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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2019

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

TABLE OF CONTENTS

Table of Contents	i
Official Roster	iii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities	12
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) – Combined General Fund	17
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) – Major Special Revenue Fund - Mediation Fund	18
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) – Major Special Revenue Fund - Alternative Dispute Resolution Fund	19

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

**TABLE OF CONTENTS
(Continued)**

Statement of Fiduciary Assets and Liabilities – Agency Fund	20
Notes to Financial Statements	21
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	41
Combining Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	42
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	43
Schedule of Operating Transfers	44
Schedule of Deposits and Investments	45
Schedule of Memorandums of Understanding	46
Schedule of Expenditures of Federal Awards	47
Notes to the Schedule of Expenditures of Federal Awards	48
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
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	51
Schedule of Findings and Questioned Costs	54
Exit Conference	56

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

OFFICIAL ROSTER

JUDGES

Honorable	William E. Parnall	Division I
Honorable	Stanley Whitaker, Chief Judge	Division II
Honorable	Brett R. Loveless	Division III
Honorable	Beatrice Brickhouse	Division IV
Honorable	Nancy J. Franchini	Division V
Honorable	Daniel E. Ramczyk	Division VI
Honorable	John J. Romero Jr.	Division VII
Honorable	Cristina T. Jaramillo	Division VIII
Honorable	Cindy Leos	Division IX
Honorable	Christina P. Argyres	Division X
Honorable	Gerard Lavelle	Division XI
Honorable	Clay Campbell	Division XII
Honorable	Lisa Chavez Ortega	Division XIII
Honorable	Marie C. Ward	Division XIV
Honorable	Daniel J. Gallegos	Division XV
Honorable	Carl J. Butkus	Division XVI
Honorable	Erin B. O'Connell	Division XVII
Honorable	Denise Barela-Shepherd	Division XVIII
Honorable	Benjamin Chavez	Division XIX
Honorable	Jacqueline Flores	Division XX
Honorable	Alisa Hart (Hadfield)	Division XXI
Honorable	Amber Chavez Baker	Division XXII
Honorable	Joshua A. Allison	Division XXIII
Honorable	Debra Ramirez	Division XXIV
Honorable	Jane C. Levy	Division XXV
Honorable	Charles W. Brown	Division XXVI
Honorable	Victor S. Lopez	Division XXVII

ADMINISTRATIVE OFFICIALS

James Noel	Court Executive Officer
Arthur Gallegos	Deputy Court Executive Officer
Dimple Tafoya	Court Financial Operations Manager

FINANCIAL SECTION

Independent Auditors' Report

Mr. Brian S. Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico
and
Honorable Stan Whitaker, 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, 2019, 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, 2019, 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, 2019, 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.

Other 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 introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other "Supplementary Information", as listed in the Table of Contents as required by Section 2.2.2 NMAC 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 22, 2019 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 22, 2019

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2019**

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, 2019.

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) 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 DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Condensed Financial Information:

STATEMENT OF NET POSITION

	<u>FY2019</u>	<u>FY2018</u>	<u>Percent Change</u>
ASSETS			
Current and other assets	\$ 2,161,060	\$ 1,711,917	26.24%
Capital assets, net	891,011	936,893	-4.90%
Total assets	<u>3,052,071</u>	<u>2,648,810</u>	<u>15.22%</u>
LIABILITIES			
Current liabilities	<u>2,348,188</u>	<u>2,021,183</u>	<u>16.18%</u>
Total liabilities	<u>2,348,188</u>	<u>2,021,183</u>	<u>16.18%</u>
NET ASSETS			
Invested in capital assets	891,011	936,893	-4.90%
Restricted	776,843	615,002	26.32%
Unrestricted	(963,971)	(924,266)	4.30%
Total net position	<u>\$ 703,883</u>	<u>\$ 627,629</u>	<u>12.15%</u>

STATEMENT OF ACTIVITIES

	<u>FY2019</u>	<u>FY2018</u>	<u>Percent Change</u>
REVENUES			
Program revenues	\$ 3,784,351	\$ 3,570,718	5.98%
General revenue, net of transfers	#####	#####	8.90%
Total revenues	<u>#####</u>	<u>#####</u>	<u>8.50%</u>
EXPENSES			
Judicial	<u>#####</u>	<u>#####</u>	<u>7.64%</u>
Change in net position	76,254	(140,606)	-154.23%
Net position, beginning of year	<u>627,629</u>	<u>768,235</u>	<u>-18.30%</u>
Net position, end of year	<u>\$ 703,883</u>	<u>\$ 627,629</u>	<u>12.15%</u>

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Financial Highlights

The financial position and results from operation for the Second Judicial District Court during the year ended June 30, 2019 are detailed below. Total assets at June 30, 2019, were \$3,052,071. This includes petty cash of \$1,500 and Interest in State General Fund Investment Pool of \$1,897,825, due from external parties of \$29,993, due from local governments of \$192,805, due from federal governments of \$38,937, and capital assets of \$891,011, net of accumulated depreciation of \$4,676,658. Total liabilities were \$2,348,188, which are all current liabilities. Net position includes unrestricted net position of (\$963,971), restricted net position of \$776,843 and \$891,011 invested in capital assets.

