 202,900 | | |
| Total resources | <u><u>\$ 423,200</u></u> | <u><u>423,200</u></u> | | |
| EXPENDITURES | | | | |
| Administrative services: | | | | |
| Personal services & benefits | \$ 423,200 | 423,200 | 97,775 | 325,425 |
| Contractual services | - | - | - | - |
| Total expenditures | <u>\$ 423,200</u> | <u>423,200</u> | <u>97,775</u> | <u>325,425</u> |

Changes in fund balances per statement of revenues, expenditures
 expenditures and changes in fund balance (GAAP basis) \$ 101,215

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 MAJOR FUND
 Year Ended June 30, 2015

| | <u>Alternative Dispute Resolution (92200)</u> | | | |
|--|---|-----------------|---|---|
| | Budget Original | Budget Final | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| REVENUES | | | | |
| Court costs | \$ 222,400 | 222,400 | 156,735 | (65,665) |
| Fund balance | 143,900 | 143,900 | | |
| Total resources | <u>\$ 366,300</u> | <u>366,300</u> | | |
| EXPENDITURES | | | | |
| Administrative Services: | | | | |
| Personal services and benefits | \$ 366,300 | 366,300 | 106,663 | 259,637 |
| Changes in fund balances per statement of revenues, expenditures | | | | |
| changes in fund balance (GAAP basis) | | | <u>\$ 50,072</u> | |

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2015

| | Agency Fund |
|--|----------------------------|
| ASSETS | |
| Cash and cash equivalents | 1,023,919 |
| Interest in local government investment pool | <u>4,136,585</u> |
| Total assets | <u><u>\$ 5,160,504</u></u> |
| LIABILITIES | |
| Due to external parties | <u><u>\$ 5,160,504</u></u> |

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Second Judicial District Court (Court) operates under Section 34-6-1, 34-6-2, 34-6-5 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Court covers Bernalillo County, New Mexico. The Court is comprised of twenty seven divisions as authorized in the above sections. The Court is the State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases which are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The financial reporting entity as defined by GASB Statement 14 consists 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."

The Second Judicial District Court is a part of the Judicial Branch of the State of New Mexico and these financial statements include all funds and activities over which the Court has oversight responsibility. The Court is part of the primary government of the State of New Mexico, and its financial data should be included in the state's audited Comprehensive Annual Financial Report. The District Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Court has no component units that are required to be reported in its financial statements.

The accounting policies of the Second Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Court's significant accounting policies follows:

A. Basis of Accounting / Measurement Focus

The accounts of the Court are organized 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, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Accounting / Measurement Focus (Continued)

Government-Wide Financial Statements

The Court's government-wide financial statements include a statement of net position and a statement of activities and display information about the Court, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Court has no business-type activities; therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide financial statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. Grants revenue is recorded when all applicable eligibility or reimbursement requirements are met.

B. Basis of Presentation - Fund Accounting

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Courts 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, a reconciliation is presented on the page following each fund statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation - Fund Accounting (Continued)

The Court's fiduciary fund (agency fund) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

Governmental Funds

Court Regular - The Court Regular is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The Court calculates reversions to the State General Fund in accordance with the Department of Finance and Administration's White Paper. The SHARE fund number is #14200 - Court Regular.

In Fiscal Year 2011, the Court began collecting Drug Court Fees from Adult Drug Court participants pursuant to Statute 34-6-47, NMSA 1978 Comp. The fees are to be used to offset client service costs of the drug court program, consistent with standards approved by the Supreme Court. As of June 30, 2015, there was a remaining balance of \$71,767. Any remaining balances do not revert to the general fund at the end of the fiscal year. Revenue and expenditures for this program is tracked by department number 140106001 in fund 14200.

Hearing Officer - The Child Support Enforcement Hearing Officer Fund is a component of the General Fund. It was created through a contract with the Human Services Department. Unused funds at the end of fiscal year revert to the State General Fund. The SHARE fund number is # 67900.

Special Revenue Funds

Court Mediation - The Court has established a domestic relations mediation program pursuant to Section 5 (40-12-5, NMSA 1978 Comp.) of the Domestic Relations Mediations Act. Deposits to this fund shall include payments made through the imposition of a sliding fee scale and the collection of a surcharge provided for in the Domestic Relations Mediation Act. The fund is non-reverting. The SHARE fund number of the Mediation Fund is # 92000. This fund is considered a major fund.

