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

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

Fiscal Year Ended June 30, 2018

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

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June 30, 2018

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**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
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June 30, 2018

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INTRODUCTORY SECTION

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

OFFICIAL ROSTER

June 30, 2018

Judges

Honorable William E. 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 T. Jaramillo	Division 8
Honorable Cindy Leos	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 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 Jane Levy	Division 25
Honorable Charles Brown	Division 26
Honorable Victor S. 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



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Independent Auditor's Report

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

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, 2018, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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, and the budgetary comparisons for the general fund and major special revenue fund of the Court as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Second Judicial District Court are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining information and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund that are attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 through 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The Schedules listed as "Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relates 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court's 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
October 26, 2018

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018.

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, 2018

Condensed Financial Information:

	<u>FY2018</u>	<u>FY2017</u>	Percent Change
STATEMENT OF NET POSITION			
ASSETS			
Current and other assets	\$ 1,711,917	\$ 1,960,844	-10.08%
Capital assets, net	936,893	917,193	2.15%
Total assets	<u>2,648,810</u>	<u>2,878,037</u>	-6.18%
LIABILITIES			
Current liabilities	2,021,183	1,899,837	6.39%
Long term liabilities	-	110,640	-100.00%
Total liabilities	<u>2,021,181</u>	<u>2,010,477</u>	0.53%
NET ASSETS			
Invested in capital assets	936,893	917,193	2.15%
Restricted	615,002	715,881	-14.09%
Unrestricted	(924,266)	(765,514)	14.04%
Total net position	<u>\$ 627,629</u>	<u>\$ 867,560</u>	-21.74%
STATEMENT OF ACTIVITIES			
REVENUES			
Program revenues	\$ 3,570,718	\$ 3,149,990	8.19%
General revenue, net of transfers	22,753,112	22,854,438	0.27%
Total revenues	26,323,830	26,004,428	1.23%
EXPENSES			
Judicial	26,464,436	26,122,564	1.49%
Change in net position	(140,606)	(118,136)	59.66%
Net position, beginning of year, as restated	<u>768,235</u>	<u>985,696</u>	-11.99%
Net position, end of year	<u>\$ 627,629</u>	<u>\$ 867,560</u>	-21.74%

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Financial Highlights

The financial position and results from operation for the Second Judicial District Court during the year ended June 30, 2018 are detailed below. Total assets at June 30, 2018, were \$2,648,810. This includes petty cash of \$1,500 and Interest in State General Fund Investment Pool of \$1,461,133, due from external parties of \$15,342, due from local governments of \$196,666, due from federal governments of \$37,276 and capital assets of \$936,893, net of accumulated depreciation of \$3,707,060. Total liabilities were \$2,021,181, which are all current liabilities. Net position includes unrestricted net position of (\$924,266), restricted net position of \$615,002 and \$936,893 invested in capital assets.

Total revenues for the year ended June 30, 2018 were \$26,323,830. This included State general fund appropriation of \$22,721,800, other state funds of \$31,312, charges for services in the amount of \$355,818, court fees of \$333,974, revenue from federal grants-operating of \$845,674 and revenue from other operating grants of \$2,035,252. Total expenses were \$26,464,436. The total change in net position for the year was a decrease of \$140,606, resulting in a net asset balance of \$627,629 as of June 30, 2018.

Total fund equity was \$616,502, which includes \$1,500 for petty cash, \$133,905 from Adult Drug Court program fees, \$224,141 from the Court Mediation fund, and \$256,956 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, 2018

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 1.28% interest during the year ending June 30, 2018. 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 2018 legislative session lasted 30 days. The Court requested \$28.0 million and was appropriated \$27.1 million. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration.

Approved budgets increased by \$448,322, during the year from the original amount of \$27,093,721 to \$27,542,043. This 1.6% increase is primarily attributed to receiving two new federal grants; OJP Veterans' Court and Healing to Wellness SAMHSA. Actual budgetary basis expenditures of \$26,424,711 are within the total allowed in the final approved budget by \$1,117,332.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The statement of revenues and expenditures reflects a balance of (\$100,881) 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 the Mediation and Arbitration Special Revenue Funds.

