



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

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

Fiscal Year Ended June 30, 2016

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

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June 30, 2016

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**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
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June 30, 2016

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

OFFICIAL ROSTER

June 30, 2016

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 David N. Williams	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

FINANCIAL SECTION



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, 2016, 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, 2016, 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, 2016, 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, 2016, 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 will be presented on 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. That collectively comprise the basic financial statements.

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, 2016 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, 2016

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The Second Judicial District Court's management's discussion and analysis is provided as an overview of the Court's financial activities for the fiscal year ending June 30, 2016.

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 Net position 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, 2016

Condensed Financial Information:

	<u>FY2016</u>	<u>FY2015</u>	<u>Percent Change</u>
STATEMENT OF NET POSITION			
ASSETS			
Current and other assets	\$ 1,904,393	\$ 1,636,985	16.34%
Capital assets, net	1,081,867	1,092,819	-1.00%
Total assets	<u>2,986,260</u>	<u>2,729,804</u>	<u>9.39%</u>
LIABILITIES			
Current liabilities	1,867,090	1,516,418	23.13%
Long-term liabilities	133,474	133,881	-0.30%
Total liabilities	<u>2,000,564</u>	<u>1,650,299</u>	<u>21.22%</u>
NET POSITION			
Invested in capital assets	1,081,867	1,092,819	-1.00%
Restricted	720,950	817,050	-11.76%
Unrestricted	(817,122)	(830,364)	-1.59%
Total net position	<u>\$ 985,695</u>	<u>\$ 1,079,505</u>	<u>-8.69%</u>
STATEMENT OF ACTIVITIES			
REVENUES			
Program revenues	\$ 3,474,051	\$ 3,527,324	-1.51%
General revenue, net of transfers	23,582,297	23,459,687	0.52%
Total revenues	<u>27,056,348</u>	<u>26,987,011</u>	<u>0.26%</u>
EXPENSES			
Judicial	<u>27,150,157</u>	<u>26,682,951</u>	<u>1.75%</u>
Change in net position	(93,809)	304,060	-130.85%
Net position, beginning of year	<u>1,079,505</u>	<u>775,445</u>	<u>39.21%</u>
Net position, end of year	<u><u>\$985,696</u></u>	<u><u>\$ 1,079,505</u></u>	<u><u>-8.69%</u></u>

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Financial Highlights

The financial position and results from operation for the Second Judicial District Court during the year ended June 30, 2016 are detailed below. Total assets at June 30, 2016, were \$2,986,260. This includes petty cash of \$1,500 and Interest in State General Fund Investment Pool of \$1,585,299, due from external parties of \$35,167, due from other state agencies of \$22,015, due from local governments of \$183,834, supplies inventory of \$76,578 and capital assets of \$1,081,867, net of accumulated depreciation of \$3,154,861. Total liabilities were \$2,000,564, including current liabilities of \$1,867,090 and long-term liabilities of \$133,474. Net position includes unrestricted net position of (\$817,122), restricted net position of \$720,950 and \$1,081,867 invested in capital assets.

Total revenues for the year ended June 30, 2016 were \$27,056,348. This included State general fund appropriation of \$23,207,500, bond proceeds appropriation of \$194,495, other state funds of \$213,014, net of reversion, charges for services in the amount of \$195,965, court fees of \$361,029, revenue from federal grants-operating of \$1,068,421, net of reversion, and revenue from other operating grants of \$1,815,925. Total expenses were \$27,150,157. The total change in net position for the year was a decrease of \$93,810, resulting in a net asset balance of \$985,695 as of June 30, 2016.

The amount due to Other State Agencies was \$44,834. This reversion figure includes the actual amount reverted for fiscal year 2016. The Child Support Hearing Officer Program reversion for fiscal year 2016 was \$32,712. The reversion for the Residential Mortgage Foreclosure Settlement Facilitation Pilot Project was \$12,122 for fiscal year 2016.

Total fund equity was \$799,028, which includes \$1,500 for petty cash, \$76,578 for supplies inventory, \$95,047 from Adult Drug Court program fees, \$329,075 from the Court Mediation fund, and \$296,828 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, 2016**

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 (L.G.I.P) and earned an average of .26% interest during the year ending June 30, 2016. 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 2016 legislative session lasted 30 days. The Court requested \$29.1 million and was appropriated \$27.8 million with an additional \$294,200 for Capital Outlay. The Court's budget was further reduced by a budget reduction of \$139,800, a 0.6% sanding. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration.

