



NEW MEXICO **J**UDICIARY

STATE OF NEW MEXICO ADMINISTRATIVE OFFICE OF THE COURTS FINANCIAL STATEMENTS

JUNE 30, 2017

Cover: A few of New Mexico's older county courthouses.

Top, left to right:

One of the WPA projects of the 30s, the Art Deco-style Roosevelt County Courthouse in Portales was built in 1939 with the designs of William M. Bickel.

The Luna County Courthouse in Deming was built in 1910 and was designed by W. E. Corwin. Deming's annual duck race takes place across the street in the city park.

Built in 1909, the Union County Courthouse in Clayton is New Mexico's oldest county courthouse in continuous use. It was designed by the architectural firm of D. P. Kaufman & Son.

Middle, left to right:

The Grant County Courthouse in Silver City was erected in 1930 with the designs of architect George Williamson.

The Chaves County Beaux-Arts-style courthouse in Roswell was completed in 1912, the year New Mexico became a state. It is just down the street from the International UFO Museum and the green dome is visible throughout the city.

The Mission-style Eddy County courthouse in Carlsbad was erected in 1891 and its appearance was altered to its current style in 1939. It has one of New Mexico's best town squares.

Bottom, left to right:

The Hidalgo County Courthouse in Lordsburg was built in 1926-1927 with Classical Revival elements. The firm of Thorman and Frazer designed it.

The Guadalupe County Courthouse in Santa Rosa was built in 1909 with Romanesque Revival elements. In 1946 an addition was added to the building's left.

The 1917 Rio Arriba County Courthouse in Tierra Amarilla hosted a shoot-out in the 1970s that resulted over a land rights quarrel.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS**

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**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS**

Official Roster

June 30, 2017

ADMINISTRATIVE OFFICIALS

Name	Title
Honorable Judith K. Nakamura	Chairperson
Arthur W. Pepin	Director
Celina A. Jones	General Counsel
Oscar J. Arevalo	Director of Fiscal Services
Lynette Pulman-Rodriguez	Director of Human Resources
Rosemary P. McCourt	Director of Magistrate Courts
Gregory J. Saunders	Director of Judicial Information
Peter Bochert	Director of Special Court Services

INDEPENDENT AUDITOR'S REPORT

Tim Keller,
New Mexico State Auditor
and
Honorable Judith K. Nakamura, Chief Justice
Administrative Office of the Courts
Santa Fe, 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 general fund and major special revenue funds of the State of New Mexico, Administrative Office of the Courts (AOC), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the AOC's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the AOC's nonmajor governmental and fiduciary funds and the budgetary comparisons for the major capital project fund presented as supplementary information as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and the major special revenue funds of the AOC as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the AOC are intended to present the financial position and changes in financial position, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the AOC. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2017, and the changes in financial position, for the year then ended in accordance 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 5 to 12 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.

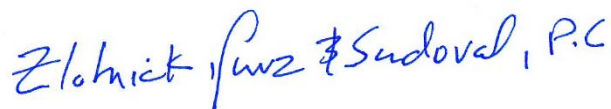
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the AOC's basic financial statements. The accompanying *supplementary information* such as the combining and individual nonmajor fund financial statements, the budgetary comparisons for the major capital project fund, the combining statement of changes in assets and liabilities, and the *schedule of expenditures of federal awards* as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2017 on our consideration of the AOC's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 AOC'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 AOC's internal control over financial reporting and compliance.



Zlotnick, Laws & Sandoval, P.C.
October 24, 2017

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

MISSION STATEMENT

The mission of the Administrative Office of the Courts (AOC) is to provide access to justice; assist courts to resolve disputes justly and timely; and maintain accurate records of legal proceedings that affect rights and legal status in order to independently protect the rights and liberties guaranteed by the Constitution of New Mexico and the United States.

The AOC exists to enable the courts of New Mexico to accomplish their mission through:

- Ensuring that the courts have adequate, equitably distributed resources;
- Ensuring that the courts have and use current technology;
- Providing a fair and equitable statewide human resources system;
- Developing and implementing improved court processes and supporting courts in their use;
- Collecting and providing information on and for the courts managing and accounting for the collection of revenue
- Ensuring sound financial, budgeting and procurement practices in the management of court resources
- Providing administrative support for the Magistrate Courts; and
- Maintaining liaison with the Legislative and Executive branches of state government

The AOC participates in New Mexico's Accountability in Government Act. The AOC has four programs within its budget: Administrative Support, Statewide Judiciary Automation, Magistrate Courts, and Special Court Services. Each program consists of multiple activities. Below is a brief description of each activity.

Administrative Support Program:

AOC Administration – Provides administrative support for all judicial units and provides the administrative staffing for the Magistrate Courts.

Judicial Performance Evaluation – Appointed commission members are vested with the responsibility of evaluating judges who stand for retention and publishing and distributing evaluation results.

Court Improvement Project – Provide a comprehensive effort to improve judicial proceedings related to child abuse and neglect, foster care and adoption, including improving outcomes for Native American children by improving Tribal State relationships. The project also sponsors the annual Cross-Court Cultural Exchange.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

Jury and Witness – This activity administers the payment of jurors, interpreters, and witness and administers sub-activities related to jurors and interpreters. This fund is also used to pay for interpreter certification workshop instructors.

Federal Grants Administration – The AOC administered 14 grants throughout FY2017 that include the following: (2) U.S. Department of Justice Awards of which one was for Drug Courts and one was for Violence against Women; U.S. Department of Transportation (3) pass-through from the State of New Mexico Department of Transportation with (1) Minimum Penalties for Repeat DWI and (2) National Priority Safety Program; U. S. Department of Health and Human Services, (6) State Court Improvement Program basic initiatives and (1) pass-through from the State of New Mexico Department of Children, Youth and Families for Promoting Safe and Stable Family; and (2) State Justice Institute for improving Access to Justice for Native Peoples and Safe Exchange Supervised Visitation Online Training.

Statewide Judiciary Automation Program:

Judicial Information Administration – Provides basic information technology support for all judicial units statewide.

Supreme Court Automation – Provides maintenance and operations support for the statewide court case management system.

Municipal Court Automation – Administers a fee-based special fund to assist with purchasing, implementing and maintaining court automation systems for participating municipalities.

Magistrate Court Program:

Magistrate Court General – Provides court clerk staff, judges and operational costs associated with the statewide magistrate court system.

Warrant Enforcement – Provides support to the Magistrate Courts by employment of personnel and purchase of equipment and services to aid in the collection of fines, fees, and costs owed to the Magistrate Courts.

Mediation – Administers voluntary civil mediation programs in the Magistrate Courts.

Drug Courts – Supports drug courts as an alternative to incarceration.

Video Arraignment, Security and Facilities – Equips, secures and manages leases of magistrate facilities. The funding comes from legislative authorization to use transfers from the New Mexico Finance Authority of annual cash balances remaining after debt service principal and interest payments are made to the Metropolitan Courthouse and parking structure bonds.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

Special Court Services Program:

Court Appointed Special Advocate (CASA) – Supports effective volunteer advocacy for the best interests of abused and neglected children involved in the court system. The majority of these funds are transferred to district courts around the state.

Supervised Visitation and Children’s Court Mediation – Provides support to ensure the child's safety in maintaining a relationship with both parents, shorten the period of trauma and disruption in the child's life by limiting requests for changes in court orders and visitation that lengthens the duration of the case, and protect the child and non-offending parent from further acts of child abuse, violence and dysfunction. These funds are transferred to district courts around the state.

Court Appointed Attorney – Administers a program that provides legal representation to clients, treatment guardians and to appoint special commissioners. These funds are paid to attorneys by the AOC on behalf of district courts statewide.

Water Rights Adjudication – Provides administrative staff, a staff attorney and special master to aid with the stream adjudication cases in the 1st, 3rd, 5th, 6th, 11th and 13th Judicial District Courts. A portion of these funds is transferred to the 1st, 3rd and 11th district courts. Funding for this activity comes from the Water Project Fund created under the Laws of 2001, Chapter 164, Section 9 at the New Mexico Finance Authority for the purpose of supporting water projects pursuant to provisions of the Water Project Finance Act. As a result of this act, twenty percent of the money dedicated for water rights adjudications is allocated to AOC for the costs associated with those adjudications. Any balance remaining in the fund at the end of the fiscal year does not revert to the State General Fund.

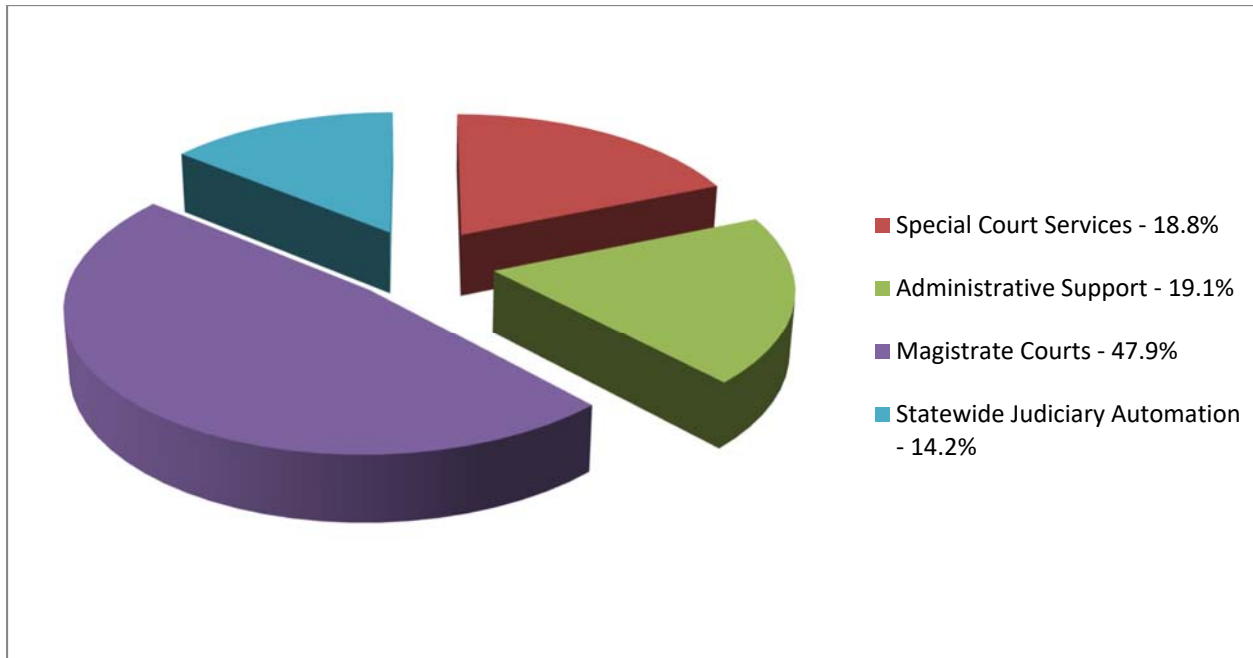
Judges Pro Tempore - Pays for the costs associated with the hiring of retired judges and justices who are appointed by the Chief Justice of the Supreme Court to serve as a district judge pro-temp.

Access to Justice - The Access to Justice Commission created by the New Mexico Supreme Court makes the courts more accessible to low-income persons with civil legal needs in areas such as family law, domestic violence, housing, consumer, employment, government benefits and other non-criminal legal matters.