Capital Assets

The Court's capital assets for the year ended June 30, 2018 increased by \$279,072. This includes furniture and equipment and computers needed for the courthouse. The Court does not own any real property or infrastructure assets.

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 \$22,721,800 includes Court Regular, Adult Drug Court, Juvenile Drug Court and Judicial Supervision Program f/k/a Mental Health Court. This amount reflects an increase of \$392,800, or 1.7%, from the prior fiscal year. The other state funds amount of \$194,160 consists of \$162,848 from AOC for the LETF JDC Grant for Juvenile Drug Court and \$31,312 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 \$1,056,400. This amount is unchanged from the prior fiscal year. The expenditures for the Child Support Enforcement Hearing Officer fund were \$994,804. The remaining balance of \$180,197 in the federal grants column is attributed to the OJP DWI Federal Grant, OJP Veterans Court Federal Grant and Healing to Wellness SAMHSA Federal Grant. The amount of \$1,705,925 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, Falling Colors for Veterans' Court, City of Albuquerque for Assisted Outpatient Program and Bernalillo County for DWI Court. Grant revenue is on a cost reimbursement basis.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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 2018 was \$184,439, an increase of \$22,700 or 14% from fiscal year 2017. 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 2018, the revenue generated for this program was \$149,535, an increase of \$3,435 or 2.3% from fiscal year 2017. This is also a non-reverting fund.

Economic Factors and Next Year's Budget

The budget request for fiscal year 2019 was \$30.2 million, which included the general fund and special revenue funds. The approved appropriation was \$28.7 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 FY19 Unified Budget represented approximately 2.87% of the total state budget, and the Court's represented approximately 14.6% of the total unified budget.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The most significant impact on the state's budget consists of revenues generated by severance taxes on the extractive industries, most specifically oil and natural gas. Rising oil and gas prices, a national focus energy self-sufficiency, and advancements made in extractive technologies have all resulted in greater exploration and expansion of production in the New Mexico oil fields. Current revenue projections for FY20 suggest an increase in general funds available to the state of up to \$2 billion. This is important for continuity of operations for the Court because we have seen an increase in both civil and criminal new case filings, and an increase in reopened family cases, which has stretched the Court's current resources to capacity. In addition, with changes to the state constitution granting judges more latitude in holding criminal defendants in custody before trial, this Court's criminal bench adjudicates 80% of all preventive detention motions filed in New Mexico. 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.

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 STATEMENT OF NET POSITION
 GOVERNMENT WIDE
 June 30, 2018**

	Governmental Activities
ASSETS	
Petty cash	\$ 1,500
Investments in State General Fund Investment Pool	1,461,133
Due from external parties	15,342
Due from local governments	196,666
Due from federal government	37,276
Capital assets, net	<u>936,893</u>
Total assets	<u><u>\$ 2,648,810</u></u>
LIABILITIES	
Accounts payable	159,464
Accrued payroll	935,951
Compensated absences:	
Due within one year	<u>925,766</u>
Total liabilities	<u>2,021,181</u>
NET POSITION	
Net investment in capital assets	936,893
Restricted for program expenditures	615,002
Unrestricted (Deficit)	<u>(924,266)</u>
Total net position	<u><u>\$ 627,629</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 ACTIVITIES
 GOVERNMENT WIDE
 Year Ended June 30, 2018**

	Governmental Activities
EXPENSES	
Judicial:	
Administrative services	\$ 26,205,066
Depreciation expense	259,370
Total expenses	<u>26,464,436</u>
PROGRAM REVENUES	
Charges for services	355,818
Court fees	333,974
Federal grants - operating	845,674
Other operating grants and contributions	2,035,252
Total program revenues	<u>3,570,718</u>
Net program expenses	<u>(22,893,718)</u>
GENERAL REVENUE	
General Fund appropriation	22,721,800
Other state funds	31,312
Total general revenue	<u>22,753,112</u>
Change in net position	(140,606)
Net position at beginning of year, as previously stated	867,560
Prior period adjustment	(99,325)
Net position - beginning, as restated	<u>768,235</u>
Net position at end of year	<u><u>\$ 627,629</u></u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2018**