Approved budgets increased by \$57,945, during the year from the original amount of \$28,174,073 to \$28,232,018. This .2% increase is primarily attributed to increasing the DWI Drug Court Federal Grant and Adult Drug Court fees budgets, and decreasing the Bernalillo County Pre Trial Services Grant, the Optum Health Veteran's Court Grant and Probation Violation Docket Grant budget to match the actual contract amounts. Actual budgetary basis expenditures of \$27,152,447 are within the total allowed in the final approved budget by \$1,079,571.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The statement of revenues and expenditures reflects a balance of \$(96,099) for the net change in fund balances in the Total Governmental Funds column. The main contributing factor to the decrease was the Court decreased 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, 2016 increased by \$283,779. 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 decreased by \$407 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 \$23,207,500 includes Court Regular, Adult Drug Court, Juvenile Drug Court and Judicial Supervision Program f/k a Mental Health Court. This amount includes a budget shaving of 0.6% or \$139,800. This reduced amount reflects an increase of \$566,600, or 2.5%, from the prior fiscal year. The other state funds amount of \$225,136 consists of \$195,136 from AOC for the LEET DWI Grant for Juvenile Drug Court and \$30,000 from AOC for CASA. There was not a compensation package this fiscal year. The Child Support Enforcement Hearing Officer fund was created through a grant agreement from the Human Services Department for \$1,101,132. This amount has remained flat from the prior fiscal year. The amount of \$1,815,925 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, 2016**

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 2016 was \$214,878, an increase of \$15,888 or 7.9% from fiscal year 2015. 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 2016, the revenue generated for this program was \$146,151, a decrease of \$10,584, or 6.7% from fiscal year 2015. 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 FY16, the Court was appropriated \$144,400 for Security Equipment and \$149,800 for a Court Recording Equipment for a grand total of \$294,200. The Court expended \$194,495 leaving a balance of \$99,705 to be expended in fiscal year 2017.

Economic Factors and Next Year's Budget

The budget request for fiscal year 2017 was \$29.8 million, which included the general fund and special revenue funds. The approved appropriation was \$27.7 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 FY17 Unified Budget represented approximately 2.59% of the total state budget, and the Court's represented approximately 17% of the total unified budget. In October 2016, FY17 budgets were further reduced. The Court's general fund budget was reduced by 3% resulting in a total budget of \$27 million.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 has been some reduction in both civil and criminal case filings, family court files remain steady and juvenile court files experience significant increases. 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 continuing 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
 GOVERNMENT WIDE
 June 30, 2016

	Governmental Activities
ASSETS	
Petty cash	\$ 1,500
Investments in State General Fund Investment Pool	1,585,298
Due from external parties	35,167
Due from other state agencies	22,015
Due from local governments	183,834
Supplies inventory	76,578
Capital assets, net	<u>1,081,867</u>
Total assets	<u>2,986,259</u>
LIABILITIES	
Investment in SGFIP - overdraft	22,015
Accounts payable	217,289
Accrued payroll	818,038
Due to other state agencies	47,642
Other liabilities	379
Compensated absences:	
Due within one year	761,726
Due in more than one year	<u>133,474</u>
Total liabilities	<u>2,000,563</u>
NET POSITION	
Net investment in capital assets	1,081,867
Restricted for program expenditures	720,951
Unrestricted	<u>(817,122)</u>
Total net position	<u>\$ 985,696</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
 GOVERNMENT WIDE
 Year Ended June 30, 2016

	Governmental Activities
EXPENSES	
Judicial:	
Administrative services	\$ 26,855,428
Depreciation expense	293,706
Loss on disposal of capital assets	1,025
Total expenses	<u>27,150,159</u>
PROGRAM REVENUES	
Charges for services	195,965
Court fees	361,029
Federal grants - operating	1,101,132
Other operating grants and contributions	1,815,925
Total program revenues	<u>3,474,051</u>
Net program expenses	<u>(23,676,108)</u>
GENERAL REVENUE	
General Fund appropriation	23,207,500
Other state funds	225,136
Bond proceeds appropriation	194,495
Reversion to other state agencies	(44,832)
Total general revenue	<u>23,582,299</u>
Change in net position	(93,809)
Net position at beginning of year	<u>1,079,505</u>
Net position at end of year	<u><u>\$ 985,696</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, 2016