Alternative Dispute Resolution - The Court has established an Alternative Dispute Resolution Fund pursuant to Section 34-6-45 NMSA 1978. The fund obtains its resources from the imposition of a \$15 fee on all new and reopened civil cases. The fund is non-reverting. The SHARE fund number is # 92200. This fund is considered a major fund.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation - Fund Accounting (Continued)

Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for operations of the Court. Unexpended amounts at year end are restricted for future program expenditures in the statement of net position.

Capital Project Fund

Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Capital project funding is comprised of severance tax bonds specified for capital projects. This fund is considered a major fund.

Fiduciary Funds

Agency funds are used to account for assets held by the Court in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to collect and distribute court fees assessed per State Statute.

C. Assets, Liabilities and Equity

Cash and Investments. The Court's cash and cash equivalents include demand deposits and savings accounts.

The Court also has investment pools maintained at the State Treasurer's Office to hold litigant deposits and to use for its operations.

Receivables. All receivables are fully collectible.

Supplies Inventory. Supplies inventory consists of non-resale paper, postage and office supplies. The Court uses the purchases method to account for its inventory.

Capital Assets. In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | | |
|-------------------------|------|-------|
| Furniture and Fixtures | 10 | years |
| Equipment and Machinery | 5-10 | years |
| Data Processing | 3-5 | years |
| Vehicles | 7 | years |
| Software | 3 | years |

The Court does not depreciate its art collection to reflect the inexhaustible nature of art work.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities. Compensated Absences -- The Court's policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current and noncurrent liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Equity:

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- i. *Invested in capital assets* consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.
- ii. *Restricted* resources consist of assets (reduced by liabilities and deferred inflows related to those assets) with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- iii. *Unrestricted* resources are all other assets (reduced by liabilities and deferred inflows related to those assets) that do not meet the definition of "restricted" or "invested in capital assets." The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the Court first uses restricted resources then unrestricted resources.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balances are classified into spendable and non-spendable classifications. The non-spendable classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The spendable classifications are as follows:

Restricted fund balances

In the governmental fund financial statements restrictions of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. The amount of net resources restricted due to enabling legislation at June 30, 2015 is summarized below:

| | |
|---------------------------------------|--------------------------|
| Restricted for Adult Drug Court | \$ 71,767 |
| Restricted for foreclosure settlement | 160,373 |
| Restricted for Mediation | 304,907 |
| Restricted for Arbitration | <u>280,003</u> |
| Total | <u><u>\$ 817,050</u></u> |

Committed fund balances

Committed fund balances consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Court through policy action). The Court has no committed fund balances at year end.

Assigned fund balances

Assigned fund balances consist of fund balances which are constrained by the government intent to be used for specific purposes, but are neither committed nor restricted. Intent can be expressed by (a) the governing body itself, or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Court has no assigned fund balances at year end.

Unassigned fund balances

Unassigned fund balances consist of all other fund balances which have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund. Generally, the policy of the Court is to first apply committed resources when an expense is incurred for purposes which have committed, assigned, or unassigned fund balances available for use. The Court has no unassigned fund balances at year end.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 of 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 annually 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. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements. Qualified employees accumulate sick leave of 8 hours a month and annual leave as follows:

| <u>Years of Service</u> | <u>Hours Earned Per Month</u> |
|-----------------------------|-----------------------------------|
| 1 month - 3 yrs | 10 |
| Over 3 - 7 yrs | 12 |
| Over 7 - 14 yrs | 14 |
| Over 14 yrs - beyond | 16 |

The maximum accrued annual leave of 240 hours may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Court allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

Court General Fund resources have been used to liquidate accrued compensated absences in the past.

E. Program Revenues

Program revenues include federal and state grants, charges for tapes and copies of court proceedings and court fees collected per statute designated for court operations. Grant revenues are recognized when all eligibility requirements have been met.

The Court does not employ indirect cost allocations method in the accompanying financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

The Second Judicial District Court follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) No later than September 1, the Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC) and the Department of Finance and Administration an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
- (2) Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Second District.
- (3) Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
- (4) The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
- (5) The Court submits, no later than May 1, 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 in July.
- (6) All subsequent budget adjustments must be approved by the JBO and the director of the DFA - Budget Division. The current year budget was revised in a legal manner.
- (7) Legal budget control for expenditures and encumbrances is by category.
- (8) Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
- (9) The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.
- (10) Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.
- (11) The State of New Mexico and the Second Judicial District Court budget the Child Support Hearing Officer grant as federal money. The New Mexico Human Services Department considers the pass through fund to be 2/3 federal money.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Inter-fund Activity

Amounts due to and due from other funds are generally created because general fund money is used to pay for special projects of other funds. Inter-fund receivables or payables at year end are netted as part of the reconciliation to the government-wide financial statements, however, there were no inter-fund receivables or payables at year end.