Total revenues for the year ended June 30, 2019 were \$28,561,599. This included State general fund appropriation of \$23,452,200, other state funds of \$1,070,596, bond proceeds of \$186,228, capital asset transfer from AOC of \$68,224, charges for services in the amount of \$358,595, court fees of \$414,087, revenue from federal grants-operating of \$916,912 and revenue from other operating grants of \$2,094,757. Total expenses were \$28,485,345. The total change in net position for the year was an increase of \$76,254, resulting in a net asset balance of \$703,883 as of June 30, 2019.

Total fund equity was \$778,343, which includes \$1,500 for petty cash, \$152,567 from Adult Drug Court program fees, \$296,679 from the Court Mediation fund, and \$327,597 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.

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 2.2% interest during the year ending June 30, 2019. 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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

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 2019 legislative session lasted 60 days. The Court requested \$30.2 million and was appropriated \$28.7 million. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration.

Approved combined budgets increased by \$1,578,589, during the year from the original amount of \$28,696,100 to \$30,274,689. This 5.5% increase is primarily attributed to receiving two supplemental appropriations, one special appropriation, capital funding, SESV client fees and an increase in the Assisted Outpatient Treatment program. Actual budgetary basis expenditures of \$28,331,534 are within the total allowed in the final approved budget by \$1,943,155.

The statement of revenues and expenditures reflects a balance of \$161,841 for the net change in fund balances in the Total Governmental Funds column. The main contributing factor to the increase was the Court increased the revenue carryover for the Mediation and Arbitration Special Revenue Funds.

Capital Assets

The Court's capital assets for the year ended June 30, 2019 increased by \$107,899. This includes furniture and equipment and computers needed for the courthouse. The Administrative Office of the Courts transferred capital assets with a book value of \$68,224, net of \$747,593 in accumulated depreciation to the Court. The Court does not own any real property or infrastructure assets.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Agency Highlights

The fund financial statements provide more detailed information about the Second Judicial District Court's General Fund and its components, which include the child support enforcement hearing officer fund, grants, and contracts. The general fund appropriation of \$23,452,200 includes Court Regular, Adult Drug Court, Juvenile Drug Court, two Supplemental appropriations and Judicial Supervision Program f/k/a Mental Health Court. This amount reflects an increase of \$730,400, or 3.2%, from the prior fiscal year. The other state funds amount of \$1,070,596 consists of \$807,100 from DFA for the Compensation Package; \$230,000 from DFA as a Special Appropriation and \$33,496 from AOC for CASA. The Child Support Enforcement Hearing Officer fund (fund 67900) 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 \$974,245 and the related revenues have been recorded as federal grant revenue of \$651,724 and other grant revenue of \$322,521. The remaining balance of \$265,188 in the combined general fund federal grants column is attributed to the OJP DWI Federal Grant, OJP Veterans Court Federal Grant, Healing to Wellness SAMHSA Federal Grant, and City of Albuquerque Assisted Outpatient Treatment SAMHSA Federal Grant. The amount of \$1,772,236 for other grants under the combined 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 State Bar Foundation for the Residential Foreclosure Settlement Facilitation Program. Grant revenue is on a cost reimbursement basis.

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 and contractual services. Revenue generated in fiscal year 2019 was \$266,697, an increase of \$82,258 or 44% from fiscal year 2018. The Court Mediation fund is non-reverting.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

Agency Highlights (Continued)

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 2019, the revenue generated for this program was \$147,390, a decrease of \$2,145 or 1.4% from fiscal year 2018. This is also a non-reverting fund.

Economic Factors and Next Year's Budget

The budget request for fiscal year 2020 was \$29.6 million, which included the general fund and special revenue funds. The approved appropriation was \$30.6 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 FY20 Unified Budget represented approximately 2.67% of the total state budget, and the Court's represented approximately 13.7% of the total unified budget.