Statewide Drug Courts – Supports drug courts statewide as an alternative to incarceration.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

FY17 AOC Percent of Budget by Program



Financial Highlights:

- Pursuant to Laws of 2016 Chapter 11, Section 4, AOC's FY2017 General Fund appropriation was decreased by 10.2%, over FY 2016, due to decreased general fund revenues for the State followed by a special session where an act was passed to reduce previously appropriated general funds by 3%.
- Federal revenue to the AOC decreased by 29.0% to \$850,328 in FY2017 as compared to \$1,199,563 in FY2016, mainly attributable to the decrease in number of awards.
- Overall revenue to the AOC decreased by 3.9% in FY2017 as compared to FY2016. This was largely attributable to a decrease in special appropriations and state general funds.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements (Statement of Net Position and Statement of Activities)

Government-Wide financial statements report information about the Administrative Office of the Courts (AOC) as a whole using accounting methods similar to those used by private-sector companies. All governmental activities are consolidated into one column. The AOC has no business type activities. The Statement of Net Position includes all of the government assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The Governmental Activities reflect the AOC's basic services, including the Administrative Support Program, Statewide Judiciary Automation Program, Magistrate Court Program, and Special Court Services Program.

Fund Financial Statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance)

The fund financial statements provide more detailed information about the AOC's significant funds. Funds are accounting devices that the AOC uses to keep track of specific sources of funding and spending or transfer for particular purposes.

The AOC primarily operates on its State General Fund appropriations, other fees collected by the courts, federal awards and a budget, all of which are approved by the State Legislature each year.

The fund financial statements also allow the government to address its Agency Funds. While these funds represent trust responsibilities of government, these assets are restricted in purpose and do not represent discretionary assets of government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

Budgetary Comparisons

GASB 34 requires budgetary comparison schedules for general fund and for each major special revenue fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis.

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statement of Revenues and Expenditures (Budget and Actual) are also presented. The information is provided at the approved budget level to demonstrate compliance with legal requirements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

<u>Statement of Net Position</u>	June 30	
	2017	2016
Current Assets	<u>\$ 10,503,885</u>	<u>12,235,898</u>
Current Liabilities	\$ 5,116,125	6,172,438
Non-current Liabilities	923	672
Total Liabilities	<u>5,117,048</u>	<u>6,173,110</u>
Net Position		
Restricted	4,712,458	4,098,902
Unrestricted	674,379	1,963,886
Total Net Position	<u>\$ 5,386,837</u>	<u>6,062,788</u>

For more detailed information see the Statement of Net Position.

The change to assets, liabilities and net position compared to the prior year are attributable primarily to decreases in fund balances from prior year's data processing and capital outlay appropriations.

Statement of Activities

The following schedule represents the revenues and expenditures for the year ending June 30:

<u>General Revenues</u>	<u>Government Activities</u>	
	2017	2016
General fund appropriations	\$ 52,252,607	51,417,006
Transfers from other agencies	300,000	4,625,835
Transfers - Bond proceeds	370,647	465,275
Transfer to other agencies	(2,791,802)	(2,204,525)
	1,579	51
Reversion to State General Fund	(1,425,345)	(53,068)
Total Revenues	\$ 48,707,686	54,250,574

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

	<u>Government Activities</u>	
<u>Program Revenues</u>	2017	2016
Charges for Services	\$ 10,030,424	10,276,990
Operating and Capital Grants	<u>2,908,891</u>	<u>1,697,516</u>
	12,939,315	11,974,506
<u>Program Expenditures</u>		
Judicial Services	<u>62,322,953</u>	<u>64,571,915</u>
Change in net position	(675,952)	1,653,165
Net position, beginning of year	<u>6,062,789</u>	<u>4,409,623</u>
Net position, end of year	<u>\$ 5,386,837</u>	<u>6,062,788</u>

The FY 2017 approved general fund operating budget beginning July 1, 2016, for the AOC was decreased by 10.0% during the 2016 Legislative session and a following special session due to declining state general fund revenues. The decrease was attributable to various factors. Additionally, for FY17 the AOC did not receive any additional special or capital appropriations. The use of Warrant Enforcement Fund balance and Water Right Fund balance was minimal from previous years, while there was significant use of the SCAP fund balance. Overall, Net Position decreased due to reduced revenues.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the AOC. Amendments to the budget require approval by the Budget Division of the Department of Finances and Administration (DFA). Over the course of the year, the AOC revised its budget several times. These budget amendments fall into two categories:

- Increases from federal awards unknown at the time of original budget submission
- Increases or reallocations of appropriations to prevent budget overruns

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2017**

ANTICIPATED CHANGES

Fund Financial Statements

The Statewide Drug Court Technology fund balance of \$843,810 at year end was the result of unexpended multi-year special appropriation. Four special revenue fund balances did change significantly due to multiyear appropriations and fund balance use. At FY17 Year End, \$555,206 of \$1,489,800 Approved Budget was unspent in the Statewide Automated Bond Fund.

The Water Adjudication Fund balance decreased due to reduction from other State funds and fund balance transferred to the State general fund. The Magistrate Court Warrant Enforcement Fund increased, despite declining revenue, due to a significant reduction in expenditures. Total fund balances decreased by \$(564,183) (34.6%) at year end. All of the remaining fund balances at year-end are set aside for the purpose of the particular fund and may be expended in future years.

The AOC general fund revenues in FY 2017 decreased from FY 2016. The state's general fund revenue outlook has declined due to falling oil prices and declining receipts of actual general revenues from other sources. AOC began FY 2017 with recurring General Fund revenue of \$ 48,941,200 and finished with \$52,252,607 due to supplemental and deficiency appropriations and special appropriations at year end. However, AOC's core general fund operating budget was decreased by 3% during the 2016 Special Legislative Session.

As stated above, other non-general fund revenue used for operations by the AOC is comprised of fees collected by the courts. In the past few fiscal years overall court case filings have declined. Therefore, the revenue generated from fee collections are expected to decline. The AOC does not anticipate any significant increase in case filings in the immediate future and therefore will continue to request additional general fund increases to cover this fee revenue shortfall.

FINANCIAL CONTACT

The AOC's financial statement is designed to present users with the general overview of the AOC's finances and to demonstrate the AOC's accountability. If you have any questions about the report or need additional information, contact the AOC's Chief Financial Officer in room 28 of the Supreme Court Building, 237 Don Gaspar, Santa Fe, New Mexico 87501.

FINANCIAL STATEMENTS

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF NET POSITION
June 30, 2017**

	<u>Governmental Activities</u>
Assets	
Investment in SGFIP	\$ 9,776,784
Petty cash	5,776
Due from external parties	32,815
Other receivable	2,459
Due from other state agencies	572,069
Due from local governments	4,374
Due from federal grants	109,608
	<hr/>
Total assets	<u>\$ 10,503,885</u>
Liabilities	
Accounts payable	\$ 2,137,586
Accrued payroll	1,189,552
Due to other state agencies	166,475
Due to state general fund	93,654
Other liabilities	156,688
Compensated absences - current	1,372,170
Compensated absences - noncurrent	923
Total liabilities	<hr/> <u>5,117,048</u>
Net Position	
Restricted	4,712,458
Unrestricted	674,379
Total net position	<hr/> <u>5,386,837</u>
	<hr/>
Total liabilities & net position	<u>\$ 10,503,885</u>

See notes to financial statements.

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**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Changes in Net Position
Governmental Activities					Governmental Activities
Judicial:					
Administrative services	\$ 12,280,143	1,890,295	876,950	-	(9,512,898)
Statewide judiciary automation	9,406,772	4,816,081	-	284,000	(4,306,691)
Magistrate courts	30,567,156	3,324,048	-	-	(27,243,108)
Special court services	10,068,882	-	1,747,941	-	(8,320,941)
Total governmental activities	\$ 62,322,953	10,030,424	2,624,891	284,000	(49,383,638)
General Revenues					
General fund appropriation					\$ 52,252,607
Transfers from other agencies					300,000
Bond Proceeds					370,647
Transfers to other agencies					(2,791,802)
Interest income					1,579
Reversions					(1,425,345)
Total general revenues					48,707,686
Changes in Net Position					(675,952)
Net Position, Beginning					6,062,789
Net Position, Ending					\$ 5,386,837

See notes to financial statements.

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund 13900	Supreme Court Automation 01100	Jury and Witness Fees 01200	Court Appointed Attorney 12400	Statewide Automated Bond 27300
Assets					
Investment in SGFIP	\$ 535,857	837,835	854,135	602,689	801,793
Petty Cash	5,776	-	-	-	-
Due from external parties	-	-	45	-	-
Other receivable	-	-	-	-	-
Due from other state agencies	-	-	-	-	-
Due from local governments	-	-	-	-	-
Due from federal grants	-	-	-	-	-
Total assets	\$ 541,633	837,835	854,180	602,689	801,793
Liabilities					
Deficit balance in SGFIP	\$ -	-	-	-	-
Accounts payable	221,084	173,697	296,203	596,361	246,383
Accrued payroll	136,190	83,546	30,767	6,328	-
Due to other state agencies	166,475	-	-	-	-
Due to state general fund	17,230	-	76,424	-	-
Other liabilities	654	-	111,205	-	204
Total liabilities	541,633	257,243	514,599	602,689	246,587
Fund Balances					
Non-Spendable	-	-	-	-	-
Restricted	-	457,092	339,581	-	-
Committed	-	-	-	-	555,206
Assigned	-	123,500	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	-	580,592	339,581	-	555,206
Total liabilities and fund balances	\$ 541,633	837,835	854,180	602,689	801,793

See notes to financial statements.

Statewide Drug Court Technology 44300	Grant Fund 49500	Special Water Rights Adjudication 51200	Magistrate Court Warrant Enforcement 57500	Magistrate Courts 69200	STB Capital Outlay 89200	Non-Major Funds	Total Governmental Funds
\$ 845,878	-	791,300	1,923,747	890,708	24,586	1,828,177	9,936,705
-	-	-	-	-	-	-	5,776
-	-	-	-	32,544	-	226	32,815
-	-	-	207	2,252	-	-	2,459
-	124,128	447,941	-	-	-	-	572,069
-	4,374	-	-	-	-	-	4,374
-	109,608	-	-	-	-	-	109,608
\$ 845,878	238,110	1,239,241	1,923,954	925,504	24,586	1,828,403	10,663,806
\$ -	159,921	-	-	-	-	-	159,921
2,068	64,950	7,124	36,027	232,052	24,586	237,051	2,137,586
-	7,170	10,245	85,051	693,375	-	136,880	1,189,552
-	-	-	-	-	-	-	166,475
-	-	-	-	-	-	-	93,654
-	245	-	335	44,045	-	-	156,688
2,068	232,286	17,369	121,413	969,472	24,586	373,931	3,903,876
-	-	-	-	-	-	-	-
-	-	904,872	1,802,541	-	-	1,208,372	4,712,458
843,810	-	-	-	-	-	-	1,399,016
-	-	317,000	-	-	-	246,100	686,600
-	5,824	-	-	(43,968)	-	-	(38,144)
843,810	5,824	1,221,872	1,802,541	(43,968)	-	1,454,472	6,759,930
\$ 845,878	238,110	1,239,241	1,923,954	925,504	24,586	1,828,403	10,663,806

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**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017**

Fund balances - total governmental funds \$ 6,759,930

Amounts reported for governmental activities in the statement of net position are different because 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 (1,373,093)

Net Position of Governmental Activities \$ 5,386,837

See Notes to Financial Statements.