	Major Funds			Total Governmental Funds
	Combined General Fund	Court Mediation Fund (92000)	Alternative Dispute Resolution (92200)	
ASSETS				
Petty cash	\$ 1,500	-	-	1,500
Investment in SGFIP	966,527	230,986	263,620	1,461,133
Due from external parties	12,872	1,120	1,350	15,342
Due from local governments	196,666	-	-	196,666
Due from federal government	37,276	-	-	37,276
Total assets	\$ 1,214,841	232,106	264,970	1,711,917
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	159,464	-	-	159,464
Accrued payroll	919,972	7,965	8,014	935,951
Total liabilities	1,079,436	7,965	8,014	1,095,415
Fund Balances:				
Nonspendable:				
Petty cash	1,500	-	-	1,500
Restricted	133,905	224,141	256,956	615,002
Total fund balances	135,405	224,141	256,956	616,502
Total liabilities and fund balances	\$ 1,214,841	232,106	264,970	1,711,917

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, 2018**

Total fund balances for governmental funds \$ 616,502

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	\$ 4,643,953
Accumulated depreciation	<u>(3,707,060)</u>

Total capital assets	936,893
-----------------------------	----------------

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>(925,766)</u>
----------------------	------------------

Net position of governmental activities	<u><u>\$ 627,629</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, 2018

	<u>Major Funds</u>			Total Governmental Funds
	Combined General Fund	Court Mediation Fund (92000)	Alternative Dispute Resolution (92200)	
REVENUES				
Charges for services	\$ 355,818	-	-	355,818
Court fees	-	184,439	149,535	333,974
Federal grants - operating	845,674	-	-	845,674
Other grants	2,035,252	-	-	2,035,252
Total revenues	3,236,744	184,439	149,535	3,570,718
EXPENDITURES				
Judicial:				
Current:				
Administrative services	25,740,849	256,258	199,843	26,196,950
Capital outlay	279,072	-	-	279,072
Total expenditures	26,019,921	256,258	199,843	26,476,022
Excess (deficiency) of revenues over expenditures	(22,783,177)	(71,819)	(50,308)	(22,905,304)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General fund appropriation	22,721,800	-	-	22,721,800
Other state funds	31,312	-	-	31,312
Bond proceeds appropriation	-	-	-	-
Total other financing sources (uses)	22,753,112	-	-	22,753,112
Net change in fund balances	(30,065)	(71,819)	(50,308)	(152,192)
Fund balances at beginning of year, as previously stated	264,795	295,960	307,264	868,019
Prior period adjustment	(99,325)	-	-	(99,325)
Fund balance, beginning of year, restated	165,470	-	-	165,470
Fund balances at end of year	\$ 135,405	224,141	256,956	616,502

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, 2018**

Net change in fund balances - total governmental funds \$ (152,192)

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	\$ 279,072	
Depreciation expense	(259,370)	
Excess of capital outlay over depreciation expense		19,702

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

(Increase) decrease in compensated absences	(8,116)
---	---------

Change in net position of governmental activities	\$ (140,606)
--	---------------------

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 GOVERNMENTAL FUNDS - COMBINED GENERAL FUND
Year Ended June 30, 2018**