The most significant impact on the state's budget consists of revenues generated by severance taxes on the extractive industries, most specifically oil and natural gas. Rising oil and gas prices due to unrest in the Middle East, a national focus on energy self-sufficiency, and advancements made in extractive technologies have all resulted in greater exploration and expansion of production in the New Mexico oil and gas fields. Current revenue projections for FY21 suggest an increase in general funds. 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. This increased workload 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, including initiation of its ICWA Court (Indian Child Welfare Act) and seeking recurring funding for the Court's Foreclosure Settlement Program, which requires additional Court resources. The Court has implemented a number of space savings and space efficiency efforts, and is engaged in multi-million dollar renovations of existing facilities to improve space use, but has reached capacity in its current facilities. The Court is working closely with Bernalillo County in space use planning and future expansion.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2019**

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
 June 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Investments in state general fund investment pool	\$ 1,897,825
Petty cash	1,500
Due from external parties	29,993
Due from local governments	192,805
Due from federal government	38,937
Capital assets, net	<u>891,011</u>
Total assets	<u><u>\$ 3,052,071</u></u>
LIABILITIES	
Accounts payable	398,299
Accrued payroll	984,418
Compensated absences:	
Due within one year	<u>965,471</u>
Total liabilities	<u>2,348,188</u>
NET POSITION	
Net investment in capital assets	891,011
Restricted for program expenditures	776,843
Unrestricted (Deficit)	<u>(963,971)</u>
Total net position	<u><u>\$ 703,883</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
Year ended June 30, 2019**

	<u>Governmental Activities</u>
EXPENSES	
Judicial:	
Administrative services	\$ 28,263,340
Depreciation expense	222,005
Total expenses	<u>28,485,345</u>
 PROGRAM REVENUES	
Charges for services	358,595
Court fees	414,087
Federal grants - operating	916,912
Other operating grants and contributions	2,094,757
Total program revenues	<u>3,784,351</u>
 Net program expenses	<u>(24,700,994)</u>
 GENERAL REVENUE	
General Fund appropriation	23,452,200
Other state funds	1,070,596
Capital asset transfers from AOC, net	68,224
Bond proceeds appropriation	186,228
Total general revenue	<u>24,777,248</u>
 Change in net position	76,254
 Net position at beginning of year	<u>627,629</u>
 Net position at end of year	<u>\$ 703,883</u>

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019**

	Combined General Fund	Major Funds			Total Governmental Funds
		STB Capital Outlay (89200)	Court Mediation Fund (92000)	Alternative Dispute Resolution (92200)	
ASSETS					
Investment in SGFIP	\$ 1,253,313	-	312,809	331,703	\$ 1,897,825
Petty cash	1,500	-	-	-	1,500
Due from external parties	21,933	-	6,845	1,215	29,993
Due from local governments	192,805	-	-	-	192,805
Due from federal government	38,937	-	-	-	38,937
Total assets	\$ 1,508,488	-	319,654	332,918	\$ 2,161,060
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 378,514	-	19,785	-	\$ 398,299
Accrued payroll	975,907	-	3,190	5,321	984,418
Total liabilities	1,354,421	-	22,975	5,321	1,382,717
Fund Balances:					
Nonspendable:					
Petty cash	1,500	-	-	-	1,500
Restricted	152,567	-	296,679	327,597	776,843
Total fund balances	154,067	-	296,679	327,597	778,343
Total liabilities and Fund balances	\$ 1,508,488	-	319,654	332,918	\$ 2,161,060

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 June 30, 2019**

Total fund balances for governmental funds \$ 778,343

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 at cost	\$ 5,567,669
Accumulated depreciation	<u>(4,676,658)</u>

Total capital assets	891,011
-----------------------------	----------------

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>(965,471)</u>
----------------------	------------------

Net position of governmental activities	<u><u>\$ 703,883</u></u>
--	---------------------------------

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

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
Year ended June 30, 2019**

	Major Funds				Total Government Funds
	Combined General Fund	STB Capital Outlay (89200)	Court Mediation Fund (92000)	Alternative Dispute Resolution (92200)	
REVENUES					
Charges for services - court fees	\$ 183,918	-	-	-	\$ 183,918
Charges for services - interagency	174,677	-	-	-	174,677
Court fees	-	-	266,697	147,390	414,087
Federal grants - operating	916,912	-	-	-	916,912
Other grants	2,094,757	-	-	-	2,094,757
Total revenues	3,370,264	-	266,697	147,390	3,784,351
EXPENDITURES					
Current:					
Administrative services	27,773,593	179,134	194,159	76,749	28,223,635
Capital outlay	100,805	7,094	-	-	107,899
Total expenditures	27,874,398	186,228	194,159	76,749	28,331,534
Excess (deficiency) of revenues over expenditures	(24,504,134)	(186,228)	72,538	70,641	(24,547,183)
OTHER FINANCING SOURCES (USES)					
Transfers in:					
General fund appropriation	23,452,200	-	-	-	23,452,200
Other state funds	1,070,596	-	-	-	1,070,596
Bond proceeds appropriation	-	186,228	-	-	186,228
Total other financing sources (uses)	24,522,796	186,228	-	-	24,709,024
Net change in fund balances	18,662	-	72,538	70,641	161,841
Fund balances at beginning of year	135,405	-	224,141	256,956	616,502
Fund balances at end of year	\$ 154,067	-	296,679	327,597	\$ 778,343