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
For the Year Ended June 30, 2017**

	General Fund 13900	Supreme Court Automation 01100	Jury and Witness Fees 01200	Court Appointed Attorney 12400	Statewide Automated Bond 27300
Revenues					
Court fees	\$ -	3,869,149	300	-	-
Charges for services	-	2,880	1,888,480	-	-
Federal grants	-	-	-	-	-
Interest income	-	-	-	-	-
Total revenues	-	3,872,029	1,888,780	-	-
Expenditures					
Judicial:					
Current:					
Personal services and benefits	3,505,019	2,107,758	805,364	175,930	-
Contractual services	3,610,121	503,270	146,823	6,084,587	257,152
Other costs	281,234	1,552,419	6,003,385	11,300	582,866
Capital outlays	-	43,986	-	-	94,576
Total expenditures	7,396,374	4,207,433	6,955,572	6,271,817	934,594
Excess (deficiency) of revenues over expenditures	(7,396,374)	(335,404)	(5,066,792)	(6,271,817)	(934,594)
Other Financing Sources (Uses)					
Transfer In:					
General fund appropriation	7,462,913	-	6,906,707	6,281,887	-
Other State agencies	1,300,000	-	-	-	284,000
Bond Proceeds	-	-	-	-	-
Transfer Out:					
Other State agencies	(1,294,051)	-	-	(10,000)	-
Reversions	(72,488)	-	(803,224)	(70)	-
Total other financing sources (uses)	7,396,374	-	6,103,483	6,271,817	284,000
Net changes in fund balances	-	(335,404)	1,036,691	-	(650,594)
Fund balances, beginning	-	915,996	(697,110)	-	1,205,800
Fund balances, ending	\$ -	580,592	339,581	-	555,206

See notes to financial statements.

Statewide Drug Court Technology 44300	Grant Fund 49500	Special Water Rights Adjudication 51200	Magistrate Court Warrant Enforcement 57500	Magistrate Courts 69200	STB Capital Outlay 89200	Non-Major Funds	Total Governmental Funds
\$ -	-	-	3,184,640	-	-	805,423	7,859,512
-	28,137	-	17	50,000	-	228,020	2,197,534
-	850,328	-	-	-	-	-	850,328
-	-	-	-	-	-	1,579	1,579
-	878,465	-	3,184,657	50,000	-	1,035,022	10,908,953
-	234,505	265,998	2,222,092	18,120,800	-	3,603,012	31,040,478
-	575,586	168,503	10,053	288,387	20,000	198,337	11,862,819
54,496	64,384	9,560	212,956	9,282,091	178,962	1,211,279	19,444,932
596,078	-	-	85,053	-	171,685	-	991,378
650,574	874,475	444,061	2,530,154	27,691,278	370,647	5,012,628	63,339,607
(650,574)	3,990	(444,061)	654,503	(27,641,278)	(370,647)	(3,977,606)	(52,430,654)
99,600	-	-	-	27,683,300	-	3,818,200	52,252,607
-	-	447,941	-	-	-	300,000	2,331,941
-	-	-	-	-	370,647	-	370,647
-	-	(370,000)	-	-	-	(100,000)	(1,774,051)
(534,561)	-	-	-	(15,002)	-	-	(1,425,345)
(434,961)	-	77,941	-	27,668,298	370,647	4,018,200	51,755,799
(1,085,535)	3,990	(366,120)	654,503	27,020	-	40,594	(674,855)
1,929,345	1,834	1,587,992	1,148,038	(70,988)	-	1,413,878	7,434,785
\$ 843,810	5,824	1,221,872	1,802,541	(43,968)	-	1,454,472	6,759,930

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ (674,855)

Amounts reported for governmental activities in the Statement of Activities are different because the following expenses are not reported in the governmental funds:

Change in compensated absences (1,097)

Change in net position of governmental activities (675,952)

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

	General Fund (13900)			
	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
State General Fund appropriations	\$ 7,702,400	7,462,913	7,462,913	-
Other financing sources	1,300,000	1,300,000	1,300,000	-
Total revenues	9,002,400	8,762,913	8,762,913	-
Expenditures - All Departments				
Personal services	3,563,000	3,505,100	3,505,019	81
Contractual services	3,774,082	3,660,623	3,610,121	50,502
Other costs	371,267	303,139	281,234	21,905
Other financing uses	1,294,051	1,294,051	1,294,051	-
Total expenditures	\$ 9,002,400	8,762,913	8,690,425	72,488
Excess of revenues and other financing sources over expenditures and other financing uses			72,488	
Reversion			<u>(72,488)</u>	
Ending Fund Balance			<u><u>-</u></u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

	Supreme Court Automation Fund (01100)			
	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Court fees	\$ 3,490,400	3,490,400	3,869,149	378,749
Miscellaneous revenues	680,000	680,000	2,880	(677,120)
Total revenues	<u>4,170,400</u>	<u>4,170,400</u>	<u>3,872,029</u>	<u>(298,371)</u>
Fund Balance Budgeted	<u>412,400</u>	<u>412,400</u>		
	<u>4,582,800</u>	<u>4,582,800</u>		
Expenditures				
Personal services	2,107,800	2,107,800	2,107,758	42
Contractual services	656,563	656,563	503,270	153,293
Other costs	1,818,437	1,818,437	1,596,405	222,032
Total expenditures	<u>\$ 4,582,800</u>	<u>4,582,800</u>	<u>4,207,433</u>	<u>375,367</u>
Excess of revenues and other financing sources over expenditures and other financing uses			(335,404)	
Fund Balance Beginning			<u>915,996</u>	
Fund Balance carryforward			<u><u>580,592</u></u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

	Jury and Witness Fees Fund (01200)			
	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
State General Fund appropriations	\$ 6,629,907	6,629,907	6,906,707	276,800
Court fees	-	-	300	300
Miscellaneous revenues	2,025,000	2,025,000	1,999,152	(25,848)
Total revenues	<u>8,654,907</u>	<u>8,654,907</u>	<u>8,906,159</u>	<u>251,252</u>
Expenditures				
Personal services	671,800	805,800	805,364	436
Contractual services	66,000	166,000	146,823	19,177
Other costs	7,917,107	7,683,107	6,003,385	1,679,722
Total expenditures	<u>\$ 8,654,907</u>	<u>8,654,907</u>	<u>6,955,572</u>	<u>1,699,335</u>
Excess of revenues and other financing sources over expenditures and other financing uses				
			1,950,587	
Amounts owed to Language Access Fund			(110,672)	
Reversion			(803,224)	
Fund Balance Beginning			(697,110)	
Fund Balance carryforward			<u>339,581</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

	Court Appointed Attorney Fund (12400)			
	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
State General Fund appropriations	\$ 6,012,100	6,281,887.00	6,281,887	-
Expenditures				
Personal services	175,300	176,000	175,930	70
Contractual services	5,797,800	6,084,587	6,084,587	-
Other costs	19,000	11,300	11,300	-
Other financing uses	20,000	10,000	10,000	-
Total expenditures	\$ 6,012,100	6,281,887	6,281,817	70
Excess of revenues and other financing sources over expenditures and other financing uses				
			70	
Reversion			(70)	
Ending Fund Balance			<u>-</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017

Statewide Automation Bond Fund (27300)						
	Original Budget	Approved Revised Budget	Prior Year Actual	Current Year Actual	Total Since Inception	Variance Favorable (Unfavorable)
DATA PROCESSING APPROPRIATIONS						
Revenues						
Other financing sources	\$ 1,489,800	1,489,800	1,205,800	284,000	1,489,800	-
Expenditures						
Contractual services	609,470	609,470	-	257,152	257,152	352,318
Other Costs	880,330	880,330	-	677,442	677,442	202,888
Total expenditures	\$ 1,489,800	1,489,800	-	934,594	934,594	555,206
Excess of revenues and other financing sources over expenditures and other financing uses						
				(650,594)		
Reversion						
				-		
Fund Balance Beginning						
				1,205,800		
Fund Balance carryforward						
				<u>555,206</u>		

Appropriation Period	Short Title	Approved Budget	Prior Years	Current Year	Outstanding Encumbrances	Unexpended/ Unencumbered Balance
FY 2015	Jury Management System	\$ 780,000	-	312,415	-	467,585
FY 2016	Cash Remediation	100,000	-	100,000	-	-
FY 2016	Odyssey Case Management Upgrades	325,800	-	278,300	-	47,500
FY 2017	Video Network Operations	284,000	-	243,879	-	40,121
		<u>\$ 1,489,800</u>	<u>-</u>	<u>934,594</u>	<u>-</u>	<u>555,206</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017

Statewide Drug Court Technology Fund (44300)						
	Original Budget	Approved Revised Budget	Prior Year Actual	Current Year Actual	Total Since Inception	Variance Favorable (Unfavorable)
SPECIAL APPROPRIATIONS						
Revenues						
State General Fund appropriations	\$ 899,600	899,600	800,000	99,600	899,600	-
Other financing sources	1,700,000	1,700,000	1,700,000	-	1,700,000	-
Miscellaneous revenues	500,000	500,000	500,000	-	500,000	-
Total revenues	3,099,600	3,099,600	3,000,000	99,600	3,099,600	-
Expenditures						
Contractual services	20,000	-	-	-	-	-
Other costs	2,379,600	3,099,600	1,070,655	650,574	1,721,229	1,378,371
Other financing uses	700,000	-	-	-	-	-
Total expenditures	\$ 3,099,600	3,099,600	1,070,655	650,574	1,721,229	1,378,371

Excess of revenues and other financing sources over expenditures and other financing uses	(550,974)
Reversion	(534,561)
Fund Balance Beginning	1,929,345
Fund Balance carryforward	<u>843,810</u>

Appropriation	Approved Budget	Prior Years	Current Year	Outstanding Encumbrances	Unexpended/Unencumbered Balance
FY 2016 Critical Safety and Security Statewide	\$ 2,200,000	1,020,126	435,664	-	744,210
FY 2016 Purchase Security, Equipment, Furniture and Vehicles	800,000	50,529	749,471	-	-
FY 2017 Pay dues to National Center for State Courts	99,600	-	-	-	99,600
	\$ 3,099,600	1,070,655	1,185,135	-	843,810

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

	Grant Fund (49500)			Variance Favorable (Unfavorable)
	Original Budget	Approved Revised Budget	Actual	
Revenues				
Federal Grants	\$ 837,900	837,900	392,387	(445,513)
Intra-State Wts-Fed Grants	310,900	310,900	457,941	147,041
Miscellaneous Revenue	-	-	28,137	28,137
Total revenues	1,148,800	1,148,800	878,465	(270,335)
Expenditures				
Personal Services	194,800	242,800	234,505	8,295
Contractual services	883,500	835,500	575,586	259,914
Other Costs	70,500	70,500	64,384	6,116
Total Expenditures	\$ 1,148,800	1,148,800	874,475	274,325
Excess of revenues and other financing sources over expenditures and other financing uses			3,990	
Fund Balance Beginning			1,834	
Fund Balance carryforward			<u>5,824</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

	Special Water Rights Adjudication Fund (51200)			
	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Other financing sources	\$ 721,900	721,900	447,941	(273,959)
Fund Balance Budgeted	317,000	317,000		
Total	<u>1,038,900</u>	<u>1,038,900</u>		
Expenditures				
Personal Services	279,000	279,000	265,998	13,002
Contractual services	379,900	379,900	168,503	211,397
Other Costs	10,000	10,000	9,560	440
Other financing uses	370,000	370,000	370,000	-
Total expenditures	<u>\$ 1,038,900</u>	<u>1,038,900</u>	<u>814,061</u>	<u>224,839</u>
Excess of revenues and other financing sources over expenditures and other financing uses			(366,120)	
Fund Balance Beginning			<u>1,587,992</u>	
Fund Balance carryforward			<u><u>1,221,872</u></u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

Magistrate Court Warrant Enforcement Fund (57500)

	Original Budget	Approved Revised Budget	Actual	Variance Favorable (Unfavorable)
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Revenues				
Court fees	\$ 3,284,600	3,284,600	3,184,640	(99,960)
Miscellaneous revenues	-	-	17	17
Total revenues	3,284,600	3,284,600	3,184,657	(99,943)

Expenditures				
Personal Services	2,838,700	2,788,700	2,222,092	566,608
Contractual services	145,900	145,900	10,053	135,847
Other Costs	300,000	350,000	298,009	51,991
Total expenditures	\$ 3,284,600	3,284,600	2,530,154	754,446

Excess of revenues and other financing sources over expenditures and other financing uses	654,503
Fund Balance Beginning	1,148,038
Fund Balance carryforward	1,802,541