	Combined General Fund			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Other gifts and grants	\$ 2,019,100	1,959,063	2,035,252	76,189
Miscellaneous revenue	230,000	230,000	355,818	125,818
Appropriations	22,721,800	22,721,800	22,721,800	-
Federal grants	1,095,000	1,601,153	845,674	(755,479)
Other financing sources	205,221	207,427	31,312	(176,115)
Total revenues	<u>26,271,121</u>	<u>26,719,443</u>	<u>25,989,856</u>	<u>(729,587)</u>
Fund balance	-	-		
Total resources	<u><u>\$ 26,271,121</u></u>	<u><u>26,719,443</u></u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 23,994,173	24,367,126	23,979,467	387,659
Contractual services	674,388	849,629	623,064	226,565
Capital outlay	-	-	279,072	(279,072)
Other costs	1,602,560	1,502,688	1,138,318	364,370
Total expenditures	<u>\$ 26,271,121</u>	<u>26,719,443</u>	<u>26,019,921</u>	<u>699,522</u>
Excess (Deficiency) of revenue and other financing sources over expenditures and transfers			\$ (30,065)	
Less reversion FY18			-	
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP basis)			<u><u>\$ (30,065)</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 GOVERNMENTAL FUNDS - MEDIATION FUND
Year Ended June 30, 2018**

	Court Mediation Fund (92000)			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 57,700	\$ 57,700	136,560	78,860
Pay/care individual	57,800	57,800	47,879	(9,921)
Total revenues	115,500	115,500	184,439	68,939
Fund balance	329,100	329,100		
Total resources	<u>\$ 444,600</u>	<u>444,600</u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 444,600	444,600	256,258	188,342
Total expenditures	<u>\$ 444,600</u>	<u>444,600</u>	256,258	188,342

Changes in fund balances per statement of revenues, expenditures
expenditures and changes in fund balance (GAAP basis) \$ (71,819)

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 GOVERNMENTAL FUNDS - ALTERNATE DISPUTE RESOLUTION FUND
 Year Ended June 30, 2018**

	<u>Alternative Dispute Resolution (92200)</u>			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 81,200	81,200	<u>149,535</u>	<u>68,335</u>
Fund balance	<u>296,800</u>	<u>296,800</u>		
Total resources	<u>378,000</u>	<u>378,000</u>		
EXPENDITURES				
Administrative Services:				
Personal services and benefits	<u>\$ 378,000</u>	<u>378,000</u>	<u>199,843</u>	<u>178,157</u>
Changes in fund balances per statement of revenues, expenditures				
changes in fund balance (GAAP basis)			<u>\$ (50,308)</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, 2018**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 381,379
Interest in local government investment pool	<u>3,101,536</u>
Total assets	<u><u>\$ 3,482,915</u></u>
LIABILITIES	
Due to external parties	<u><u>\$ 3,482,915</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, 2018**

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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018**

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, 2018, there was a remaining balance of \$133,905. 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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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

Investments in State General Fund Investment Pool. 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.

Due from Other Entities. 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, net. 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.

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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

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 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. *Net Investment 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 for Program Expenditures* 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* for program expenditures 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.

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.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (continued)

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, 2018 is summarized below:

Restricted for Adult Drug Court	\$ 133,905
Restricted for Mediation	224,141
Restricted for Arbitration	<u>256,956</u>
Total	<u>\$ 615,002</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.

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.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Compensated Absences Payable (Continued)

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.

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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

- (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.

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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018**

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, 2017, 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	\$ 930,454
Child Support Hearing Officer	67900	36,073
Court Mediation	92000	230,986
Court Arbitration (Alternative Dispute)	92200	<u>263,620</u>
Total		<u>\$ 1,461,133</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, 2018.

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, 2018

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	\$ 867,111	<u>\$ 381,379</u>
Less: FDIC coverage	<u>(250,000)</u>	
Uninsured litigant funds	617,111	
Pledged collateral held by pledging bank's trust department or agent but not in the Court's name	<u>(308,556)</u>	
Uninsured and uncollateralized	<u>\$ 308,555</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, \$617,111 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>\$ 1,461,133</u>
Agency Funds:	
State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 3,101,536</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, 2018

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 \$3,101,536 50 day WAM(R); 100 day WAM (F)