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, 2019**

Net change in fund balances - total governmental funds \$ 161,841

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	\$ 107,899	
Capital asset transfers from AOC, net	68,224	
Depreciation expense	<u>(222,005)</u>	
Excess of capital outlay over depreciation expense		(45,882)

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

(Increase) decrease in compensated absences	<u>(39,705)</u>
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Change in net position of governmental activities	<u><u>\$ 76,254</u></u>
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**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – COMBINED GENERAL FUND –
COMBINED GENERAL FUND
Year ended June 30, 2019**

Combined General Fund (P232, ZD6004, ZC7004, ZD9374)				
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Other gifts and grants	\$ 2,321,400	2,576,053	2,094,757	\$ (481,296)
Federal grants	1,272,400	1,487,552	916,912	(570,640)
Charges for services - court fees	230,000	230,000	183,918	(46,082)
Charges for services - interagency	176,100	176,100	174,677	(1,423)
Appropriations	23,452,200	23,452,200	23,452,200	-
Other financing sources - other state funds	1,068,400	1,070,584	1,070,596	12
Total revenues	<u>28,520,500</u>	<u>28,992,489</u>	<u>27,893,060</u>	<u>(1,099,429)</u>
Fund balance	-	10,000		
Total resources	<u>\$ 28,520,500</u>	<u>29,002,489</u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 25,515,700	26,035,284	25,242,383	\$ 792,901
Contractual services	986,700	1,028,622	845,130	183,492
Other costs	2,018,100	1,938,583	1,686,080	252,503
Capital outlay	-	-	100,805	(100,805)
Total expenditures	<u>\$ 28,520,500</u>	<u>29,002,489</u>	<u>27,874,398</u>	<u>\$ 1,128,091</u>
Excess (Deficiency) of revenue and other financing sources over expenditures and transfers			<u>\$ 18,662</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 SPECIAL REVENUE FUND – MEDIATION FUND
 Year ended June 30, 2019**

	Court Mediation Fund (92000) (P232)			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 85,900	85,900	139,710	\$ 53,810
Payments for care - individual	85,800	285,800	126,987	(158,813)
Total revenues	<u>171,700</u>	<u>371,700</u>	<u>266,697</u>	<u>\$ (105,003)</u>
Fund balance	296,000	296,000		
Total resources	<u>\$ 467,700</u>	<u>667,700</u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 467,700	437,700	143,379	\$ 294,321
Contractual services	-	230,000	50,780	179,220
Total expenditures	<u>\$ 467,700</u>	<u>667,700</u>	<u>194,159</u>	<u>\$ 473,541</u>
Changes in fund balances per statement of revenues, expenditures and changes in fund balance (GAAP basis)			<u>\$ 72,538</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 SPECIAL REVENUE FUND – ALTERNATIVE DISPUTE RESOLUTION FUND
 Year ended June 30, 2019**

	<u>Alternative Dispute Resolution (92200)</u>			
	Budget	Budget	Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Court fees	\$ 145,000	145,000	<u>147,390</u>	<u>\$ 2,390</u>
Fund balance	<u>187,200</u>	<u>187,200</u>		
Total resources	<u><u>332,200</u></u>	<u><u>332,200</u></u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 332,200	<u>332,200</u>	<u>76,749</u>	<u>\$ 255,451</u>
Changes in fund balances per statement of revenues, expenditures				
changes in fund balance (GAAP basis)			<u>\$ 70,641</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
Year ended June 30, 2019**

	<u>Agency Fund</u>
ASSETS	
Interest in local government investment pool	\$ 1,594,809
Cash in authorized bank accounts	<u>320,224</u>
Total assets	<u>\$ 1,915,033</u>
LIABILITIES	
Due to external parties	<u>\$ 1,915,033</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 FINANCIAL STATEMENTS
JUNE 30, 2019**

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:

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 FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Grant revenue is recorded when all applicable eligibility or reimbursement requirements are met.

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.

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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

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, 2019, there was a remaining restricted balance of \$152,567. 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.

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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Capital Project Fund

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

Fiduciary Funds

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

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.