NOTE 2. STATE GENERAL FUND INVESTMENT POOL

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

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

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 2. STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

To the extent possible the Court does reconcile all fines, fees and transfers that come into its possession including those receipts that are statutorily mandated to be sent to the state general fund. The cash transactions processed by the Court flow through the state general fund investment pool. Since SHARE was implemented, the Court 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 Court. 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 by fund, and review of outstanding warrants within the court's statewide case management system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court'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. In addition, the Court reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

NOTE 3. INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Court's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Court consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2015 the Court had the following invested in the General Fund Investment Pool:

| | <u>SHARE Account</u> | <u>SHARE Balance</u> |
|---|--------------------------|----------------------------|
| Interest in State General Fund Investment Pool: | | |
| Court Regular | 14200 | \$ 500,138 |
| Child Support Hearing Officer | 67900 | 53,991 |
| Court Mediation | 92000 | 305,155 |
| Court Arbitration (Alternative Dispute) | 92200 | <u>281,091</u> |
| Total | | <u>\$ 1,140,375</u> |

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 a 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 investment pools are not rated.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

**NOTE 3. INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL
 (CONTINUED)**

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

NOTE 4. COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Court's bank accounts is monitored by the State Treasurer's Office. The State Treasurer's Office issues separate financial statements which disclose the collateral pledged to secure State Treasurer cash and investments, and can be accessed at the State Treasurer's website www.nmsto.gov.

NOTE 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at year end are classified as follows:

| | Bank Balance | Book Balance |
|---|-------------------|---------------------|
| Governmental Funds: | | |
| Petty cash | | \$ <u>1,500</u> |
| Agency Funds: | | |
| Cash in bank | \$ 1,115,451 | \$ <u>1,023,919</u> |
| Less: FDIC coverage | <u>(250,000)</u> | |
| Uninsured litigant funds | 865,451 | |
| Pledged collateral held by pledging bank's trust department or agent but not in the Court's name | <u>(432,725)</u> | |
| Uninsured and uncollateralized | <u>\$ 432,726</u> | |

Custodial Credit Risk – Cash in Bank

Custodial credit risk is the risk that in the event of a bank failure the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. At year end, \$865,451 of the Court's bank account balances were exposed to custodial credit risk.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 6. INVESTMENTS

Investments at year end are classified as follows:

| | |
|---|----------------------------|
| | State Treasurer Balance |
| Governmental Funds: | |
| State Treasurer's General Fund Investment Pool (SGFIP) | <u>\$ 1,140,375</u> |
| Agency Funds: | |
| State Treasurer's Local Government Investment Pool (LGIP) | <u>\$ 4,136,585</u> |

With respect to the LGIP, public funds are not required to disclose custodial credit risk and concentration of credit risk for external investment pool. However, the LGIP portfolio is posted on the State Treasurer's website www.nmsto.gov and available for review by participants at any time. The LGIP has no foreign currency risk as all investments in the pool are in U.S. dollar denominated assets.

Interest Rate Risk & Credit Risk - LGIP

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's website www.nmsto.gov. The LGIP is rated by Standard & Poor's. The Court's investment in the LGIP at year end consists of the following:

| | | | |
|------|------------|-------------|-----------------------------------|
| LGIP | AAAm rated | \$4,136,585 | 54.6 day WAM(R); 77.7 day WAM (F) |
|------|------------|-------------|-----------------------------------|

Update on Reserve Contingency Fund

In 2009, the LGIP's remaining position in The Reserve Primary Fund was transferred to an entity held by the State Treasurer's Office called the Reserve Contingency Fund. In 2008, the LGIP's investment in the Reserve Primary Fund was frozen pending an orderly liquidation of the Reserve Primary Fund by the SEC. During the liquidation process, approximately \$0.9904 has been returned for each dollar invested in the reserve fund as of September 2008.

In August 2010, the remaining Reserve Primary Fund holdings were converted to a pass-through entity for tax purposes. In connection with the conversion, a "deemed distribution" of shares were made to holders of the Reserve Primary Fund. This deemed distribution was shown as a decrease in expected receipts from future distributions.

In January 2015, the Reserve Primary fund provided a check for the approved final distribution to the State Treasurer's Office. The funds were distributed on the remaining pro-rata balances for LGIP Participants.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 6. INVESTMENTS (CONTINUED)

In June 2015, the remaining balances were written off of the Reserve Contingency Fund account based on the disclosure from the Reserve Primary Fund. As of June 30, 2015, the Reserve Contingency fund has been finalized.