	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	957,232	-	330,513	297,553	1,585,298
Due from external parties	32,847	-	850	1,470	35,167
Due from other state agencies	-	22,015	-	-	22,015
Due from local governments	183,834	-	-	-	183,834
Supplies inventory	76,578	-	-	-	76,578
Total assets	\$ 1,251,991	22,015	331,363	299,023	1,904,392
LIABILITIES AND FUND BALANCES					
Liabilities:					
Investment in SGFIP - overdraft	-	22,015	-	-	22,015
Accounts payable	\$ 217,289	-	-	-	217,289
Accrued payroll	813,556	-	2,288	2,194	818,038
Due to other state agencies	47,642	-	-	-	47,642
Other liabilities	379	-	-	-	379
Total liabilities	1,078,866	22,015	2,288	2,194	1,105,363
Fund Balances:					
Nonspendable:					
Petty cash	1,500	-	-	-	1,500
Inventory	76,578	-	-	-	76,578
Restricted	95,047	-	329,075	296,829	720,951
Total fund balances	173,125	-	329,075	296,829	799,029
Total liabilities and fund balances	\$ 1,251,991	22,015	331,363	299,023	1,904,392

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, 2016

Total fund balances for governmental funds \$ 799,029

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	\$ 4,236,727
Accumulated depreciation	<u>(3,154,860)</u>

Total capital assets	1,081,867
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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>(895,200)</u>
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Net position of governmental activities	<u><u>\$ 985,696</u></u>
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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, 2016

	Major Funds				Total Governmental Funds
	Combined General Fund	STB Capital Outlay (89200)	Mediation Fund (92000)	Alternative Dispute Resolution (92200)	
REVENUES					
Charges for services	\$ 195,965	-	-	-	195,965
Court fees	-	-	214,878	146,151	361,029
Federal grants - operating	1,101,132	-	-	-	1,101,132
Other grants	1,815,925	-	-	-	1,815,925
Total revenues	3,113,022	-	214,878	146,151	3,474,051
EXPENDITURES					
Judicial:					
Current:					
Administrative services	26,448,315	100,321	190,711	129,324	26,868,671
Capital outlay	189,604	94,174	-	-	283,778
Total expenditures	26,637,919	194,495	190,711	129,324	27,152,449
Excess (deficiency) of revenues over expenditures	(23,524,897)	(194,495)	24,167	16,827	(23,678,398)
OTHER FINANCING SOURCES (USES)					
Transfers out:					
Reversions to other state agencies					
FY2016	(44,832)	-	-	-	(44,832)
Transfers in:					
General fund appropriation	23,207,500	-	-	-	23,207,500
Other state funds	225,136	-	-	-	225,136
Bond proceeds appropriation	-	194,495	-	-	194,495
Total other financing sources (uses)	23,387,804	194,495	-	-	23,582,299
Net change in fund balances	(137,093)	-	24,167	16,827	(96,099)
Fund balances at beginning of year	307,465	-	304,908	280,002	892,375
Increase in reserve for supplies inventory	2,753	-	-	-	2,753
Fund balances at end of year	\$ 173,125	-	329,075	296,829	799,029

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, 2016

Net change in fund balances - total governmental funds \$ (96,099)

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	\$ 283,778	
Depreciation expense	(293,706)	
Loss on disposal of capital assets	<u>(1,025)</u>	
Excess of capital outlay over depreciation expense		(10,953)
Supplies inventory		2,753

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

(Increase) decrease in compensated absences 10,490

Change in net position of governmental activities \$ (93,809)

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 GOVERNMENT FUNDS
 Year Ended June 30, 2016