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. In accordance with 12-6-10 NMSA 1978, capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated. Assets that were capitalized under previous lower thresholds can be removed from the capital asset listing.

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:

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (Continued)

Capital Assets, net

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

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

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

Long-Term Liabilities. Compensated Absences -- The Court’s policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current 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:

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.

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.

Unrestricted (Deficit) 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.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (continued)

Government-Wide Statements

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.

The nonspendable 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, 2019 is summarized below:

Restricted for Adult Drug Court	\$ 152,567
Restricted for Mediation	296,679
Restricted for Arbitration	327,597
Total	<u>\$ 776,843</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.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Equity (continued)

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.

Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee’s current hourly rate. Sick leave is payable annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

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

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

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Budgets and Budgetary Accounting

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

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

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

(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.

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.

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

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 2. STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

provides additional assurance that transactions affecting the Court’s share in the State General Fund Investment Pool account are accurate.

NOTE 3. INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Court’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Court consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2019, the Court had the following invested in the General Fund Investment Pool:

	SHARE Account	SHARE Balance
Interest in State General Fund Investment Pool:		
Court Regular	14200	\$ 1,217,284
Child Support Hearing Officer	67900	36,029
Court Mediation	92000	312,809
Court Arbitration (Alternative Dispute)	92200	331,703
Total		<u>\$ 1,897,825</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, 2019.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 4. COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

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

NOTE 5. CASH AND CASH EQUIVALENTS

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

	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds:		
Petty cash	\$ -	\$ 1,500
Agency Funds:		
Cash in authorized bank accounts	\$ 323,219	\$ 320,224
Less: FDIC coverage	<u>(250,000)</u>	
Uninsured litigant funds	73,219	
Pledged collateral held by bank's trust department or agent but not in the Court's name	<u>36,610</u>	
Uninsured and uncollateralized	<u>\$ 36,609</u>	

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the office of the state treasurer’s collateral bureau monitors pledged collateral for all state funds held by state agencies in such “authorized” bank accounts.

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, \$73,219 of the Court’s bank account balances were exposed to custodial credit risk.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 6. INVESTMENTS

Investments at year end are classified as follows:

	<u>State Treasurer Balance</u>
Governmental Funds:	
State Treasurer's General Fund Investment Pool (SGFIP)	\$ 1,897,825
Agency Funds:	
State Treasurer's Local Government Investment Pool (LGIP)	\$ 1,594,809

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

Interest Rate Risk & Credit Risk - LGIP

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

LGIP AAAM rated \$ 1,594,809 50 day WAM(R); 100 day WAM(F)

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Non-depreciable				
Artwork	\$ 30,000	-	-	\$ 30,000
Depreciable				
Furniture and fixtures	2,212,924	321,307	-	2,534,231
Data processing	630,016	259,395	-	889,411
Machinery & equipment	1,698,651	343,014	-	2,041,665
Vehicles	72,362	-	-	72,362
Total depreciable	<u>\$ 4,613,953</u>	<u>923,716</u>	<u>-</u>	<u>\$ 5,537,669</u>
Total	<u>\$ 4,643,953</u>	<u>923,716</u>	<u>-</u>	<u>\$ 5,567,669</u>
Accumulated depreciation				
Furniture and fixtures	(1,774,312)	(271,151)	-	(2,045,463)
Data processing	(630,015)	(225,927)	-	(855,942)
Machinery & equipment	(1,239,164)	(469,590)	-	(1,708,754)
Vehicles	(63,569)	(2,930)	-	(66,499)
Total	<u>\$ (3,707,060)</u>	<u>(969,598)</u>	<u>-</u>	<u>\$ (4,676,658)</u>
Total capital assets, net	<u>\$ 936,893</u>	<u>(45,882)</u>	<u>-</u>	<u>\$ 891,011</u>

During the year, the Administration of the Courts (AOC), transferred certain assets to designated District Courts. These assets were purchased by the AOC via a pass-through appropriation to the AOC. Therefore, since the assets were not purchased by the agency, the following schedule reconciles the capital outlay to the additions as follow:

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. CAPITAL ASSETS (CONTINUED)

	<u>Assets</u>	<u>Depreciation</u>	<u>Total</u>
Current year activity			
Capital outlay (Fund 14200)	\$ 100,805	\$ -	\$ 100,805
Capital outlay (Fund 89200)	7,094	-	7,094
Current year depreciation expense	-	(222,005)	(222,005)
	<u>107,899</u>	<u>(222,005)</u>	<u>(114,106)</u>
AOC transfers			
Asset transfers in from AOC	815,817	-	815,817
Accumulated depreciation	-	(747,593)	(747,593)
	<u>815,817</u>	<u>(747,593)</u>	<u>68,224</u>
Total	<u>\$ 923,716</u>	<u>\$ (969,598)</u>	<u>\$ (45,882)</u>

Current year depreciation expense is \$219,162 net of \$750,436 accumulated depreciation transferred from AOC.