The current trustee believes that there will be no further distributions from the Reserve Primary Fund estate. Significant legal claims in excess of the RPF assets have been filed with the courts. All updated information regarding the Reserve Primary Fund can be found at the following website: <http://primary-yieldplus-inliquidation.com/fundupdate.html>

NOTE 7. DUE FROM / DUE TO

Due from in the Statement of Net Position consists of grants and other receivable from external parties at year end. The due to State General Fund in the Statement of Net Position includes \$24,335 of 2015 fiscal year reversion that will be remitted to the state general fund.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|----------------------------------|-----------------------|------------------|-----------------|--------------------|
| Non-depreciable | | | | |
| Artwork | \$ 30,000 | - | - | 30,000 |
| Depreciable | | | | |
| Furniture and fixtures | 1,744,536 | 332,343 | (20,081) | 2,056,798 |
| Data processing | 544,240 | 85,776 | - | 630,016 |
| Machinery & equipment | 1,048,035 | 128,859 | - | 1,176,894 |
| Vehicles | 72,362 | - | - | 72,362 |
| Total depreciable | \$ 3,409,173 | 546,978 | (20,081) | 3,936,070 |
| Total | <u>\$ 3,439,173</u> | <u>546,978</u> | <u>(20,081)</u> | <u>3,966,070</u> |
| Accumulated Depreciation: | | | | |
| Furniture and fixtures | \$ (1,593,241) | (25,011) | 20,081 | (1,598,171) |
| Data processing | (395,496) | (83,004) | - | (478,500) |
| Machinery & equipment | (616,189) | (125,612) | - | (741,801) |
| Vehicles | (51,849) | (2,930) | - | (54,779) |
| Total | <u>\$ (2,656,775)</u> | <u>(236,557)</u> | <u>20,081</u> | <u>(2,873,251)</u> |
| Total capital assets, net | <u>\$ 782,398</u> | <u>310,421</u> | <u>-</u> | <u>1,092,819</u> |

Current year depreciation expense is \$236,557.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 9. COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|--------------------|----------------------|------------------|--------------------|-------------------|---------------------------|
| Annual leave | \$ 881,272 | 1,096,651 | (1,092,570) | 885,353 | 764,058 |
| Sick leave | 19,013 | 14,022 | (14,585) | 18,450 | 5,864 |
| Compensatory leave | 4,861 | - | (2,975) | 1,886 | 1,886 |
| Total | <u>\$ 905,146</u> | <u>1,110,673</u> | <u>(1,110,130)</u> | <u>905,689</u> | <u>771,808</u> |

NOTE 10. OPERATING LEASES

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$74,726 for the year ending June 30, 2015.

Annual future minimum lease payments as of June 30 are as follows:

| | |
|------|-------------------|
| 2016 | \$ 65,857 |
| 2017 | 34,251 |
| 2018 | 7,619 |
| 2019 | 2,566 |
| | <u>\$ 110,293</u> |

NOTE 11. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to the Deferred Compensation Plan. Neither the Court nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Court have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. JRA RETIREMENT PLAN

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 Court, as part of the primary government of the State of New Mexico, is a single employer defined benefit pension plan (Judicial Retirement) 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.

Plan Description

All of the Court's Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act [10-12B-1 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 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 10.5% of their gross salary. The Court is required to contribute 15.0% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2015, 2014 and 2013 were \$475,170, \$347,385 and \$298,917, respectively, equal to the amount of the required contributions for each year.

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$546,098, \$538,194 and \$624,948, in filing fees for the year ending June 30, 2015, 2014 and 2013, respectively (attributed to JRA portion only).

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13. PERA RETIREMENT PLAN

The Court, 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.

Plan Description

Substantially all of the Court'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 and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Court are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Court's contributions to PERA for the years ending June 30, 2015, 2014 and 2013 were \$2,347,586, \$2,241,342 and \$1,902,795, respectively, equal to the amount of the required contributions for each fiscal year.

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

Second Judicial District Court 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).

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE
PLAN (CONTINUED)**

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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

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

Funding Policy

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

The 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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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 Second Judicial District Court's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$355,876, \$343,499 and \$323,646, respectively, which equal the required contributions for each year.