SPECIAL APPROPRIATION

Appropriation Period	Short Title	Approved Budget	Prior Years	Current Year	Outstanding Encumbrances	Unexpended/ Unencumbered Balance
FY 2016	Critical Safety and Security Statewide	\$ 300,000	216,269	83,731	-	-

See Notes to Financial Statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR BUDGETED FUNDS
For the Year Ended June 30, 2017**

	Magistrate Courts Fund (69200)			Variance Favorable (Unfavorable)
	Original Budget	Approved Revised Budget	Actual	
Revenues				
State General Fund appropriations	\$ 27,683,300	27,683,300	27,683,300	-
Other Services	-	50,000	50,000	-
Total revenues	<u>27,683,300</u>	<u>27,733,300</u>	<u>27,733,300</u>	-
Expenditures				
Personal services	18,070,800	18,120,800	18,120,800	-
Contractual services	346,500	306,500	288,387	18,113
Other costs	9,266,000	9,306,000	9,282,091	23,909
Total expenditures	<u>\$ 27,683,300</u>	<u>27,733,300</u>	<u>27,691,278</u>	<u>42,022</u>
Excess of revenues and other financing sources over expenditures and other financing uses			42,022	
Reversion			(15,002)	
Fund Balance Beginning			(70,988)	
Ending Fund Balance			<u>(43,968)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
 June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Interest in the State General Fund Investment Pool	\$ 1,564,689
Cash in Authorized Bank Accounts	2,534,884
	<hr/>
Total assets	\$ 4,099,573
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ 298,092
Due To Beneficiaries (CU's)	133,011
Due To Local Governments	873,519
Deposits Held for Others	2,794,951
	<hr/>
Total liabilities	\$ 4,099,573
	<hr/> <hr/>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of New Mexico Administrative Office of the Courts (AOC) was created by NMSA 1978, Section 34-9-1. The AOC is responsible for planning, organizing, and supervising statewide programs and policy at all levels for the State of New Mexico court system.

As set forth in NMSA 1978, Section 34-9-1, the AOC acts as staff advisor to the administrative operations of all judicial agencies. All phases of state court administration come within the AOCs' purview. Its duties include:

Coordinating, planning, organizing, developing, evaluating, and analyzing court service operations for developing improved managerial procedures and practices for magistrate and district courts statewide.

Budgeting and accounting for the magistrate judges, including internal payroll and procurement, inventory control, and use of direct shipping from office supply vendors to the various magistrate courts.

Budgeting for the district courts.

Supervising of the State's forty-six magistrate courts.

A. Financial Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units in the reporting entity by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Applying these criteria, the AOC has no component units.

However, the AOC 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 AOC has oversight responsibility. The AOC 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.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

A. Financial Reporting Entity (Continued)

The AOC is legally separate and fiscally independent of other state agencies. Although the agency director serves at the pleasure of the New Mexico Supreme Court, that person has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The AOC is not included in any other governmental "reporting entity" as defined in Section 2100. *Codification of Governmental Accounting and Financial Reporting Standards*. Included within the reporting entity is the AOC as described above.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the AOC as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The AOC has no business type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resources measurement focus, which incorporates long-term assets and deferred outflows as well as long-term liabilities and deferred inflows. The government wide financial statements do not include fiduciary funds or component units.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which otherwise are being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating grants and contributions and capital grants and contributions. The Administrative Office of the Courts includes only operating grants and contributions.

Inter-fund activity and balances were eliminated to remove the "doubling-up" effect between funds in the government-wide financial statements. The program revenues must be directly associated with the function and include fees and grants.

The AOC does not employ indirect cost allocation in the financial statements.

This government-wide financial statements focus is more on the sustainability of the AOC as an entity and the change in aggregated financial position resulting from the activities of the fiscal period.

As to fund financial statements, emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column and detailed in the supplemental information section.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Basic Financial Statements (Continued)

The governmental funds in the fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the AOC's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The AOC's fiduciary funds are presented in the fund financial statements by type. 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 into the government-wide statements.

The focus is on the AOC as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary funds by type.

C. Basis of Presentation

The financial transactions of the AOC are recorded in individual 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, liabilities, deferred inflows, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

GASB 34 sets forth the minimum criteria (a percentage of the assets, liabilities, revenues or expenditures of either the governmental fund category or of the governmental and enterprise funds combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the supplemental information section.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation (Continued)

The following fund types are used by the AOC:

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to its spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

General Fund (13900) – A general operating fund used to account for all financial resources traditionally associated with governments which are not required to be accounted for in another fund. The AOC general fund was created by Section 34-9-1 NMSA 1978. Any balance remaining in this fund at the end of the fiscal year reverts to the State General Fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The AOC major special revenue funds are as follows:

Fund 01100 - JID Supreme Court Automation - Created by Section 34-9-10 NMSA 1987. All balances in the fund are appropriated and may be expended for service contracts related to court automation systems or for the purchase, lease-purchase, financing, refinancing and maintenance of court automation systems and equipment in the judiciary. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund. This fund may not always meet the criteria for a major fund; however, management has determined to present this fund with the major funds to maintain consistency.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation (Continued)

Fund 01200 - Jury and Witness Fees - Authorized annually by the General Appropriations Act (GAA) (Chapter 355, Laws of 1987) to account for the payment of interpreter, witness and jury expenses (generally travel, per diem and hourly stipends) for the Bernalillo County Metropolitan Court, thirteen district courts and forty-nine magistrate courts. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund. Special language was placed in section four of the 2013 GAA after the Supreme Court appropriation to set juror pay accordingly in order to stay within the annual allotted appropriation of the fund.

Fund 12400 - Court Appointed Attorney - Established by the Mental Health, Developmental and Disabilities Code Laws of 1977, Chapter 279, Section 1 and amended by Laws 1989, Chapter 128, Section 2, to provide legal representation to clients, to provide treatment guardians and to appoint special commissioners. Funding is provided by State General Fund appropriations. Any balance remaining in this fund at the end of the fiscal year reverts to the State General Fund.

Fund 27300 - JID Statewide Automation Bond - This fund is used to account for IT equipment or computer systems enhancement funds appropriated. Any unexpended State General Fund appropriations at the end of the fiscal year revert to the State General Fund unless otherwise indicated. Unspent revenues from other sources do not revert, accordingly an ending fund balance is shown for this fund. This fund may not always meet the criteria for a major fund; however, management has determined to present this fund with the major funds to maintain consistency.

Fund 44300 – Statewide Drug Court Technology – Initially created to standardize equipment and software statewide necessary to consistently track and report Drug Court client information. Most recently this fund is used to record multi-year judiciary special appropriations. All balances remaining in this fund at the end of the designated fiscal year reverts to the State General Fund or appropriate fund. This fund may not always meet the criteria for a major fund; however, management has determined to present this fund with the major funds to maintain consistency.

In FY 2016 the AOC was appropriated \$3,000,000 to purchase critical safety and security equipment, IT equipment, furniture and vehicles at magistrate courts and judicial district courts statewide. At the end of FY 2017 there was an unexpended/unencumbered balance of \$744,210 remaining for this appropriation.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation (Continued)

Fund 49500 - AOC Grant - Created internally to account for various federal grants received by the AOC. The grants are restricted to specific purposes as agreed to between the Agency and the grantors as enumerated in the grant agreements. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund as the fund receives no State General Fund appropriations. This fund may not always meet the criteria for a major fund; however, management has determined to present this fund with the major funds to maintain consistency.

Fund 51200 – Special Water Rights Adjudication – The Water Project Fund was created under the Laws of 2001, Chapter 164, Section 9 at the New Mexico Finance Authority for the purpose of supporting water projects pursuant to provisions of the Water Project Finance Act. As a result of this act twenty percent of the money dedicated for water rights adjudications is allocated to AOC for the costs associated with those adjudications. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

Fund 57500 - Magistrate Court Warrant Enforcement - Created under Section 35-6-5 NMSA, and is funded by bench warrant fees assessed against individuals at the Magistrate Court level. The primary purpose of this fund is for the employment of personnel and purchase of equipment and services to aid in the collection of fines, fees, or costs owed to the Magistrate Courts. After satisfaction of the primary purpose, any remaining funds, to the extent deemed necessary by the Director, AOC, are to be used to partially reimburse law enforcement agencies for the expense of serving bench warrants issued by the magistrate courts, pursuant to an intergovernmental agreement between the law enforcement agency and the AOC. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

Fund 69200 – Magistrate Courts – Created by Laws of 2003, Chapter 76, Section 4, to provide access to justice, to resolve disputes justly and timely and to maintain accurate records of legal proceedings that affect rights and legal status in order to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States. Any balance remaining at the end of the fiscal year reverts to the State General Fund.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation (Continued)

Capital Project Funds. 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 bond proceeds, and other funding specified for capital projects.

Fund 89200 – Severance Tax Bond (STB) Capital Outlay – This fund was established by the Department of Finance and Administration for the AOC to track all STB Capital Outlay appropriations. This conversion to a statewide fund will allow for better reporting consistency and monitoring of appropriations. All current and future capital appropriations to the AOC will be budgeted in this fund. This fund may not always meet the criteria for a major fund; however, management has determined to present this fund with the major funds to maintain consistency.

The AOC has the following non-major special revenue funds:

Fund 10790 – Electronic Services Fund – Created by Section 34-1-11 NMSA 1978. The fund consists of electronic services fees collected by the courts and transferred to the AOC. Money in the fund is subject to appropriation by the legislature to the administrative office of the courts for the purpose of defraying the costs of operating and maintaining electronic filing services and providing public access to electronic documents in appellate, district, metropolitan and magistrate courts, consistent with rules promulgated by the Supreme Court. This Fund was not budgeted during FY 2017. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

Fund 11600 - Magistrate Drug Court - To account for the Magistrate Drug Court expenditures and revenues received as a result of fees collected from participants in the program and fees transferred to the AOC pursuant to NMSA Section 3-18-17. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

Fund 11120 – Magistrate Court Operations - Created under Laws of 2010, Chapter 7, Section 1, subject to appropriation by the legislature for the operations of magistrate courts. The fund consists of magistrate courts operations fees collected pursuant to Section 66-8-116.3 NMSA 1978. This fund is no longer being used by the AOC. Fees collected in this fund are reverted to the State General Fund.

Fund 12600 - Municipal Court Automation - Created by Section 34-9-12 NMSA 1978. All balances in the municipal court automation fund may be expended only upon application by a municipality to the AOC for the purpose of purchasing and maintaining a court automation system in that municipality's courts. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation (Continued)

Fund 13600 - Judges Pro-Temp - Established in July 1979 to pay the cost of hiring retired judges and justices who are appointed by the Chief Justice of the Supreme Court to serve as a district judge pro-temp, pursuant to the provisions of Article 6, Section 15 of the Constitution of New Mexico. Any balance remaining in this fund at the end of the fiscal year reverts to the State General Fund. There were no activities in this fund in FY 2017.

Fund 30400 – Magistrate Court Mediation - All balances in the fund are subject to appropriation for payment to magistrate courts for the purpose of funding and administering voluntary mediation programs. The mediation programs shall be established by Supreme Court rule for the efficient disposition of civil complaints. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

Fund 49600 – Magistrate and Security Facility Fund - Created under Laws of 2000, Chapter 5, Section 6 for securing equipment and studying costs and benefits of leasing and purchasing magistrate court facilities. Any balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund. There were no activities in this fund in FY 2017.

Fund 58300 – Judicial Performance Evaluation – Created under Laws of 2008, Chapter 36 for the operation and costs of the judicial performance evaluation commission to perform the duties required by the Supreme Court to evaluate appellate, district and metropolitan court judges. The fund shall consist of appropriations, gifts, grants, donations and bequests made to the fund. Any balances remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

Fund 68900 – Judicial Information Division - Created by a joint powers agreement between the New Mexico Supreme Court and the State of New Mexico AOC to provide for the cost of personnel for the Supreme Court statewide automation project and related costs. Any balance remaining in this fund at the end of the fiscal year reverts to the State General Fund.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation (Continued)

FIDUCIARY FUND TYPES

Fiduciary fund types include trust and agency funds, which are used to account for assets held by the AOC in the capacity of trustee or agent.