	Combined General Fund			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Other gifts and grants	\$ 2,157,000	2,095,141	1,815,924	(279,217)
Miscellaneous revenue	230,000	250,000	195,965	(54,035)
Appropriations	23,347,300	23,207,500	23,207,500	-
Federal grants	1,101,100	1,189,568	1,101,132	(88,436)
Other financing sources	213,800	225,136	225,136	-
Total revenues	<u>27,049,200</u>	<u>26,967,345</u>	<u>26,545,657</u>	<u>(421,688)</u>
Fund balance	160,373	160,373		
Total resources	<u><u>\$ 27,209,573</u></u>	<u><u>27,127,718</u></u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 25,103,400	24,620,695	24,256,853	363,842
Contractual services	434,600	831,321	779,544	51,777
Other costs	1,671,573	1,675,702	1,601,522	74,180
Total expenditures	<u>\$ 27,209,573</u>	<u>27,127,718</u>	<u>26,637,919</u>	<u>489,799</u>
Deficiency of revenue and other financing sources over expenditures and transfers			\$ (92,262)	
Less reversion FY16			<u>(44,832)</u>	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP basis)			<u><u>\$ (137,094)</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 AND EXPENDITURES - BUDGET AND ACTUAL
 (NON-GAAP BUDGETARY BASIS)
 MAJOR GOVERNMENT FUNDS
 Year Ended June 30, 2016

	Mediation Fund (92000)			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 114,600	114,600	144,420	29,820
Pay care individual	118,300	118,300	70,458	(47,842)
Total revenues	232,900	232,900	214,878	(18,022)
Fund balance	203,700	203,700		
Total resources	<u>\$ 436,600</u>	<u>436,600</u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 436,600	436,600	190,711	245,889
Total expenditures	<u>\$ 436,600</u>	<u>436,600</u>	190,711	245,889

Changes in fund balances per statement of revenues, expenditures
 expenditures and changes in fund balance (GAAP basis) \$ 24,167

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 GOVERNMENT FUNDS
 Year Ended June 30, 2016

	<u>Alternative Dispute Resolution (92200)</u>			
	Budget	Budget	Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 143,600	143,600	146,152	2,552
Fund balance	229,900	229,900		
Total resources	<u>373,500</u>	<u>373,500</u>		
EXPENDITURES				
Administrative Services:				
Personal services and benefits	\$ 373,500	373,500	129,325	244,175
Changes in fund balances per statement of revenues, expenditures				
changes in fund balance (GAAP basis)			<u>\$ 16,827</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, 2016**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 527,167
Interest in local government investment pool	<u>3,425,662</u>
Total assets	<u><u>\$ 3,952,829</u></u>
LIABILITIES	
Due to external parties	<u><u>\$ 3,952,829</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, 2016

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, 2016

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, 2016, there was a remaining balance of \$95,047. 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 1401060011 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 Human Services Department. 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.

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, 2016

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, 2016

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 maintain 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, 2016 is summarized below:

Restricted for Adult Drug Court	\$ 95,047
Restricted for Mediation	329,075
Restricted for Arbitration	296,828
Total	<u>\$ 720,950</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 are 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, 2016

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:

Years of Service	Hours Earned Per Month
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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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.

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.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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, 2016 the Court had the following invested in the General Fund Investment Pool:

	SHARE Account	SHARE Balance
Interest in State General Fund Investment Pool:		
Court Regular	14200	\$ 886,952
Child Support Hearing Officer	67900	70,281
Capital Outlay	89200	(22,015)
Court Mediation	92000	330,513
Court Arbitration (Alternative Dispute)	92200	297,553
Total		<u>\$ 1,563,284</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.

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, 2016.

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.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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	\$ 663,964	\$ <u>527,167</u>
Less: FDIC coverage	<u>(250,000)</u>	
Uninsured litigant funds	413,964	
Pledged collateral held by pledging bank's trust department or agent but not in the Court's name	<u>(206,982)</u>	
Uninsured and uncollateralized	<u>\$ 206,982</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, \$413,964 of the Court's bank account balances were exposed to custodial credit risk.

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>1,563,284</u>
Agency Funds:	
State Treasurer's Local Government Investment Pool (LGIP)	\$ <u>3,425,663</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.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 6. INVESTMENTS (CONTINUED)

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 \$3,425,663 44 dayday WAM(R); 77 day WAM (F)

NOTE 7. DUE FROM / DUE TO

Due from in the Statement of Net Position consists of grants and other receivables from external parties at year end. The due to Other State Agencies in the Statement of Net Position includes \$32,711 of 2016 fiscal year reversion that will be remitted to the Human Services Department.