NOTE 15. CLAIMS AND RISK OF LOSS

The Court is exposed to various risks of loss for which it carries insurance (auto, unemployment compensation, crime, general liability, civil rights and property) with the State of New Mexico Risk Management Division of the General Services Department. The Court expended \$240,440 for this coverage.

From time to time, the Court is involved in claims investigations or proceedings arising from the normal course of operations. At June 30, 2015, the Court is participating in resolutions related to certain personnel matters, including Equal Employment Opportunity Commission complaints and internal investigations. While the ultimate outcome of these matters cannot presently be determined, estimated liabilities for claims and investigations are provided in the financial statements when management believes a loss is probable and the amount can be reasonably estimated. Management believes the ultimate amounts which may be required to settle claims will not have a material effect on its financial condition.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING BALANCE SHEET - GENERAL FUND
 June 30, 2015

| | Court Regular (14200) | Hearing Officer (67900) | Total |
|--|-----------------------------|-------------------------------|------------------|
| ASSETS | | | |
| Petty cash | \$ 1,500 | - | 1,500 |
| Investment in SGFIP | 500,138 | 53,991 | 554,129 |
| Due from external parties | 35,031 | - | 35,031 |
| Due from other state agencies | 11,137 | - | 11,137 |
| Due from local governments | 371,892 | - | 371,892 |
| Supplies inventory | 73,825 | - | 73,825 |
| Total assets | \$ 993,523 | 53,991 | 1,047,514 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 62,893 | 909 | 63,802 |
| Accrued payroll | 622,815 | 28,747 | 651,562 |
| Due to State General Fund | - | 24,335 | 24,335 |
| Other liabilities | 350 | - | 350 |
| Total liabilities | 686,058 | 53,991 | 740,049 |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Petty cash | 1,500 | - | 1,500 |
| Inventory | 73,825 | - | 73,825 |
| Restricted | 232,140 | - | 232,140 |
| Total fund balances | 307,465 | - | 307,465 |
| Total liabilities and fund balances | \$ 993,523 | 53,991 | 1,047,514 |

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GENERAL FUND
 Year Ended June 30, 2015

| | Court Regular (14200) | Hearing Officer (67900) | Total |
|--|-----------------------------|-------------------------------|---------------------|
| REVENUES | | | |
| Charges for services | \$ 191,110 | - | 191,110 |
| Federal grants - operating | - | 1,101,132 | 1,101,132 |
| Other grants | 1,879,357 | - | 1,879,357 |
| Total revenues | <u>2,070,467</u> | <u>1,101,132</u> | <u>3,171,599</u> |
| EXPENDITURES | | | |
| Judicial | | | |
| Current: | | | |
| Administrative services | 25,109,417 | 1,070,584 | 26,180,001 |
| Capital outlay | 368,701 | 6,213 | 374,914 |
| Total expenditures | <u>25,478,118</u> | <u>1,076,797</u> | <u>26,554,915</u> |
| Excess (deficiency) of revenues over expenditures | <u>(23,407,651)</u> | <u>24,335</u> | <u>(23,383,316)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers out: | | | |
| Reversions to the State General Fund FY2015 | - | (24,335) | (24,335) |
| Transfers in: | | | |
| General Fund appropriation | 22,640,900 | - | 22,640,900 |
| Other state funds | 639,000 | - | 639,000 |
| Total other financing sources (uses) | <u>23,279,900</u> | <u>(24,335)</u> | <u>23,255,565</u> |
| Net change in fund balances | <u>(127,751)</u> | <u>-</u> | <u>(127,751)</u> |
| Fund balances at beginning of year | 464,569 | - | 464,569 |
| Decrease in reserve for supplies inventory | (29,353) | - | (29,353) |
| Fund balances at end of year | <u>\$ 307,465</u> | <u>-</u> | <u>307,465</u> |

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 Year Ended June 30, 2015

| | Budget Original | Budget Final | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------|----------------------|-------------------|---|---|
| Court Regular (14200) | | | | |
| REVENUES | | | | |
| Other gifts and grants | \$ 2,003,600 | 2,086,523 | 1,879,357 | (207,166) |
| Misc. revenue | 230,000 | 230,000 | 191,110 | (38,890) |
| Appropriations | 22,640,900 | 22,640,900 | 22,640,900 | - |
| Other financing sources | 639,000 | 639,000 | 639,000 | - |
| Total revenues | 25,513,500 | 25,596,423 | 25,350,367 | (246,056) |
| Fund balance | 309,290 | 309,290 | | |
| Total resources | \$ 25,822,790 | 25,905,713 | | |