NOTE 8. COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Annual leave	\$ 895,752	1,310,218	(1,268,421)	937,549	\$ 937,549
Sick leave	28,654	672,997	(674,844)	26,807	26,807
Compensatory leave	1,360	5,041	(5,286)	1,115	1,115
Total	<u>\$ 925,766</u>	<u>1,988,256</u>	<u>(1,948,551)</u>	<u>965,471</u>	<u>\$ 965,471</u>

The portion of compensated absences due after one year is not material and therefore, not separately presented. Substantially, all of the compensated absences' balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year-end plus applicable payroll taxes.

NOTE 9. DUE FROM / DUE TO

Due from in the Statement of Net Position consists of grants and other receivables from external parties at year end. The Court does not have any due to balances at year end.

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

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 \$76,243 for the year ending June 30, 2019.

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

<u>Year</u>	<u>Amount</u>
2020	\$ 65,121
2021	34,189
2022	12,106
2023	3,124
	<u>\$ 114,540</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.

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.

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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12. JRA RETIREMENT PLAN (CONTINUED)

Plan Description

All of the Court's Judges or Justices participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report is available on PERA's website at www.nmpera.org.

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 contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Court's contributions to JRA for the years ending June 30, 2019, 2018 and 2017 were \$491,555, \$479,762 and \$477,168, 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 \$524,932, \$524,134 and \$517,598 in filing fees for the year ending June 30, 2019, 2018 and 2017, 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.

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.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13. PERA RETIREMENT PLAN (CONTINUED)

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). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report is available on PERA's website at www.nmpera.org.

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, 2019, 2018 and 2017 were \$2,480,545, \$2,373,356 and \$2,283,324, respectively, equal to the amount of the required contributions for each fiscal year

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

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, 2019 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 FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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.

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

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

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Funding Policy (Continued)

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, 2019, 2018 and 2017 were \$373,932, \$359,348 and \$348,314, respectively, which equal the required contributions for each year.

NOTE 15. CLAIMS AND RISK OF LOSS

The Court is exposed to various risks of loss for which it carries insurance (auto, unemployment compensation, crime, general liability, civil rights and property) with the State of New Mexico Risk Management Division of the General Services Department. The Court expended \$187,349 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, 2019, 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

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15. CLAIMS AND RISK OF LOSS (CONTINUED)

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. RECENT ACCOUNTING PRONOUNCEMENTS

The Court evaluated the following Governmental Accounting Standards Board Statements (GASBS) which became effective in the year ended June 30, 2019:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This statement is not applicable to the Court.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the Court.

The following standards have been issued but have future implementation dates:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged. This statement is not applicable to the Court.

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This standard will be implemented in a subsequent period.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is not applicable to the Court.

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged. This statement is not applicable to the Court.

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 22, 2019, the date at which the financials were available to be issued for the year ended June 30, 2019.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 COMBINING BALANCE SHEET – GENERAL FUND
 June 30, 2019**

	Court Regular (14200)	Hearing Officer (67900)	Total
ASSETS			
Investment in SGFIP	\$ 1,217,284	36,029	\$ 1,253,313
Petty cash	1,500	-	1,500
Due from external parties	21,933	-	21,933
Due from other state agencies	-	-	-
Due from local governments	192,805	-	192,805
Due from federal government	38,937	-	38,937
	<u>1,472,459</u>	<u>36,029</u>	<u>\$ 1,508,488</u>
Total assets	<u>\$ 1,472,459</u>	<u>36,029</u>	<u>\$ 1,508,488</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 378,514	-	\$ 378,514
Accrued payroll	939,878	36,029	975,907
Total liabilities	<u>1,318,392</u>	<u>36,029</u>	<u>1,354,421</u>
Fund Balances:			
Nonspendable:			
Petty cash	1,500	-	1,500
Restricted	152,567	-	152,567
Total fund balances	<u>154,067</u>	<u>-</u>	<u>154,067</u>
Total liabilities and fund balances	<u>\$ 1,472,459</u>	<u>36,029</u>	<u>\$ 1,508,488</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, 2019**