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	2,056,798	138,429	(7,997)	2,187,230
Data processing	630,016	-	-	630,016
Machinery & equipment	1,176,894	145,350	(5,124)	1,317,120
Vehicles	72,362	-	-	72,362
Total depreciable	3,936,070	283,779	(13,121)	4,206,728
Total	\$ 3,966,070	283,779	(13,121)	4,236,728
Accumulated Depreciation:				
Furniture and fixtures	\$ (1,598,171)	(55,433)	7,997	(1,645,607)
Data processing	(478,500)	(92,570)	-	(571,070)
Machinery & equipment	(741,801)	(142,773)	4,099	(880,475)
Vehicles	(54,779)	(2,930)	-	(57,709)
Total	(2,873,251)	(293,706)	12,096	(3,154,861)
Total capital assets, net	\$ 1,092,819	(9,927)	(1,025)	1,081,867

Current year depreciation expense is \$293,706.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

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	\$ 885,353	1,078,397	(1,091,554)	872,196	752,407
Sick leave	18,450	17,283	(14,014)	21,719	8,035
Compensatory leave	1,886	-	(602)	1,284	1,284
Total	<u>\$ 905,689</u>	<u>1,095,680</u>	<u>(1,106,169)</u>	<u>895,200</u>	<u>761,726</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 \$74,565 for the year ending June 30, 2016.

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

2017	\$ 51,141
2018	24,871
2019	19,978
2020	8,873
	<u>\$ 104,863</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, 2016**

NOTE 12. JRA RETIREMENT PLAN

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, 2016, 2015 and 2014 were \$479,355, \$475,170 and \$347,385, 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 \$521,236, \$546,098 and \$538,194, in filing fees for the year ending June 30, 2016, 2015 and 2014, respectively (attributed to JRA portion only).

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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13. PERA RETIREMENT PLAN (CONTINUED)

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, 2016, 2015 and 2014 were \$2,353,270, \$2,347,586 and \$2,241,342, 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).

The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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, 2016**

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, 2016, 2015 and 2014 were \$356,912, \$355,876 and \$343,499, 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 \$300,248 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, 2016, the Court is participating in proceedings 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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16. DUE TO/FROM OTHER STATE AGENCIES

As of June 30, 2016 the Court's general fund was due \$22,015 from Department of Finance and Administration (SHARE Fund 50230) to the Court (SHARE Fund 89200) for capital outlay for security equipment.

The Court had due \$32,711 due to Human Services Department (SHARE Fund 05200) from the Court (SHARE fund 67900), \$12,123 due to New Mexico Attorney General (SHARE Fund 14200) from the Court (SHARE fund 14200), for FY16 reversion. The Court had due \$2,522 due to Public Employees' Retirement Association (SHARE Fund 54400) from the Court (SHARE Fund 14200) for FY16 PERA contributions. The Court had due \$286 to Retiree Health Care Authority (SHARE Fund 38100) from the Court (SHARE Fund 14200) for FY16 RHIC contributions.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING BALANCE SHEET - GENERAL FUND
 June 30, 2016

	Court Regular (14200)	Hearing Officer (67900)	Total
ASSETS			
Petty cash	\$ 1,500	-	1,500
Investment in SGFIP	886,952	70,280	957,232
Due from external parties	32,847	-	32,847
Due from other state agencies	-	-	-
Due from local governments	183,834	-	183,834
Supplies inventory	76,578	-	76,578
Total assets	\$ 1,181,711	70,280	1,251,991
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 216,346	943	217,289
Accrued payroll	776,930	36,626	813,556
Due to other state agencies	14,931	32,711	47,642
Other liabilities	379	-	379
Total liabilities	1,008,586	70,280	1,078,866
Fund Balances:			
Nonspendable:			
Petty cash	1,500	-	1,500
Inventory	76,578	-	76,578
Restricted	95,047	-	95,047
Total fund balances	173,125	-	173,125
Total liabilities and fund balances	\$ 1,181,711	70,280	1,251,991