| | | | | |
|--------------------------------|----------------------|-------------------|-------------------|----------------|
| EXPENDITURES | | | | |
| Administrative services: | | | | |
| Personal services and benefits | \$ 23,793,522 | 23,757,952 | 23,417,097 | 340,855 |
| Contractual services | 435,100 | 615,100 | 582,300 | 32,800 |
| Other costs | 1,594,168 | 1,532,661 | 1,478,721 | 53,940 |
| Total expenditures | \$ 25,822,790 | 25,905,713 | 25,478,118 | 427,595 |

| Hearing Officer (67900) | | | | |
|--------------------------------|---------------------|------------------|------------------|----------|
| REVENUES | | | | |
| Federal grants | \$ 1,011,200 | 1,101,132 | 1,101,132 | - |
| Total revenues | \$ 1,011,200 | 1,101,132 | 1,101,132 | - |

| | | | | |
|--------------------------------|---------------------|------------------|------------------|---------------|
| EXPENDITURES | | | | |
| Administrative services: | | | | |
| Personal services and benefits | \$ 993,000 | 1,033,000 | 1,011,613 | 21,387 |
| Other costs | 18,200 | 68,132 | 65,184 | 2,948 |
| Total expenditures | \$ 1,011,200 | 1,101,132 | 1,076,797 | 24,335 |

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 Year Ended June 30, 2015

| | Budget Original | Budget Final | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|------------------------------------|----------------------|-------------------|---|---|
| Total Combined General Fund | | | | |
| REVENUES | | | | |
| Other gifts and grants | \$ 2,003,600 | 2,086,523 | 1,879,357 | (207,166) |
| Misc. revenue | 230,000 | 230,000 | 191,110 | (38,890) |
| Appropriations | 22,640,900 | 22,640,900 | 22,640,900 | - |
| Federal grants | 1,011,200 | 1,101,132 | 1,101,132 | - |
| Other financing sources | 639,000 | 639,000 | 639,000 | - |
| Total revenues | \$ 26,524,700 | 26,697,555 | 26,451,499 | (246,056) |
| Fund balance | 309,290 | 309,290 | | |
| Total resources | \$ 26,833,990 | 27,006,845 | | |
| EXPENDITURES | | | | |
| Administrative services: | | | | |
| Personal services and benefits | \$ 24,786,522 | 24,790,952 | 24,428,710 | 362,242 |
| Contractual services | 435,100 | 615,100 | 582,300 | 32,800 |
| Other costs | 1,612,368 | 1,600,793 | 1,543,905 | 56,888 |
| Total expenditures | \$ 26,833,990 | 27,006,845 | 26,554,915 | 451,930 |

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 MAJOR FUND
 Year Ended June 30, 2015

| | <u>STB Capital Outlay (89200)</u> | | | |
|--|-----------------------------------|-----------------|---|---|
| | Budget Original | Budget Final | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| REVENUES | | | | |
| Severance tax bond appropriation | \$ 204,122 | 204,122 | 204,122 | - |
| EXPENDITURES | | | | |
| Administrative Services: | | | | |
| Other costs | \$ 204,122 | 204,122 | 204,122 | - |
| Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis) | | | <u>\$ -</u> | |

Note: In fiscal year 2014, the Court received capital projects appropriation of \$326,100 for security and IT equipment for use through fiscal year 2017. At the end of fiscal year 2014, the Court expended \$211,978 and carried over an unexpended balance of \$114,122 to fiscal year 2015. The entire remaining amount of \$114,122 was expended in fiscal year 2015.

Note: In fiscal year 2015, the Court received capital projects appropriation of \$90,000 for a court reporting system for use through fiscal year 2016. The entire amount of \$90,000 was expended in fiscal year 2015.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2015

| | Agency Fund | | | |
|---|----------------------|-------------------|-------------------|-------------------|
| | Beginning Balance | Increase | Decrease | Ending Balance |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 913,833 | 17,026,331 | 16,916,245 | 1,023,919 |
| Interest in local government investment pool | 4,979,358 | 6,756,703 | 7,599,476 | 4,136,585 |
| Total assets | \$ 5,893,191 | 23,783,034 | 24,515,721 | 5,160,504 |
| LIABILITIES | | | | |
| Due to litigants | \$ 5,893,191 | 23,783,034 | 24,515,721 | 5,160,504 |