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 Court does not have any due to balances at year end.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciable				
Artwork	\$ 30,000	-	-	<u>30,000</u>
Depreciable				
Furniture and fixtures	2,195,527	17,397	-	2,212,924
Data processing	630,016	-	-	630,016
Machinery & equipment	1,436,976	261,675	-	1,698,651
Vehicles	72,362	-	-	<u>72,362</u>
Total depreciable	<u>\$ 4,334,881</u>	<u>279,072</u>	-	<u>4,613,953</u>
Total	<u>\$ 4,364,881</u>	<u>279,072</u>	-	<u>4,643,953</u>
Accumulated Depreciation:				
Furniture and fixtures	\$ (1,709,362)	(64,950)	-	(1,774,312)
Data processing	(619,800)	(10,215)	-	(630,015)
Machinery & equipment	(1,057,889)	(181,275)	-	(1,239,164)
Vehicles	(60,639)	(2,930)	-	<u>(63,569)</u>
Total	<u>\$ (3,447,690)</u>	<u>(259,370)</u>	-	<u>(3,707,060)</u>
Total capital assets, net	<u>\$ 917,191</u>	<u>19,702</u>	-	<u>936,893</u>

Current year depreciation expense is \$259,370.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

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	\$ 891,038	1,248,822	(1,244,108)	895,752	895,752
Sick leave	21,473	677,586	(670,405)	28,654	28,654
Compensatory leave	5,141	11,804	(15,585)	1,360	1,360
Total	<u>\$ 917,652</u>	<u>1,938,212</u>	<u>(1,930,098)</u>	<u>925,766</u>	<u>925,766</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 \$74,330 for the year ending June 30, 2018.

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

2019	\$ 71,773
2020	60,667
2021	29,735
2022	8,641
2023	1,515
	<u>\$ 172,331</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, 2018**

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, 33 Plaza La Prensa, Santa Fe, NM 87507. 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, 2018, 2017 and 2016 were \$479,762, \$477,168 and \$479,355, 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 \$524,134, \$517,598 and \$521,236 in filing fees for the year ending June 30, 2018, 2017 and 2016, 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, 2018**

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, 33 Plaza La Prensa, Santa Fe, NM 87507. 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, 2018, 2017 and 2016 were \$2,373,356, \$2,283,324 and \$2,353,270, 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, 2018**

**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.

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

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

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

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA 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.

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, 2018, 2017 and 2016 were \$359,348, \$348,314 and \$356,912, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018**

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 \$194,613 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, 2018, 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.

NOTE 16. DUE TO/FROM OTHER STATE AGENCIES

As of June 30, 2018, the Court does not have any due to/due from other state agencies balances.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 26, 2018, the date at which the financials were available to be issued for the year ended June 30, 2018.

NOTE 18. PRIOR PERIOD ADJUSTMENT

As a result of implementation of the DFA MAPS 10.11 related to inventory the Courts have restated the net position.

Position for the year end June 30, as follows:

Net position as previously reported June 30, 2017	\$ 264,795
Prior period adjustment – inventory	<u>(99,325)</u>
Net position as restated June 30, 2017	<u><u>\$ 165,470</u></u>

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING BALANCE SHEET - GENERAL FUND
 June 30, 2018**

	Court Regular (14200)	Hearing Officer (67900)	Total
ASSETS			
Petty cash	\$ 1,500	-	1,500
Investment in SGFIP	930,454	36,073	966,527
Due from external parties	12,872	-	12,872
Due from local governments	196,666	-	196,666
Due from federal government	37,276	-	37,276
	<hr/>		
Total assets	<u>\$ 1,178,768</u>	<u>36,073</u>	<u>1,214,841</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 159,464	-	159,464
Accrued payroll	883,899	36,073	919,972
Total liabilities	<u>1,043,363</u>	<u>36,073</u>	<u>1,079,436</u>
Fund Balances:			
Nonspendable:			
Petty cash	1,500	-	1,500
Restricted	133,905	-	133,905
Total fund balances	<u>135,405</u>	<u>-</u>	<u>135,405</u>
	<hr/>		
Total liabilities and fund balances	<u>\$ 1,178,768</u>	<u>36,073</u>	<u>1,214,841</u>