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GENERAL FUND
 Year Ended June 30, 2016

	Court Regular (14200)	Hearing Officer (67900)	Total
REVENUES			
Charges for services	\$ 195,965	-	195,965
Federal grants - operating	-	1,101,132	1,101,132
Other grants	1,815,925	-	1,815,925
Total revenues	<u>2,011,890</u>	<u>1,101,132</u>	<u>3,113,022</u>
EXPENDITURES			
Judicial:			
Current:			
Administrative services	25,379,893	1,068,422	26,448,315
Capital outlay	189,604	-	189,604
Total expenditures	<u>25,569,497</u>	<u>1,068,422</u>	<u>26,637,919</u>
Excess (deficiency) of revenues over expenditures	<u>(23,557,607)</u>	<u>32,710</u>	<u>(23,524,897)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out:			
Reversions to other state agencies FY2016	(12,122)	(32,710)	(44,832)
Transfers in:			
General Fund appropriation	23,207,500	-	23,207,500
Other state funds	225,136	-	225,136
Total other financing sources (uses)	<u>23,420,514</u>	<u>(32,710)</u>	<u>23,387,804</u>
Net change in fund balances	(137,093)	-	(137,093)
Fund balances at beginning of year	307,465	-	307,465
Increase in reserve for supplies inventory	2,753	-	2,753
Fund balances at end of year	<u>\$ 173,125</u>	<u>-</u>	<u>173,125</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, 2016

	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Court Regular (14200)				
REVENUES				
Other gifts and grants	\$ 2,157,000	2,095,141	1,815,924	(279,217)
Federal grants	-	88,436	-	(88,436)
Misc. revenue	230,000	250,000	195,965	(54,035)
Appropriations	23,347,300	23,207,500	23,207,500	-
Other financing sources	213,800	225,136	225,136	-
Total revenues	25,948,100	25,866,213	25,444,525	(421,688)
Fund balance	160,373	160,373		
Total resources	\$ 26,108,473	26,026,586		

EXPENDITURES

Administrative services:

Personal services and benefits	\$ 24,047,000	23,577,295	23,234,910	342,385
Contractual services	434,600	831,321	779,544	51,777
Other costs	1,626,873	1,617,970	1,555,043	62,927
Total expenditures	\$ 26,108,473	26,026,586	25,569,497	457,089

Hearing Officer (67900)

REVENUES

Federal grants	\$ 1,101,100	1,101,132	1,101,132	-
Total revenues	\$ 1,101,100	1,101,132	1,101,132	-

EXPENDITURES

Administrative services:

Personal services and benefits	\$ 1,056,400	1,043,400	1,021,943	21,457
Other costs	44,700	57,732	46,479	11,253
Total expenditures	\$ 1,101,100	1,101,132	1,068,422	32,710

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, 2016

	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Total Combined General Fund				
REVENUES				
Other gifts and grants	\$ 2,157,000	2,095,141	1,815,924	(279,217)
Misc. revenue	230,000	250,000	195,965	(54,035)
Appropriations	23,347,300	23,207,500	23,207,500	-
Federal grants	1,101,100	1,189,568	1,101,132	(88,436)
Other financing sources	213,800	225,136	225,136	-
Total revenues	\$ 27,049,200	26,967,345	26,545,657	(421,688)
Fund balance	160,373	160,373		
Total resources	\$ 27,209,573	27,127,718		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 25,103,400	24,620,695	24,256,853	363,842
Contractual services	434,600	831,321	779,544	51,777
Other costs	1,671,573	1,675,702	1,601,522	74,180
Total expenditures	\$ 27,209,573	27,127,718	26,637,919	489,799

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, 2016

	<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	\$ 294,200	294,200	194,495	(99,705)
EXPENDITURES				
Administrative Services:				
Contractual services	\$ 13,398	13,398	13,398	-
Other costs	280,802	280,802	181,097	(99,705)
Total expenditures	<u>\$ 294,200</u>	<u>294,200</u>	<u>194,495</u>	<u>(99,705)</u>
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP Basis)			<u>\$ -</u>	

Note: In fiscal year 2016, the Court received capital projects appropriation of \$149,800 for courtroom recording equipment for use through fiscal year 2018. At the end of fiscal year 2016, the Court expended \$57,042 and carried over an unexpended balance of \$92,758 to fiscal year 2017.