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF OPERATING TRANSFERS
 Year Ended June 30, 2015

| | Share Fund | Title | Transfer | |
|--|---------------|--|----------------------|---------------|
| | | | In | Out |
| General Fund - Court Regular (14200) | | | | |
| (1) | 85300 | Department of Finance & Administration | \$ 22,640,900 | - |
| (2) | 62000 | Department of Finance & Administration | 422,000 | - |
| (3) | 13900 | Administrative Office of the Courts | 186,999 | - |
| (4) | 13900 | Administrative Office of the Courts | 30,000 | - |
| Capital Outlay (89200) | | | | |
| (5) | 20610 & 11720 | Department of Finance & Administration | 90,000 | - |
| (6) | 89200 | Department of Finance & Administration | 114,122 | - |
| Child Support Hearing Officer (67900) | | | | |
| (7) | 05200 | Human Services Department | 1,101,132 | - |
| (8) | 85300 | Department of Finance & Administration | - | 24,335 |
| | | | <u>\$ 24,585,153</u> | <u>24,335</u> |

- (1) General Fund Appropriation - Laws of 2014, Second Session, Chapter 63, Section 4
- (2) Other Financing Sources - Compensation Package - Laws of 2014, Second Session, Chapter 63, Section 4
- (3) Other Financing Sources - LETF for Juvenile Drug Court - Laws of 2014, Second Session, Chapter 63, Section 4
- (4) Other Financing Sources - CASA - Laws of 2014, Second Session, Chapter 63, Section 4, Item D
- (5) Other Financing Sources - Capital Outlay for Court Reporting System - Laws of 2014, Second Session, Chapter 66, Section 11, Item 1
- (6) Other Financing Sources - Capital Outlay for Security - Laws of 2013, First Session, Chapter 226, Section 15, Item 2
- (7) Other Intra State Services - CSED/HSD Agreement - Laws of 2014, Second Session, Chapter 63, Section 4
- (8) Reversion to State General Fund

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF DEPOSITS AND INVESTMENTS
 June 30, 2015

| | Type of Account | Bank Balance | Reconciled Balance |
|-----------------------------|-----------------|---------------------|--------------------|
| AGENCY FUND | | | |
| Cash in Bank | | | |
| Wells Fargo | Checking | \$ 241,386 | 150,064 |
| Wells Fargo | Checking | 874,065 | 873,855 |
| State Treasurer | | | |
| Local Gov't Investment Pool | Investment | 4,136,139 | 4,136,585 |
| Total Agency Fund | | <u>\$ 5,251,590</u> | <u>5,160,504</u> |

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF MEMORANDUMS OF UNDERSTANDING
 Year Ended June 30, 2015**

| Participants | Operation Responsibility | Description | Term | Total Estimated Amount | Agency Contribution | Audit Responsibility |
|---|--------------------------|--|----------------------|------------------------|---------------------|-----------------------|
| Second District Court &: | | | | | | |
| Office of the New Mexico Attorney General | Second District Court | Residential Mortgage Foreclosure Settlement Facilitation Pilot Project | 10/4/2013-12/31/2015 | \$ 350,000 | \$ - | Second District Court |
| Administrative Office of the Courts | Second District Court | Support Drug Court of NM | 7/1/2014-6/30/2015 | \$ 187,028 | \$ 186,999 | Second District Court |

- (1) Reporting is the responsibility of all parties involved.
 (2) The revenues and expenditures are reported in the books of the responsible party.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2015

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Agency or Pass Through Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|---------------------------------|
| <u>U.S. Department of Health and Human Services</u> | | | |
| Pass through from New Mexico Human Services Department | | | |
| * Child Support Enforcement | 93.563 | GSA 13-630-7101-0002 A3 | <u>720,327</u> |
| | | | <u>\$ 720,327</u> |

* Denotes Major Program

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Second Judicial District Court under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Court, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Second Judicial District Court.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3: Outstanding Loans and Subrecipients

The Court does not receive any non-cash assistance, outstanding loans nor provides federal awards for subrecipients.

Note 4: Other

About 2/3 of the pass through grant from NM Human Services Department is considered to be federal funds.