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND
Year Ended June 30, 2018**

	Court Regular (14200)	Hearing Officer (67900)	Total
REVENUES			
Charges for services	\$ 355,818	-	355,818
Federal grants - operating	180,197	665,477	845,674
Other grants	1,705,925	329,327	2,035,252
Total revenues	<u>2,241,940</u>	<u>994,804</u>	<u>3,236,744</u>
EXPENDITURES			
Judicial:			
Current:			
Administrative services	24,746,045	994,804	25,740,849
Capital outlay	279,072	-	279,072
Total expenditures	<u>25,025,117</u>	<u>994,804</u>	<u>26,019,921</u>
Excess (deficiency) of revenues over expenditures	<u>(22,783,177)</u>	-	<u>(22,783,177)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in:			
General Fund appropriation	22,721,800	-	22,721,800
Other state funds	31,312	-	31,312
Total other financing sources (uses)	<u>22,753,112</u>	-	<u>22,753,112</u>
Net change in fund balances	(30,065)	-	(30,065)
Fund balances at beginning of year, as previously stated	264,795	-	264,795
Prior period adjustment	(99,325)		(99,325)
Fund balances, beginning of year, restated	<u>165,470</u>	-	<u>165,470</u>
Fund balances at end of year	<u>\$ 135,405</u>	-	<u>135,405</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, 2018**

	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Court Regular (14200)				
REVENUES				
Other gifts and grants	\$ 2,019,100	1,959,063	2,035,252	76,189
Federal grants	88,400	544,753	180,197	(364,556)
Misc. revenue	230,000	230,000	355,818	125,818
Appropriations	22,721,800	22,721,800	22,721,800	-
Other financing sources	205,221	207,427	31,312	(176,115)
Total revenues	25,264,521	25,663,043	25,324,379	(338,664)
Fund balance	-	-	-	-
Total resources	\$ 25,264,521	25,663,043		

EXPENDITURES

Administrative services:

Personal services and benefits	\$ 22,987,573	23,315,726	22,989,088	326,638
Contractual services	674,388	849,629	623,064	226,565
Capital Outlay	-	-	279,072	(279,072)
Other costs	1,602,560	1,497,688	1,133,893	363,795
Total expenditures	\$ 25,264,521	25,663,043	25,025,117	637,926

Hearing Officer (67900)

REVENUES

Federal grants	\$ 1,006,600	1,056,400	665,477	(390,923)
State grants	-	-	329,327	329,327
Total revenues	\$ 1,006,600	1,056,400	994,804	(61,596)

EXPENDITURES

Administrative services:

Personal services and benefits	\$ 1,006,600	1,051,400	990,379	61,021
Other costs	-	5,000	4,425	575
Total expenditures	\$ 1,006,600	1,056,400	994,804	61,596

**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, 2018**

	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Total Combined General Fund				
REVENUES				
Other gifts and grants	\$ 2,019,100	1,959,063	2,035,252	76,189
Misc. revenue	230,000	230,000	355,818	125,818
Appropriations	22,721,800	22,721,800	22,721,800	-
Federal grants	1,095,000	1,601,153	845,674	(755,479)
Other financing sources	205,221	207,427	31,312	(176,115)
Total revenues	\$ 26,271,121	26,719,443	25,989,856	(729,587)
Fund balance	-	-		
Total resources	\$ 26,271,121	26,719,443		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 23,994,173	24,367,126	23,979,467	387,659
Contractual services	674,388	849,629	623,064	226,565
Capital Outlay	-	-	279,072	(279,072)
Other costs	1,602,560	1,502,688	1,138,318	364,370
Total expenditures	\$ 26,271,121	26,719,443	26,019,921	699,522