Agency Funds: Agency funds are used to account for assets held as an agent for other governmental units, individuals and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Litigant Fund – Used to record posted bonds which are held for the person posting the bond until either forfeited or returned. Forfeited bonds may be converted to the extent that fines and/or fees are owed.

Fines and Fees Fund- Used to record the collection of allowable Magistrate Court costs and fees and disbursements to the beneficiaries as follows:

<u>Description</u>	<u>Amount</u>	<u>Beneficiary</u>
Criminal docket fees		
Under section 29-5-1	\$ <u>1.00</u>	State educational institution where Violation occurred Under section 35-6-1
Criminal docket fees	\$ <u>20.00</u>	Fund 53200-Court Facilities
Civil docket fees	\$ 25.00	Fund 12200-Judges Retirement Fund
	12.00	Fund 53200-Court Facilities Fund
	20.00	Fund 07800-Court Automation Fund
	15.00	Fund 60000-Civil Legal Service Fund
	<u>5.00</u>	Fund 30400-Magistrate Court Mediation Fund
	\$ <u>77.00</u>	
Jury fees	\$ 15.00	Fund 53200-Court Facilities Fund
	<u>10.00</u>	Fund 12200-Judges Retirement Fund
	\$ <u>25.00</u>	
Bench warrant fee	\$ 100.00	Fund 57600-Magistrate Enforcement Fund
Interest income	Various	Fund 79400-Magistrate Penalty Assessment
Fines and forfeitures	Various	Fund 71700-State Public School Fund
Copying fees – each	0.50	Fund 53200-Court Facilities Fund
Copying fees – electronic	1.00	Fund 07800-Court Automation Fund

**STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

C. Basis of Presentation (Continued)

<u>Description</u>	<u>Amount</u>	<u>Beneficiary</u>
Lab tests fees in cases involving DWI:		
DWI lab fee	85.00	Fund 68700-Crime Laboratory Fund
Substance abuse lab fee	75.00	Fund 68700-Crime Laboratory Fund
DWI prevention fee	75.00	Fund 68700-Crime Laboratory Fund
Fees relating to drug courts:		
Drug Court Fee	\$ 50.00	Fund 11600-Magistrate Drug Court Fund
Fees relating to conviction under provisions of motor vehicle code:		
Corrections fee	\$ 20.00	Fund 68800-Correction Fee Fund
Court automation fee	10.00	Fund 07800-Court Automation Fund
Facilities fee	10.00	Fund 53200-Court Facilities Fund
Traffic safety fee	3.00	Fund 25200-Traffic Safety Fund
Brain injury fee	5.00	Fund 48100-Brain Injury Fee Fund
Jury and Witness fee	5.00	Fund 01200-Jury and witness Fee Fund
Judicial education fee	3.00	Fund 57700-Judicial Education Fee Fund
Juvenile Adjudication fee	1.00	Fund 11210-Juvenile Adjudication Fee Fund
Domestic Violence Treatment fee	5.00	Fund 51500-Domestic Violence Offender Treatment Fund
	<u>\$ 67.00</u>	
Fees relating to misdemeanor convictions:		
Crime Victims Reparation fee	<u>\$50.00</u>	Fund 40150-Crime Victims Reparation Fee

D. Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. Measurable means knowing or being able to reasonably estimate the amount. Available meaning collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Basis of Accounting (Continued)

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient.

The AOC records fine and fee revenue when received in its agency funds. Fine and fee revenue collected at various magistrate court bank accounts and had not been received in its agency funds is recorded as deposits held for others.

E. Federal Grants Receivable

Various reimbursement procedures are used for federal awards received by the AOC. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, unearned revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable, or unearned revenue balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed.

Certain federal program funds are passed through the AOC to sub grantee organizations. These pass-through funds are included in the Schedule of Expenditures of Federal Awards as part of total expenditures for those grants.

**STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)**

F. Capital Assets

Property, plant, and equipment purchased or acquired at a value of \$5,000 or greater are capitalized. By state statute, all capital assets used by the AOC are accounted for by the State of New Mexico, Supreme Court Building Commission and not AOC. Capital assets purchased by the AOC are reported as Capital outlay expenditures. During the year the AOC transferred \$580,825 in capital assets to the Supreme Court Building Commission and \$436,926 to various district courts, see Schedule of Operating Transfers.

G. Compensated Absences

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>	<u>Hours of Maximum Accrual</u>
1 month – 3 years	4.62	240
Over 3-7 years	5.54	240
Over 7-14 years	6.46	240
Over 14 years/beyond	7.39	240

Two hundred forty (240) hours of accrued annual leave may be carried forward into the beginning of the next calendar year, and any excess is forfeited. When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of two hundred forty (240) hours.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours, on July 1 or January 1 of each year. However, sick leave is paid at 50% of the employee's regular hourly wage.

At retirement, employees can receive 50% payment for up to 400 hours of accumulated sick leave above 600 hours. Therefore, the only sick leave which has been accrued represents the hours earned at June 30th, over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences.

The leave accruals for compensated absences is calculated at employee pay rates in effect on June 30th, and include direct and incremental salary-related payments such as the employer's share of social security taxes. Accrued annual leave and vested sick pay are recorded as liabilities and as an increase or decrease in expenses in the government-wide financial statements.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

G. Compensated Absences (Continued)

In addition, the AOC allows Fair Labor Standards Act (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 FLSA. Accrued compensated absences are recorded as liabilities and net charges are recorded as expenditures in the government-wide financial statements. The fund financial statements only recognize the compensated absences when due and payable at year end.

H. Net Position

The government-wide Statement of Net Position utilizes a net position presentation. Net Position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Restricted – are liquid resources (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted – represent unrestricted liquid resources.

The AOC allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

I. Fund Balances

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

Restricted Fund Balances

In the governmental fund financial statements restrictions of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. The AOC restricted fund balances at year end were \$4,712,458.

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 AOC committed fund balances at year end were \$1,399,016 consisting of multi-year Special and Data Processing appropriations.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

I. Fund Balances (Continued)

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 AOC assigned fund balances at year end were \$686,600.

Unassigned fund balances

Unassigned fund balances 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 AOC 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 AOC unassigned deficit fund balances at year end were \$(38,144).

J. Inter-fund Activity

Inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation of the government-wide financial statements.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the AOC, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget and a financial control system which permits a budget to actual expenditure comparison on the modified accrual basis. Expenditures may not legally exceed appropriations for each budget at the program appropriation level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

L. Budgets and Budgetary Accounting (Continued)

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

1. No later than September 1, the AOC submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The budget recommendation results of these hearings are incorporated into the State of New Mexico's General Appropriations Act (GAA).
3. The GAA is then sent to the Governor of the State of New Mexico for signature within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. No later than May 1, the AOC submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the submitted operating budgets, which become effective on July 1.

Any subsequent budget adjustments requested by the AOC must be submitted to and approved by the Director of the DFA-Budget Division and LFC.

5. Formal budgetary integration is employed as a management control device during the fiscal year for the General, Special Revenue and Capital Projects Funds.

The budget is adopted on a modified accrual basis of accounting (General Appropriations Act, Laws of 2015, Chapter 101, Section 3, Subsections L) except for 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.

NOTE 2. INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2017, the AOC had a balance of \$11,341,473 in Interest in the State General Fund Investment Pool as shown in the *Schedule of Investment in State General Fund Investment Pool*.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 2. INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL
(CONTINUED)**

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

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2017

NOTE 3. CASH ACCOUNTS

The AOC has 47 bank accounts for Magistrate and Magistrate Circuit Courts. Deposits are non-interest bearing. Cash on deposit at commercial banks are shown at book value. The *Schedule of Cash Accounts* provides a detailed listing of cash balances held by the State Treasurer and commercial banks. Balances at commercial banks that exceed FDIC insurance limits are required by state statute to be 50% collateralized. The State Treasurer monitors compliance with these collateral requirements and issues its own separate financial statements.

State Treasurer Balance	\$ 11,341,473
Commercial Bank Balance	2,687,757
Magistrate Change Fund Balance	5,776
Reconciling items	<u>(152,873)</u>
Financial statement balance	\$ <u>13,882,133</u>

Presented in the financial statements as:

Interest in SGIP	\$ 9,936,705
Other cash	5,776
Deficit cash balance	(159,921)
Agency Fund Cash	<u>1,564,689</u>
Total cash per financial statement	\$ <u>11,347,249</u>

Custodial Credit Risk – Cash in Commercial Banks

Custodial credit risk is the risk that in the event of a bank failure the AOC’s deposits may not be returned. The AOC does not have a policy for custodial credit risk; however, none of the bank accounts at June 30th was exposed to custodial credit risk.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 4. DUE TO THE STATE GENERAL FUND

The amounts reverted to the State General Fund and reversion balances due at June 30, 2017 are detailed as follows:

General Fund (13900)	\$ 72,488
Jury and Witness Fund (01200)	803,224
Court Appointed Attorney (12400)	70
Statewide Drug Court Technology (44300)	534,561
Magistrate Court Gen Fund (69200)	<u>15,002</u>
Total reversions	1,425,345
Less amount reverted during year	<u>(1,331,691)</u>
Total Due to State General Fund	\$ <u>93,654</u>

NOTE 5. INTRA-FUND TRANSFERS

During the year, the AOC transferred to the Court Appointed Attorney Fund (12400) totaling \$269,787 from the General Fund (13900) of \$239,487 and the Judges Pro-Temp Fund (13600) of \$30,300 to pay court appointed attorneys.

NOTE 6. COMPENSATED ABSENCES

During the year ended June 30, 2017, the following changes occurred in the compensated absence liabilities:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due in</u> <u>one year</u>
Compensated absences	<u>\$1,371,996</u>	<u>1,327,566</u>	<u>(1,326,469)</u>	<u>1,373,093</u>	<u>1,372,170</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 7. PERA PENSION PLAN

Plan Description. Substantially all of the AOC’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.nmpera.org.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. PERA PENSION PLAN (CONTINUED)

Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers. Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2017.

The Administrative Office of the Courts, 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.

Funding Policy. General Plan 3 members, of which all non-judicial AOC employee are members, were required to contribute 8.92% of their gross salary. The AOC is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the AOC are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The AOC's contributions to PERA for the fiscal years ending June 30, 2017, 2016 and 2015 were \$2,736,389, \$2,780,115 and \$2,845,784 respectively, which equal the amount of the required percentage of payroll contributions for each fiscal year.

NOTE 8. MAGISTRATE PENSION PLAN

Plan Description. Substantially all of the Magistrate Judges of the AOC are eligible to participate in a defined benefit contributory retirement plan through the Magistrate Retirement Act (Chapter 10, Article 12C, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.nmpera.org.

Financial Reporting and Disclosure for Single-Employer Cost Sharing Pension Plans by Employers. Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2017.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 8. MAGISTRATE PENSION PLAN (CONTINUED)

The Magistrate Judges within the Administrative Office of the Courts, as part of the primary government of the State of New Mexico, participate in a single employer defined benefit pension plan (Magistrate 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.

Funding Policy. The Magistrate Retirement Act plan members were required to contribute 10.5% of their gross salary. The AOC is required to contribute 15.0% of the gross covered salary. In addition, the AOC remits \$25.00 from each civil case docket fee paid in Magistrate Court and \$10.00 from each civil jury fee paid in Magistrate Court to PERA for accumulation in the Magistrate retirement fund. The AOC contributed \$459,605 of these fees to PERA for credit in the Magistrate Retirement Fund. The contribution requirements of plan members and the AOC are established in State statute under Chapter 10, Article 12C, NMSA 1978. The requirements may be amended by acts of the legislature. The AOC's contributions to PERA for the fiscal years ending June 30, 2017, 2016 and 2015, were \$829,793, \$829,894, and \$502,658 respectively, which equals the amount of the required percentage of payroll contributions for each fiscal year.