	Court Regular (14200)	Hearing Officer (67900)	Total
REVENUES			
Charges for services - court fees	\$ 183,918	-	\$ 183,918
Charges for services - interagency	174,677	-	174,677
Federal grants - operating	265,188	651,724	916,912
Other grants	1,772,236	322,521	2,094,757
Total revenues	<u>2,396,019</u>	<u>974,245</u>	<u>3,370,264</u>
EXPENDITURES			
Judicial:			
Current:			
Administrative services	26,799,348	974,245	27,773,593
Capital outlay	100,805	-	100,805
Total expenditures	<u>26,900,153</u>	<u>974,245</u>	<u>27,874,398</u>
Excess (deficiency) of revenues over expenditures	<u>(24,504,134)</u>	<u>-</u>	<u>(24,504,134)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in:			
General fund appropriation	23,452,200	-	23,452,200
Other state funds	1,070,596	-	1,070,596
Total other financing sources (uses)	<u>24,522,796</u>	<u>-</u>	<u>24,522,796</u>
Net change in fund balances	18,662	-	18,662
Fund balances at beginning of year	<u>135,405</u>	<u>-</u>	<u>135,405</u>
Fund balances at end of year	<u>\$ 154,067</u>	<u>-</u>	<u>\$ 154,067</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, 2019**

	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Court Regular (14200)				
REVENUES				
Other gifts and grants	\$ 1,960,400	2,223,886	1,772,236	\$ (451,650)
Federal grants	550,500	783,319	265,188	(518,131)
Charges for services - court fees	230,000	230,000	183,918	(46,082)
Charges for services - interagency	176,100	176,100	174,677	(1,423)
Appropriations	23,452,200	23,452,200	23,452,200	-
Other financing sources - other state funds	1,068,400	1,070,584	1,070,596	12
Total revenues	<u>27,437,600</u>	<u>27,936,089</u>	<u>26,918,815</u>	<u>\$ (1,017,274)</u>
Fund balance	-	10,000		
Total resources	<u>\$ 27,437,600</u>	<u>27,946,089</u>		
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 24,432,800	24,978,884	24,268,138	\$ 710,746
Contractual services	986,700	1,028,622	845,130	183,492
Other costs	2,018,100	1,938,583	1,686,080	252,503
Capital outlay	-	-	100,805	(100,805)
Total expenditures	<u>\$ 27,437,600</u>	<u>27,946,089</u>	<u>26,900,153</u>	<u>\$ 1,045,936</u>
Hearing Officer (67900)				
REVENUES				
Federal grants	\$ 721,900	704,233	651,724	\$ (52,509)
Other grants	361,000	352,167	322,521	(29,646)
Total revenues	<u>\$ 1,082,900</u>	<u>1,056,400</u>	<u>974,245</u>	<u>\$ (82,155)</u>
EXPENDITURES				
Administrative services:				
Personal services and benefits	\$ 1,082,900	1,056,400	974,245	\$ 82,155
Other costs	-	-	-	-
Total expenditures	<u>\$ 1,082,900</u>	<u>1,056,400</u>	<u>974,245</u>	<u>\$ 82,155</u>

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year ended June 30, 2019**

	<u>Agency Fund</u>			
	June 30, 2018	Increase	Decrease	June 30, 2019
ASSETS				
Interest in local government investment pool	\$ 3,101,536	4,197,021	5,703,748	\$ 1,594,809
Cash in authorized bank accounts	381,379	10,373,719	10,434,874	320,224
Total assets	<u>\$ 3,482,915</u>	<u>14,570,740</u>	<u>16,138,622</u>	<u>\$ 1,915,033</u>
LIABILITIES				
Due to litigants	<u>\$ 3,482,915</u>	<u>14,570,740</u>	<u>16,138,622</u>	<u>\$ 1,915,033</u>

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF OPERATING TRANSFERS
 Year ended June 30, 2019**

	Share Fund	Title	Transfer	
			In	Out
General Fund - Court Regular (14200)				
[1]	34101-85300	Department of Finance & Administration	\$ 23,057,900	\$ -
[2]	34101-85300	Department of Finance & Administration	120,000	-
[3]	34101-85300	Department of Finance & Administration	274,300	-
[4]	34100-62000	Department of Finance & Administration	807,100	-
[5]	34100-62000	Department of Finance & Administration	230,000	-
[6]	21800-13900	Administrative Office of the Courts	33,496	-
[7]	21800-13900	Administrative Office of the Courts	68,224	-
Capital Outlay (89200)				
[8]	34103-20650	Department of Finance & Administration	186,228	-
			<u>\$ 24,777,248</u>	<u>\$ -</u>