Note: In fiscal year 2016, the Court received capital projects appropriation of \$144,400 for security equipment for use through fiscal year 2019. At the end of fiscal year 2016, the Court expended \$137,453 and carried over an unexpended balance of \$6,947 to fiscal year 2017.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2016

	Agency Fund			
	Beginning Balance	Increase	Decrease	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 1,023,920	9,452,720	9,949,473	527,167
Interest in local government investment pool	4,136,585	3,397,782	4,108,705	3,425,662
Total assets	\$ 5,160,505	12,850,502	14,058,178	3,952,829
LIABILITIES				
Due to litigants	\$ 5,160,505	12,850,502	14,058,178	3,952,829

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF OPERATING TRANSFERS
 Year Ended June 30, 2016

	Share Fund	Title	Transfer	
			In	Out
General Fund - Court Regular (14200)				
(1)	85300	Department of Finance & Administration	\$ 23,207,500	\$ -
(2)	13900	Administrative Office of the Courts	195,136	-
(3)	13900	Administrative Office of the Courts	30,000	-
(4)	54400	New Mexico Attorney General	-	12,122
Capital Outlay (89200)				
(5)	50230	Department of Finance & Administration	57,042	-
(6)	50230	Department of Finance & Administration	137,453	-
Child Support Hearing Officer (67900)				
(7)	05200	Human Services Department	1,101,132	-
(8)	05200	Human Services Department	-	32,711
			<u>\$ 24,728,263</u>	<u>\$ 44,833</u>

(1) General Fund Appropriation - Laws of 2015, First Session, Chapter 101, Section 4

(2) Other Services-Interagency - I I F for Juvenile Drug Court - Laws of 2015, First Session, Chapter 101, Section 4

(3) Other Financing Sources - CASA - Laws of 2015, First Session, Chapter 101, Section 4

(4) Reversion to NLAG

(5) Other Financing Sources-SIB Proceeds - Capital Outlay for Courtroom Recording Equipment - Laws of 2015, First Session, Chapter 3, Section 13

(6) Other Financing Sources-SIB Proceeds - Chapter 66, Section 11, Item 1
 Capital Outlay for Security Equipment - Laws of 2015,
 First Session, Chapter 3, Section 13

(7) Federal Grants-Interagency - CSED HSD Agreement - Laws of 2015, First Session, Chapter 101, Section 4

(8) Reversion to CSED HSD

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF DEPOSITS AND INVESTMENTS
 June 30, 2016

	Type of Account	Bank Balance	Reconciled Balance
AGENCY FUND			
Cash in Bank			
Wells Fargo	Checking	\$ 199,725	68,010
Wells Fargo	Checking	464,239	459,157
State Treasurer			
Local Gov't Investment Pool	Investment	3,424,641	3,425,662
Total Agency Fund		\$ 4,088,605	3,952,829

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF MEMORANDUMS OF UNDERSTANDING
 Year Ended June 30, 2016**

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	7/1/2015-6/30/2016	\$ 195,136	\$ 195,136	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.

OTHER INFORMATION

Agency Number Name	Agency Name Name	Agency Type Name	Member Name Name	Type of Procurement Name	Member Name Name	DM Member Title Contract?	\$ Amount of Awarded Contract Name	\$ Amount of Awarded Contract Name	Physical address of member (City, State) Name	DM the Member provide documentation of eligibility for in-state procurement? Name	DM the Member provide documentation of eligibility for enterprise/procurement? Name	Brief description of the scope of Work Name	If the procurement is attributable to a Component Unit, Name of Component Unit Name

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, 2016, 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, 2016.

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, 2016

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016
Section II - Financial Statement Findings**

No matters were reported.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
PRIOR YEAR FINDINGS
Year Ended June 30, 2016**

Reference Number	Condition	Disposition
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None noted.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
EXIT CONFERENCE
June 30, 2016**

The contents of this report were discussed at an exit conference held on November 29, 2016 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
Lee Baldwin, 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. The financial statements were prepared by the Court.