NOTE 9. POST-EMPLOYMENT BENEFITS

Plan Description. The Administrative Office of the Courts contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 9. POST-EMPLOYMENT BENEFITS (CONTINUED)

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.org.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, 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, 2017, 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 Administrative Office of the Court's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$432,808, \$438,450 and \$427,924 respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 10. DEFERRED COMPENSATION

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

NOTE 11. OPERATING LEASES

At June 30, 2017, the AOC is committed under various leases for buildings, magistrate offices, courtroom facilities, copying and postage equipment. These leases are considered operating leases for accounting purposes. Lease expenditures for the year ended June 30, 2017, amounted to \$8,662,604 for buildings and \$277,716 for equipment. The AOC is in the process of renegotiating new lease terms for many of the magistrate courts; as a result, the future minimum lease calculation excludes potential savings. Future minimum lease payments for these leases are as follows:

Year ending June 30 :	<u>Buildings</u>	<u>Equipment</u>
2018	\$ 8,516,690	263,057
2019	8,534,557	62,816
2020	8,534,766	53,496
2021	8,339,897	3,196
2022	8,336,364	-0-
There after	42,370,740	-0-
	<u>\$ 84,633,014</u>	<u>382,565</u>

NOTE 12. SPECIFIC AND SUPPLEMENTAL APPROPRIATIONS

During the year, the AOC received data processing, capital outlay, special and supplemental appropriations as described below:

Data Processing Appropriations:

Judicial Wide Data Processing Appropriations Law of 2015, Chapter 101, Section 7, Item 2: The AOC was appropriated \$780,000 to purchase and implement jury management system software for use in fiscal years 2015, 2016 and 2017. As of June 30, 2017, \$467,585 remained unexpended. **Extended through fiscal year 2018 – Laws of 2017, Chapter 135, Section 7, Item 1.* (See Statement of Revenue and Expenditures – Budget to Actual for fund 27300)

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 12. SUPPLEMENTAL AND SPECIFIC APPROPRIATIONS
(CONTINUED)**

Judicial Wide Data Processing Appropriations Law of 2016, Chapter 11, Section 7, Item 1: The AOC was appropriated \$100,000 to implement cash remediation upgrades to the new jury management system, in order to comply with SHARE requirements, for use in fiscal years 2016, 2017 and 2018. As of June 30, 2017, all balances have been expended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 27300)

Judicial Wide Data Processing Appropriations Law of 2016, Chapter 11, Section 7, Item 2: The AOC was appropriated \$325,800 to upgrade the odyssey judiciary business application system for use in fiscal years 2016, 2017 and 2018. As of June 30, 2017, \$47,500 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 27300)

Judicial Wide Data Processing Appropriations Law of 2017, Chapter 135, Section 7, Item 2: The AOC was appropriated \$284,000 to purchase and install software and hardware for the video network operations center to provide video and audio communications to various courts statewide for use in fiscal years 2017, 2018 and 2019. As of June 30, 2017, \$40,121 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 27300)

Capital Outlay Appropriations:

Judicial Wide Capital Outlay Appropriations Laws of 2013, Chapter 226, Section 4: The AOC was appropriated \$1,000,000 to purchase and install security and other equipment and to make infrastructure improvements at magistrate courts and judicial district courts statewide. As of June 30, 2017, \$16,065 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 89200)

Judicial Wide Capital Outlay Appropriations Laws of 2015, 1st special session, Chapter 3, Sections 57, 64, 66, 67 and 68: The AOC was appropriated \$2,500,000 to purchase and install security and other equipment and for infrastructure improvements at magistrate courts and judicial district courts statewide. As of June 30, 2017, \$744,210 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for funds 44300 and 57500)

Supplemental Appropriations:

Supplemental Appropriation laws of 2017, Chapter 135, Section 6, item 1: The AOC received \$475,000 for a shortfall in the court appointed attorney fund in fiscal year 2017. As of June 30, 2017, all balances have been expended.

Supplemental Appropriation laws of 2017, Chapter 5, Section 2: The AOC received \$1,603,407 for the jury and witness fee fund and operational needs. Any unexpended or unencumbered balance remaining at the end of the fiscal year 2017 shall revert to the general fund. The AOC uses weighted average as a percentage of the original budget to calculate the reversion based on the excess fund balance at year end. The AOC reverted \$450,000 to the State general fund in September 2017, the remaining \$76,424 will be reverted upon completion of the 2017 audit report.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

**NOTE 12. SUPPLEMENTAL AND SPECIFIC APPROPRIATIONS
(CONTINUED)**

Supplemental Appropriation laws of 2017, Chapter 2, Section 6, item 1: The AOC received \$1,233,000 for a shortfall in magistrate court leases in fiscal year 2017. As of June 30, 2017, all balances have been expended.

Special Appropriations:

Special Appropriation Laws of 2016, Chapter 11, Section 5, Item 4: The AOC was appropriated \$800,000 to address court priorities including funding for vehicles, furniture and equipment at courts statewide for use in fiscal years 2016 & 2017. The balance of this appropriation (\$534,561) was pulled back by the legislature during a special session and re-appropriated via a different funding source. (See Statement of Revenue and Expenditures – Budget to Actual for fund 44300)

Special Appropriation Laws of 2016, Special Session, Chapter 5, Section 1, Item A: The AOC was re-appropriated \$534,561 to address court priorities including funding for vehicles, furniture and equipment at courts statewide for use in fiscal years 2017, 2018, 2019 & 2020. As of June 30, 2017, \$229,075 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 89200)

Supplemental Appropriation laws of 2017, Chapter 2, Section 5, item 4: The AOC received \$99,600 for payment of dues to the national center of state courts for use in fiscal years 2017 & 2018. As of June 30, 2017, \$99,600 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 44300)

NOTE 13. FUND BALANCE DEFICIT

Fund balance deficit of \$43,968 in the Magistrate Courts fund was the result of insufficient general fund revenues received to pay outstanding Risk Management premium rates due to the Governor's veto of a supplemental appropriation requested by the AOC in the 2015 Legislative. The AOC was able to pay down the original deficit of \$107,564 by \$63,596 in FY 2016 and 2017. The AOC will request a deficiency appropriation in the 2018 Legislative session to pay off the remaining balance.

NOTE 14. RISK MANAGEMENT

The AOC is exposed to various risks of loss for which it carries insurance (Workers' Compensation, General Liability, Civil Rights, and Property) with the State of New Mexico Risk Management Division of the General Services Department. As of June 30, 2017, premiums for claims and assessments against the AOC totaled \$356,7323.

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SUPPLEMENTAL INFORMATION

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS
June 30, 2017**

	Electronic Services Fund 10790	Magistrate Drug Court 11600	Municipal Court Automation 12600
Assets			
Investment in SGFIP	\$ 423,972	175,496	673,347
Petty Cash	-	-	-
Due from external parties	-	-	-
Other receivable	-	-	-
Due from other state agencies	-	-	-
Due from local governments	-	-	-
Due from federal grants	-	-	-
Total assets	<u>\$ 423,972</u>	<u>175,496</u>	<u>673,347</u>
Liabilities			
Deficit balance in SGFIP	\$ -	-	-
Accounts payable	-	-	209,247
Accrued payroll	-	9,741	7,461
Due to other state agencies	-	-	-
Due to state general fund	-	-	-
Other liabilities	-	-	-
Total liabilities	<u>-</u>	<u>9,741</u>	<u>216,708</u>
Fund Balances			
Non-Spendable	-	-	-
Restricted	423,972	165,755	268,039
Committed	-	-	-
Assigned	-	-	188,600
Unassigned	-	-	-
Total fund balances	<u>423,972</u>	<u>165,755</u>	<u>456,639</u>
Total liabilities and fund balances	<u>\$ 423,972</u>	<u>175,496</u>	<u>673,347</u>

See Independent Auditor's Report.

Magistrate Court Mediation 30400	Judicial Performance Evaluation 58300	Judicial Information Division 68900	Total Non-Major Funds
\$ 142,093	298,266	115,003	1,828,177
-	-	-	-
226	-	-	226
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 142,319	298,266	115,003	1,828,403
\$ -	-	-	-
3,738	24,066	-	237,051
3,241	1,434	115,003	136,880
-	-	-	-
-	-	-	-
-	-	-	-
6,979	25,500	115,003	373,931
-	-	-	-
77,840	272,766	-	1,208,372
-	-	-	-
57,500	-	-	246,100
-	-	-	-
135,340	272,766	-	1,454,472
\$ 142,319	298,266	115,003	1,828,403

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2017**

	Electronic Services Fund 10790	Magistrate Drug Court 11600	Municipal Court Automation 12600
Revenues			
Court fees	\$ -	5,426	716,032
Charges for services	228,020	-	-
Federal grants	-	-	-
Interest income	1,579	-	-
Total revenues	229,599	5,426	716,032
Expenditures			
Judicial:			
Current:			
Personal services and benefits	-	297,000	161,871
Contractual services	-	-	-
Other costs	-	1,232	692,713
Capital outlays	-	-	-
Total expenditures	-	298,232	854,584
Excess (deficiency) of revenues over expenditures	229,599	(292,806)	(138,552)
Other Financing Sources (Uses)			
Transfer In:			
General fund appropriation	-	-	-
Other State agencies	-	300,000	-
Bond Proceeds	-	-	-
Transfer Out:			
Other State agencies	-	-	(100,000)
Reversions	-	-	-
Total other financing sources (uses)	-	300,000	(100,000)
Net changes in fund balances	229,599	7,194	(238,552)
Fund balances, beginning	194,373	158,561	695,191
Fund balances, ending	\$ 423,972	165,755	456,639

See Independent Auditor's Report.

Magistrate Court Mediation 30400	Judicial Performance Evaluation 58300	Judicial Information Division 68900	Total Non-Major Funds
\$ 83,965	-	-	805,423
-	-	-	228,020
-	-	-	-
-	-	-	1,579
83,965	-	-	1,035,022
84,293	37,548	3,022,300	3,603,012
41,492	156,845	-	198,337
6,760	12,274	498,300	1,211,279
-	-	-	-
132,545	206,667	3,520,600	5,012,628
(48,580)	(206,667)	(3,520,600)	(3,977,606)
-	297,600	3,520,600	3,818,200
-	-	-	300,000
-	-	-	-
-	-	-	(100,000)
-	-	-	-
-	297,600	3,520,600	4,018,200
(48,580)	90,933	-	40,594
183,920	181,833	-	1,413,878
\$ 135,340	272,766	-	1,454,472

STATE NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 For the Year Ended June 30, 2017

STB Capital Outlay Fund (89200)						
	Original Budget	Approved Revised Budget	Prior Year Actual	Current Year Actual	Total Since Inception	Variance Favorable (Unfavorable)
<u>CAPITAL APPROPRIATIONS</u>						
Revenues						
Severance Tax Bonds	\$ 1,534,561.00	1,534,561	918,773	370,647	1,289,420	(245,141)
Expenditures						
Contractual services	20,000	20,000	-	20,000	20,000	-
Other costs	1,514,561	1,514,561	918,773	350,647	1,269,420	245,141
Total expenditures	\$ 1,534,561.00	1,534,561	918,773	370,647	1,289,420	245,141
Excess of revenues and other financing sources over expenditures and other financing uses						
				-		
Fund Balance Beginning						
Fund Balance carryforward						
				-		

Appropriation Period	Short Title	Approved Budget	Prior Years	Current Year	Outstanding Encumbrances	Unexpended/ Unencumbered Balance
FY 2013	Statewide Security and Safety Enhancements	1,000,000	918,773	65,162	-	16,065
FY 2017	Court Priorities	534,561	-	305,485	-	229,076
		1,534,561	918,773	370,647	-	245,141

See Independent Auditor's Report.