- [1] General Fund Appropriation - Laws of 2018, Second Session, Chapter 73, Section 4
- [2] General Fund Appropriation Supplemental - Laws of 2019, First Session, Chapter 271, Section 6
- [3] General Fund Appropriation Supplemental - Laws of 2019, First Session, Chapter 271, Section 6
- [4] General Fund Appropriation Compensation Package- Laws of 2018, Second Session, Chapter 73 Section 8
- [5] General Fund Appropriation Supplemental - Laws of 2018, Second Session, Chapter 73, Section
- [6] Other Financing Sources - CASA - Laws of 2018, Second Session, Chapter 73, Section 4
- [7] Other Financing Sources -Transfer in of Capital Assets by Administrative Office of the Courts
- [8] Other Financing Sources-STB Proceeds - Capital Outlay for High-Density File Storage Units - Laws of 2018, Second Session, Chapter 80, Section 14

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF DEPOSITS AND INVESTMENTS
 June 30, 2019**

CASH AND CASH EQUIVALENTS	Type of Account	Bank Balance	Reconciled Balance
			<u>State Treasurer Balance</u>
Agency Fund:			
Cash in Bank			
Wells Fargo	Checking	\$ 186	\$ 21
Wells Fargo	Checking	<u>323,033</u>	<u>320,203</u>
Total cash in bank		323,219	320,224
 INVESTMENTS			
Governmental Funds:			
State Treasurer's General Fund Investment Pool (SGFIP)			<u>\$ 1,897,825</u>
 Agency Fund:			
State Treasurer's Local Government Investment Pool (LGIP)			<u>\$ 1,594,809</u>

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF MEMORANDUMS OF UNDERSTANDING
 Year ended June 30, 2019**

Participants	Operation Responsibility	Description	Term	Total Estimated Amounts	Agency Contribution	Audit Responsibility
Second District Court &:						
Administrative Office of the Court	Second District Court	Support Drug Court of NM	7/1/2018- 6/30/2019	\$ 176,115	\$ 174,677	Second District Court

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

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2019**

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	\$ 73,484
Drug Court Discretionary Grant Program	16.585	2017-VV-BX-0027	<u>4,023</u>
Total U.S. Department of Justice			<u><u>\$ 77,507</u></u>
U.S. Department of Health and Human Services			
Drug Court Enhancement Project	93.243	17TI80161A	\$ 167,257
Pass through from City of Albuquerque			
Assisted Outreach Treatment	93.997	6H79SM063539-01M001	20,424
Pass through from New Mexico Human Services Department			
* Child Support Enforcement	93.563	GSA 13-630-7101-0005 A3	<u>651,724</u>
Total U.S. Department of Health and Human Services			<u><u>\$ 839,405</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 916,912</u></u>
* Denotes Major Program			

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019**

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, 2019. The information in this schedule is presented in accordance with the 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). 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

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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. If negative amounts are shown on the Schedule, they 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

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. INDIRECT COST RATES

The Court has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 5. OTHER

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

COMPLIANCE SECTION

**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 Auditors' Report

Mr. Brian S. Colón, Esq.
New Mexico State Auditor
and
Honorable Stan Whitaker, 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, 2019, 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 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

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

combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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 22, 2019

**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 Auditors' Report

Honorable Stan Whitaker, Chief Judge
Second Judicial District Court

and

Mr. Brian S. Colón, Esq.
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, 2019. 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 statutes, 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 Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion the Court complied, in all material respects, with the types of compliance requirements referred to above that could have a material effect on each of its major federal programs for the year ended June 30, 2019.

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 22, 2019

**STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2019**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:	Unmodified
Internal Controls Over Financial Reporting: Material Weakness reported?	No
Significant Deficiencies reported not Considered to be material weaknesses?	No
Noncompliance material to financials statements noted?	No

Federal Awards

a. Material weakness in internal control over major programs reported?	No
b. Significant deficiencies in internal control over major programs reported?	No
c. Material noncompliance with federal statutes, regulations, or the terms and conditions of federal awards related to a major program?	No
d. Known questioned costs greater than \$25,000 for a type of compliance requirement for a major program?	No
e. Known questioned costs greater than \$25,000 for a federal program which is not audited as a major program?	No
f. Known or likely fraud affecting a federal award?	No
g. Significant instances of abuse relating to major programs?	No
h. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee, materially misrepresents the status of any prior audit finding?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
<u>CFDA Number</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?	No

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

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, 2019**

The contents of this report were discussed at an exit conference held on October 22, 2019 with the following in attendance:

<u>Appointed Members:</u>	<u>Title</u>
Second Judicial District Court Personnel	
Honorable Stan Whitaker	Chief Judge
James Noel	Court Executive Officer
Dimple Tafoya	Court Financial Officer
Anna Casaus	Financial Manager
Ricci & Company, LLC Personnel	
Mark Santiago, CPA	Senior Audit Manager
Bethy Bai	Senior Auditor

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.