OTHER INFORMATION

Second Judicial District Court
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015
 Prepared by Agency Staff Name: Farah French Title: CFO Date 10/19/2015

| <i>RFB#/RFP#</i> | <i>Type of Procurement</i> | <i>Awarded Vendor</i> | <i>\$ Amount of Awarded Contract</i> | <i>\$ Amount of Amended Contract</i> | <i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i> | <i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i> | <i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i> | <i>Brief Description of the Scope of Work</i> |
|------------------|----------------------------|------------------------------|--------------------------------------|--------------------------------------|---|---|---|---|
| 2014-1 | RFP | Advantage Software, Inc. | \$69,300.00 | N/A | Advantage Software, Inc. 925 SE Central Parkway Stuart, FL 34994 | N | N/A | Realtime Computer Aided Transcription (CAT) production and viewing software, licensing, training and ongoing support. |
| 2014-1 | RFP | Advantage Software, Inc. | \$69,300.00 | N/A | Gigatron Software Corporation 8 Corporate Park Suite 100 Irvine, CA 92604 | N | N/A | Realtime Computer Aided Transcription (CAT) production and viewing software, licensing, training and ongoing support. |
| 2014-1 | RFP | Advantage Software, Inc. | \$69,300.00 | N/A | Stenograph 596 W. Lamont Road Elmhurst, IL 60126 | N | N/A | Realtime Computer Aided Transcription (CAT) production and viewing software, licensing, training and ongoing support. |
| 2015-2 | RFP | New Mexico Kids Matter, Inc. | \$100,000.00 | N/A | New Mexico Kids Matter, Inc. 2340 Alamo SE Suite 112 Albuquerque, NM 87106 | Y | N | Create, conduct, develop and maintain a Court Appointed Special Advocate (CASA) program. |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

OTHER REPORTS



6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

**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***

INDEPENDENT AUDITOR'S REPORT

Mr. Timothy Keller
New Mexico State Auditor
and
Honorable Nan G. Nash, Chief Judge
Second Judicial District Court
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the combined general fund units and major special revenue funds, of the State of New Mexico, Second Judicial District Court (Court), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Court, presented as supplementary information, and have issued our report thereon dated November 18, 2015.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court'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.

Ricci & Company LLC

Albuquerque, New Mexico
November 18, 2015



6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Mr. Timothy Keller
New Mexico State Auditor
and
Honorable Nan G. Nash, Chief Judge
Second Judicial District Court
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico, Second Judicial District Court's (Court) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Court's major federal programs for the year ended June 30, 2015. The Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Court's compliance.

Opinion on Each Major Federal Program

In our opinion, the Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ricci & Company LLC

Albuquerque, New Mexico
November 18, 2015

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

A. SUMMARY OF AUDIT RESULTS

Financial Statements

| | | |
|---|------------|--|
| Type of auditors' report issued: | Unmodified | |
| Internal control over financial reporting: | | |
| A. Material weaknesses identified | Yes | <input checked="" type="checkbox"/> No |
| B. Significant deficiencies identified that are not considered to be material weaknesses? | Yes | <input checked="" type="checkbox"/> No |
| Noncompliance material to the financial statements noted? | Yes | <input checked="" type="checkbox"/> No |

Federal Awards

| | | |
|---|-----|--|
| Internal control over major programs: | | |
| A. Material weaknesses identified? | Yes | <input checked="" type="checkbox"/> No |
| B. Significant deficiencies identified that are not considered to be material weaknesses? | Yes | <input checked="" type="checkbox"/> No |

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

| | | |
|--|-----|--|
| Any audit findings disclosed that are required to be reported in accordance with 510(a) of Circular A-133? | Yes | <input checked="" type="checkbox"/> No |
|--|-----|--|

Identification of major programs:

| | |
|---------------------|---|
| <i>CFDA Numbers</i> | <i>Name of Federal Program or Cluster</i> |
| 93-563 | Child Support Enforcement |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
|--|-----------|

| | | |
|--|---|----|
| Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> Yes | No |
|--|---|----|

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015
Section II - Financial Statement Findings**

No matters were reported.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015
Section III - Federal Awards Findings**

No matters were reported.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
PRIOR YEAR FINDINGS
Year Ended June 30, 2015

| <u>Reference</u> <u>Number</u> | <u>Condition</u> | <u>Disposition</u> |
|-----------------------------------|------------------|--------------------|
|-----------------------------------|------------------|--------------------|

None noted.

The financial statements were prepared by the auditors, Ricci & Company, LLC.

Although the Court has expertise to prepare the financial statements, they contracted with and paid the auditor to prepare the report and assigned an individual to oversee the services.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
EXIT CONFERENCE
June 30, 2015**

The contents of this report were discussed at an exit conference held on November 18, 2015 with the following in attendance:

Second Judicial District Court

Honorable Nan Nash, Chief Judge
James Noel, Court Executive Officer
Farah French, Fiscal Services Director
Dimple Tafoya, Financial Manager

Ricci Company LLC Personnel

Wayne Brown, CPA
Christina Cosme, CPA

We appreciate the opportunity to be of service to the Second Judicial District Court and also appreciate the assistance provided to us by the management and staff.