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF OPERATING TRANSFERS
For the Year Ended June 30, 2017**

	SHARE FUND	TITLE	TRANSFER	
			IN	OUT
Various Funds				
(1)	85300	Department of Finance and Administration	\$ 52,252,607	-
(2)	85300	Department of Finance and Administration	-	200,000
(3)	85300	Department of Finance and Administration	-	1,425,345
Magistrate Drug Court				
(4)	56000	Local DWI Grant Program	300,000	-
Special Water Rights Adjudication				
(5)	21400	Office of the State Engineer	80,000	-
(5)	89200	Office of the State Engineer	367,941	-
Statewide Automated Bond Fund				
(6)	00900	Computer System Enhancement Fund	284,000	-
STB Capital Outlay				
(7)	11350	Severance Tax Bonds	65,162	-
(8)	11720	Severance Tax Bonds	305,485	-
General Fund				
(4)	56000	Local DWI Grant Program	1,300,000	-
(9)	Various	Transfer CASA funding to Various district courts	-	1,294,051
Water Adjudication Fund				
(10)	Various	Transfer water adjudication funding to various district courts	-	270,000
Court Appointed Attorney Fund				
(11)	12400	Transfer CAAF funding to 13th Judicial District Court	-	10,000
Total governmental funds			<u>\$ 54,955,195</u>	<u>3,199,396</u>

Continue Next Page

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF OPERATING TRANSFERS
For the Year Ended June 30, 2017**

	SHARE FUND	TITLE	TRANSFER	
			IN	OUT
Government-Wide Financial Statements				
(12)	14100	1st Judicial District Court	\$ -	35,775
(12)	14400	4th Judicial District Court	-	19,700
(12)	14800	8th Judicial District Court	-	42,449
(12)	15000	10th Judicial District Court	-	29,400
(12)	15200	12th Judicial District Court	-	41,412
(12)	15300	13th Judicial District Court	-	168,583
(12)	15400	Bernalillo Metro Court	-	73,234
(13)	14400	4th Judicial District Court	-	26,373
(14)	14000	Supreme Court Building Commission	-	580,825
		Total governmental activities	-	1,017,751
		Grand total	\$ 54,955,195	4,217,147

- (1) General Fund Appropriations - Laws of 2016, Chapter 11, Section 4B.
- (2) Fund Balance Reduction - Laws of 2016, Chapter 4, Section 3A.
- (3) Fiscal Year 2017 Reversions to the State General Fund.
- (4) Interagency Transfer Appropriation - Laws of 2016, Chapter 11, Section 4(2).
- (5) Water Projects Fund - Laws of 2016, Chapter 11, Section 4.
- (6) Interagency Transfer Appropriation - Laws of 2017, Chapter 135, Section 7(2).
- (7) Capital Outlay Appropriations (Severance Tax Bonds) - Laws of 2013, Chapter 226, Section 4
- (8) Capital Outlay Appropriations (Severance Tax Bonds) - Laws of 2016, Chapter 5, Section 3A.
- (9) Interagency Transfer Appropriation - Laws of 2016, Chapter 11, Section 4A.
- (10) Interagency Transfer Appropriation - Laws of 2016, Chapter 11, Section 4A.
- (11) Interagency Transfer Appropriation - Laws of 2016, Chapter 11, Section 4(2).
- (12) Transfer Capital Assets purchased by the AOC for the District Courts.
- (13) Transfer Inventory Exempt items purchased by the AOC for the District Court.
- (14) Transfer capital assets to the Supreme Court Building Commission custody.

See Independent Auditor's Report.

**STATE NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF DUE FROM/DUE TO FUNDS
June 30, 2017**

To AOC FUNDS from OTHER STATE AGENCY FUNDS

TO		FROM		AMOUNT
FUND	NAME	FUND	NAME	
49500	AOC Grant Fund	10010	Department of Transportation	\$ 95,050
49500	AOC Grant Fund	06700	Children, Youth & Family Dept	21,007
49500	AOC Grant Fund	91602	Crime Victims Reparation Comm	8,072
51200	Special Water Rights Adjudication	21400	Office of State Engineer	80,000
51200	Special Water Rights Adjudication	89200	Office of State Engineer	367,940
				\$ 572,069

To OTHER STATE AGENCY FUNDS from AOC FUNDS

TO		FROM		AMOUNT
FUND	NAME	FUND	NAME	
14100	First Judicial District Court	13900	General Fund	\$ 70,066
14200	Second Judicial District Court	13900	General Fund	15,824
14500	Fifth Judicial District Court	13900	General Fund	62,794
14700	Seventh Judicial District Court	13900	General Fund	432
33500	Eleventh Judicial District Court	13900	General Fund	2,409
92900	Twelfth Judicial District Court	13900	General Fund	2,690
15300	Thirteenth Judicial Dist. Court	13900	General Fund	12,260
				\$ 166,475

To AOC FUNDS from FEDERAL GOVERNMENT

TO		FROM		AMOUNT
FUND	NAME	FUND	NAME	
49500	AOC Grant Fund		Various Federal Agencies	\$ 109,608

To AOC FUNDS from LOCAL GOVERNMENT

TO		FROM		AMOUNT
FUND	NAME	FUND	NAME	
49500	AOC Grant Fund		Various Federal Agencies	\$ 4,374

See Independent Auditor's Report.

STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2017

<u>Total All Agency Funds</u>	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS				
Interest in SGFIP	\$ 1,769,263	20,119,436	20,324,010	1,564,689
Cash in commercial banks	2,577,358	20,252,698	20,295,172	2,534,884
Due from other state agencies	402,131	-	402,131	-
Total assets	\$ 4,748,752	40,372,134	41,021,313	4,099,573
LIABILITIES				
Deposits held for others (in banks)	\$ 1,998,522	13,689,154	14,622,719	1,064,957
Due to Litigants	1,609,770	6,563,544	6,703,387	1,469,927
Deposits held for others				
Brain Injury Fee Fund (48100)	27,104	314,815	341,919	-
Civil Legal Service Fund (60000)	23,430	1,664,875	1,688,305	-
Correction Fee Fund (68800)	123,732	3,698,811	2,949,024	873,519
Crime Victims Reparation (40150)	24,016	355,595	379,611	-
Warrant Enforcement Suspense (53300)	83,366	396,644	457,449	22,561
Magistrate Suspense (82200)	212,572	34,005	1,195	245,382
Municipal Court Automation (70400)	-	716,032	716,032	-
Court Automation Fund (07800)	95,577	3,767,541	3,863,118	-
Court Facilities Fund (53200)	134,734	3,521,538	3,237,214	419,058
Crime Laboratory Fund (68700)	54,829	1,059,556	1,110,216	4,169
Judges Retirement Fund (12200)	39,195	420,410	459,605	-
Juvenile Adjudication (11210)	330	4,033	4,363	-
Judicial Education Fee Fund (57700)	18,062	263,561	281,623	-
Magistrate Enforcement Fund (57600)	256,989	3,184,641	3,441,630	-
Magistrate Penalty Assessment Fund (79400)	50	575	625	-
Domestic Violence Offender Fund (51500)	30,251	430,673	460,924	-
Traffic Safety Fund (25200)	16,223	286,135	302,358	-
Total liabilities	\$ 4,748,752	40,372,138	41,021,317	4,099,573

See Independent Auditor's Report.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF INTEREST IN STATE GENERAL FUND INVESTMENT POOL
June 30, 2017**

	<u>Fund</u>	<u>Maturity</u>	<u>Account Balance</u>	<u>Fair Value</u>
State Treasurer - Interest in SGFIP				
General Fund				
Administrative Office of the Courts	13900	1 day	\$ 535,857	535,857
Special Revenue Funds				
JID Supreme Court Automation	01100	1 day	837,835	837,835
Jury & Witness Fees	01200	1 day	854,135	854,135
Court Appointed Attorney	12400	1 day	602,689	602,689
JID Statewide Automated Bond	27300	1 day	801,793	801,793
Statewide drug court	44300	1 day	845,878	845,878
Grant Fund	49500	1 day	(159,921)	(159,921)
Water Adjudication Fund	51200	1 day	791,300	791,300
Magistrate Court Warrant Enforcement	57500	1 day	1,923,747	1,923,747
Magistrate Courts	69200	1 day	890,708	890,708
STB Capital Outlay	89200	1 day	24,586	24,586
E-Filing Services Fund	10790	1 day	423,972	423,972
Magistrate Drug Court Fund	11600	1 day	175,496	175,496
JID Municipal Court Automation	12600	1 day	673,347	673,347
Magistrate Court Mediation Fund	30400	1 day	142,093	142,093
Judicial Performance Evaluation	58300	1 day	298,266	298,266
JID Judicial Information Division	68900	1 day	115,003	115,003
Total Special Revenue Funds			<u>9,240,927</u>	<u>9,240,927</u>
Fiduciary Funds				
Correction Fees Fund	68800	1 day	873,519	873,519
Court Facilities Fund	53200	1 day	419,058	419,058
Crime Laboratory Fees Fund	68700	1 day	4,169	4,169
Suspense Fund	53300	1 day	22,561	22,561
Magistrate Suspense Fund	82200	1 day	245,382	245,382
Total Fiduciary Funds			<u>1,564,689</u>	<u>1,564,689</u>
Total State Treasurer - Interest in SGFIP			<u>\$ 11,341,473</u>	<u>11,341,473</u>

See Independent Auditor's Report.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF CASH ACCOUNTS
June 30, 2017**

Magistrate Court	Bank	Court Location	Bank Balance June 30, 2017
Catron I	First State	Reserve	\$ 3,697
Chaves I, II	Valley Bank of Commerce	Roswell	168,334
Cibola I, II	Wells Fargo	Grants	64,145
Colfax I	Wells Fargo	Raton	40,185
Colfax II	International State	Springer	11,846
Curry I, II	New Mexico Bank & Trust	Clovis	138,313
DeBaca I	Citizens Bank of Clovis	Ft. Sumner	4,559
Dona Ana I, II, III	Wells Fargo	Las Cruces	214,580
Dona Ana Circuit	Wells Fargo	Anthony	56,330
Dona Ana Hatch	Wells Fargo	Hatch	175
Eddy I, II	Western Commerce	Carlsbad	67,952
Eddy III	First National	Artesia	30,481
Grant I	Wells Fargo	Silver City	32,381
Grant II	Bank of America	Bayard	14,012
Guadalupe I	Wells Fargo	Santa Rosa	73,904
Harding I	Wells Fargo	Roy	1,059
Hidalgo I	Western	Lordsburg	33,221
Lea I	Lea County State	Lovington	47,700
Lea II	Lea County State	Hobbs	79,374
Lea III	Wells Fargo	Eunice	3,613
Lea Circuit	Wells Fargo	Jal	3,873
Lincoln I	Wells Fargo	Carrizozo	36,044
Lincoln II	First National	Ruidoso	68,279
Los Alamos I	Los Alamos National	Los Alamos	7,122
Luna I	Wells Fargo	Deming	98,019
McKinley I, II	Wells Fargo	Gallup	94,883
Subtotal			<u>\$ 1,394,081</u>

See Independent Auditor's Report.