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2018**

	Agency Fund			
	Beginning Balance	Increase	Decrease	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 582,029	13,616,613	13,817,263	381,379
Interest in local government investment pool	1,716,522	7,131,681	5,746,667	3,101,536
Total assets	\$ 2,298,551	20,748,294	19,563,930	3,482,915
LIABILITIES				
Due to litigants	\$ 2,298,551	20,748,294	19,563,930	3,482,915

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF OPERATING TRANSFERS
 Year Ended June 30, 2018**

	Share Fund	Title	Transfer	
			In	Out
General Fund - Court Regular (14200)				
(1)	85300	Department of Finance & Administration	\$ 22,721,800	\$ -
(2)	13900	Administrative Office of the Courts	31,312	-
			<u>\$ 22,753,112</u>	<u>\$ -</u>

- (1) General Fund Appropriation - Laws of 2017, First Session, Chapter 135, Section 4.
- (2) Other Financing Sources - CASA - Laws of 2017, First Session, Chapter 135, Section 4.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF DEPOSITS AND INVESTMENTS
 June 30, 2018**

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
AGENCY FUND			
Cash in Bank			
Wells Fargo	Checking	\$ \$ 479,032	4
Wells Fargo	Checking	388,079	381,375
State Treasurer			
Local Gov't Investment Pool	Investment	<u>3,097,699</u>	<u>3,101,536</u>
Total Agency Fund		<u>\$ 3,964,810</u>	<u>3,482,915</u>

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF MEMORANDUMS OF UNDERSTANDING
 Year Ended June 30, 2018**

Participants	Operation Responsibility	Description	Term	Total Estimated Amount	Agency Contribution	Audit Responsibility
Second District Court &:						
Administrative Office of the	Second District Court	Support Drug Court of NM	7/1/2017- 6/30/2018	\$ 164,442	\$ 162,848	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 REPORTS



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**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. Wayne Johnson
New Mexico State Auditor
and
Honorable Nan G. Nash, Chief Judge
Second Judicial District Court
Albuquerque, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund of the State of New Mexico, Second Judicial District Court (Court) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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 which 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
October 26, 2018

SINGLE AUDIT SECTION



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Honorable Nan G. Nash, Chief Judge
Second Judicial District Court
and
Mr. Wayne Johnson
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited Second Judicial District Court's (the Court) compliance with the types of compliance requirements described in the *OMB 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, 2018. The Court's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal status, regulations, and the terms and conditions of its federal awards to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 University'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 material effect on each of its major federal programs for the year ended June 30, 2018.

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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance which we consider to be a material weakness.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ricci & Company, LLC

Albuquerque, New Mexico
October 26, 2018

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Number or Pass Through Number	Federal Expenditures
U.S. Department of Justice			
Drug Court Discretionary Grant Program	16.585	2015-DC-BX-0041	\$ <u>66,206</u>
Drug Court Discretionary Grant Program	16.585	2017-VV-BX-0027	<u>12,667</u>
Total U.S. Department of Justice			<u><u>78,873</u></u>
U.S. Department of Health and Human Services			
Drug Court Enhancement Project	93.243	17TI80161A	<u>101,324</u>
Pass through from New Mexico Human Services Department			
* Child Support Enforcement	93.563	GSA 13-630-7101-0005 A2	<u>665,477</u>
Total U.S. Department of Health and Human Services			<u><u>766,801</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 845,674</u></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, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance, *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 Uniform Guidance, *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.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2018**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

A. Material weaknesses identified Yes No

B. Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

A. Material weaknesses identified? Yes No

B. Significant deficiencies identified that are not considered to be material weaknesses? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

B. PRIOR YEAR FINDINGS

Financial Statement Audit - None

C. CURRENT YEAR FINDINGS

Financial Statement Audit - None

Federal Audit Findings - None

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed at an exit conference held on October 23, 2018 with the following in attendance:

Second Judicial District Court Personnel

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

Ricci & Company, LLC Personnel

Mark Santiago, CPA
Sameer Rasheed

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.