Reconciling Items	Book Balance June 30, 2017	Deposits In Transit	Outstanding Checks	Book Bal Variance	Bond Bal
\$ -	3,697	-	-	(19)	-
44	168,378	2,073	2,029	(188)	128,720
(6,371)	57,774	-	6,371	133	29,335
(1,461)	38,724	1,600	3,061	18	22,345
29	11,875	529	500	(130)	2,042
201	138,514	3,463	3,262	977	86,940
(952)	3,607	50	1,002	3	500
(20,270)	194,310	154	20,424	817	95,190
(988)	55,342	-	988	(100)	16,673
-	175	-	-	-	-
(1,763)	66,189	911	2,673	607	23,137
(1,500)	28,981	-	1,500	35	16,753
(458)	31,923	-	458	3	11,360
-	14,012	-	-	(114)	4,253
(250)	73,654	-	250	26	62,350
-	1,059	-	-	-	-
(1,803)	31,418	(481)	1,322	(27)	11,293
(2,356)	45,344	-	2,356	(68)	18,935
(12,217)	67,157	-	12,217	1	45,163
(219)	3,394	-	219	-	1,500
(673)	3,200	-	673	-	3,100
413	36,457	794	381	12	27,138
(200)	68,079	-	200	(9)	47,700
(551)	6,571	-	551	(27)	2,900
(1,862)	96,157	-	1,862	(917)	51,372
(1,146)	93,737	(36)	1,110	(79)	51,910
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (54,353)	1,339,728	9,057	63,409	954	760,609

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF CASH ACCOUNTS
June 30, 2017**

Magistrate Court	Bank	Court Location	Bank Balance June 30, 2017
Mora I	Bank of Las Vegas	Mora	\$ 23,108
Otero I, II	First National	Alamogordo	98,242
Quay I	Wells Fargo	Tucumcari	74,723
Rio Arriba I, II	Wells Fargo	Espanola	140,789
Rio Arriba Circuit	Community Bank	Chama	16,462
Roosevelt I	Portales National	Portales	50,640
San Juan I	Wells Fargo	Aztec	124,161
San Juan II, III	Bank of the Southwest	Farmington	70,607
San Miguel I, II	Bank of Las Vegas	Las Vegas	155,112
Sandoval I	Wells Fargo	Bernalillo	109,928
Sandoval II	Wells Fargo	Cuba	17,190
Santa Fe I, II, III	Wells Fargo	Santa Fe	159,178
Santa Fe Circuit	Wells Fargo	Pojoaque	-
Sierra I	Bank of the Southwest	T or C	27,382
Socorro I	Wells Fargo	Socorro	21,404
Taos I, II	Centinel	Taos	66,631
Taos Circuit	Centinel	Questa	1,001
Torrance I, II	Wells Fargo	Moriarity	26,970
Union I	Farmers/Stockmen's	Clayton	18,653
Valencia I	Ranchers Banks	Los Lunas	58,029
Valencia II	Ranchers Banks	Belen	33,466
Subtotal			<u>1,293,676</u>
Total			<u><u>\$ 2,687,757</u></u>

See Independent Auditor's Report.

Reconciling Items	Book Balance June 30, 2017	Deposits In Transit	Outstanding Checks	Book Bal Variance	Bond Bal
\$ (1,257)	21,851	-	1,257	2	8,635
(10,207)	88,035	2,668	12,875	(60)	32,710
(3,635)	71,088	-	3,635	6	54,621
(11,519)	129,270	-	11,519	(115)	92,930
(1,344)	15,118	150	1,494	(65)	8,373
(7,180)	43,460	-	7,180	(30)	24,084
(4,585)	119,576	-	4,585	(97)	52,134
(4,604)	66,003	-	4,604	261	28,948
(15,386)	139,726	50	15,436	(129)	112,499
(12,252)	97,676	-	12,252	163	67,849
1,644	18,834	1,924	280	6	7,002
(9,032)	150,146	-	9,032	(792)	89,484
-	-	-	-	-	-
(3,145)	24,237	-	3,145	(53)	7,109
(793)	20,611	76	869	-	9,200
(2,115)	64,516	(50)	2,065	737	46,809
-	1,001	-	-	1	900
(446)	26,524	-	446	(85)	17,250
100	18,753	100	-	3	11,650
(11,175)	46,854	-	11,175	(131)	25,589
(1,589)	31,877	-	1,589	(477)	11,542
(98,520)	1,195,156	4,918	103,438	(855)	709,318
\$ (152,873)	2,534,884	13,975	166,847	99	1,469,927

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF CHANGE FUNDS
June 30, 2017**

<u>Magistrate Court</u>	<u>Court Location</u>	<u>Balance June 30, 2017</u>
Catron I	Reserve	\$ 65
Catron Circuit	Quemado	65
Chaves I, II	Roswell	200
Cibola I, II	Grants	65
Colfax I	Raton	100
Colfax II	Springer	65
Colfax Circuit	Cimarron	100
Curry I, II	Clovis	100
DeBaca I	Ft. Sumner	100
Dona Ana I, II, III	Las Cruces	130
Dona Ana Circuit	Anthony	65
Dona Ana Hatch	Hatch	-
Eddy I, II	Carlsbad	200
Eddy III	Artesia	100
Grant I	Silver City	150
Grant II	Bayard	65
Guadalupe I	Santa Rosa	150
Guadalupe Circuit	Vaughn	65
Harding I	Roy	65
Hidalgo I	Lordsburg	150
Lea I	Lovington	150
Lea II	Hobbs	265
Lea III	Eunice	100
Lea IV	Tatum	65
Lea Circuit	Jal	100
Lincoln II	Carrizozo	-
Lincoln II	Ruidoso	-
Los Alamos I	Los Alamos	65
Subtotal		<u>\$ 2,745</u>

See Independent Auditor's Report.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF CHANGE FUNDS
June 30, 2017**

<u>Magistrate Court</u>	<u>Court Location</u>	<u>Balance June 30, 2017</u>
Luna I	Deming	\$ -
McKinley I, II	Gallup	300
McKinley III	Thoreau	-
Mora I	Mora	65
Otero I, II	Alamogordo	100
Quay I	Tucumcari	65
Rio Arriba Circuit	Chama	65
Rio Arriba I, II	Espanola	65
Roosevelt I	Portales	250
Sandoval I	Bernalillo	250
Sandoval II	Cuba	65
San Juan I	Aztec	150
San Juan II, III	Farmington	300
San Miguel I, II	Las Vegas	46
Santa Fe I, II, III	Santa Fe	200
Santa Fe Circuit	Pojoaque	65
Sierra I	T of C	100
Socorro I	Socorro	100
Taos I, II	Taos	100
Taos Circuit	Questa	-
Torrance I	Moriarty	250
Torrance Circuit	Estancia	65
Union I	Clayton	100
Valencia I	Los Lunas	130
Valencia II	Belen	200
Subtotal		<u>3,031</u>
Total		<u><u>\$ 5,776</u></u>

See Independent Auditor's Report.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017**

Federal Grantor / Pass-through Grantor / Program	CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Pass-Through Subrecipient Expenditures	Federal Expenditures
U.S. Department of Justice / Office of Justice Programs				
Drug Court Discretionary Grant Program	16.585	2014-DC-BX-0069	\$ -	47,173
		2015-WF-AX-0014 /		
Violence Against Women Formula Grants	16.588	2017-WF-302	-	55,179
Total U.S. Department of Justice			-	102,352
U.S. Department of Transportation				
State of New Mexico Department of Transportation:				
Minimum Penalties for Repeat Offenders for				
DWI	20.608	16-HE-64-P05	75,970	124,368
National Priority Safety Programs	20.616	16-ID-05d-P19	-	25,678
National Priority Safety Programs	20.616	17-ID-05d-P21	-	102,933
* Total U.S. Department of Transportation			75,970	252,979
U.S. Department of Health and Human Services				
State Court Improvement - Basic Program	93.586	1501NMSCIP	-	1,484
State Court Improvement - Data Program	93.586	1501NMSCID	-	8,005
State Court Improvement - Training Program	93.586	1501NMSCIT	-	72,332
State Court Improvement - Basic Program	93.586	1601NMSCIP	-	123,219
State Court Improvement -Data Program	93.586	1601NMSCID	-	59,369
State Court Improvement -Training Program	93.586	1601NMSCIT	49,784	49,784
Total State Court Improvement Program			49,784	314,193
State of New Mexico Department of Children, Youth and Families:				
Promoting Safe and Stable Families	93.556	JPA #17-690-14053	-	114,861
Total U.S. Department of Health and Human Services			49,784	429,054
State Justice Institute				
Improving Access to Justice for Native Peoples	NA	SJI-14-N-153	-	28,882
Safe Exchange Supervised Visitation Online				
Training	NA	SJI-16-E-278	-	2,139
Total State Justice Institute			-	31,021
Total Expenditures of Federal Awards			\$ 125,754	815,406

* - Tested as a major program.

**STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2017**

Federal Grantor / Pass-through Grantor / Program	CFDA Number	Grant Number or Pass-Through Entity Identifying Number	Pass-Through Subrecipient Expenditures	Federal Expenditures
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Note 1> Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Administrative Office of the Courts (AOC) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with 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 AOC, it is not intended to and does not present the financial position, changes in net assets or cash flows of the AOC.

Note 2> Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The AOC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3> Subrecipients

The AOC had entered into contractual agreements with The University of New Mexico to provide State Court Improvement funds for training services and with the University of Alabama to provide IT services.

OTHER REPORTS



INDEPENDENT AUDITOR'S 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

Tim Keller,
New Mexico State Auditor
and
Honorable Judith K. Nakamura, Chief Justice
Administrative Office of the Courts
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico, Administrative Office of the Courts (AOC), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the AOC's basic financial statements and have issued our report thereon dated October 24, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the AOC'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 AOC's internal control. Accordingly, we do not express an opinion on the effectiveness of the AOC'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency, item 2016-001.

Compliance and Other Matters

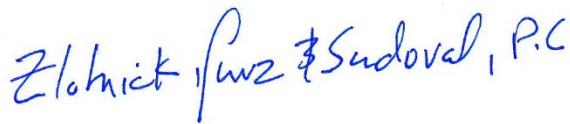
As part of obtaining reasonable assurance about whether the AOC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and by Section 12-6-5 NMSA 1978 which are described in the accompanying *schedule of findings and questioned costs* as items 2013-002, 2010-001 and 2010-002.

AOC's Responses to the findings

The AOC's responses to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The AOC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Zlotnick, Laws & Sandoval, P.C.
October 24, 2017

INDEPENDENT AUDITOR'S 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 UNIFMROM GUIDANCE

Tim Keller,
New Mexico State Auditor
and
Honorable Judith K. Nakamura, Chief Justice
Administrative Office of the Courts
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico, Administrative Office of the Courts' (AOC) 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 AOC's major federal programs for the year ended June 30, 2017. The AOC's major federal programs are identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the AOC'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 AOC'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 AOC's compliance.

Opinion on Each Major Federal Program

In our opinion, the AOC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *schedule of findings and questioned costs* as item 2016-003. Our opinion on each major federal program is not modified with respect to this matter.

The AOC's response to the noncompliance finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The AOC's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the AOC 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 AOC'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 AOC'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 a 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *schedule of findings and questioned costs* as item 2016-003 that we consider to be a significant deficiency.

The AOC's response to the internal control over the compliance finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The AOC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.
October 24, 2017

**STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: Unmodified Opinion

Internal control over financial reporting:

Material weaknesses identified? Yes X No

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

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

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

Audit findings under 2 CFR 200.516(a):

- A. Significant deficiencies and material weaknesses in internal control over major program? X Yes No
- B. Material noncompliance with federal statutes? Yes X No
- C. Known questioned costs greater than \$25,000 for a major program? Yes X No
- D. Known questioned costs greater than \$25,000 not audited as a major program? Yes X No
- E. Know or likely fraud affecting a federal award? Yes X No
- F. Significant instances of abuse over major programs? Yes X No
- G. Modified auditor’s report? Yes X No
- H. Summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding? Yes X No

Identification of major programs:

CFDA Numbers
 20.608
 20.616

Name of Federal Program or Cluster
 Minimum Penalties for Repeat Offenders for DWI.
 National Priority Safety Program.

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

Auditee qualified as low-risk auditee? X Yes No

**STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2017**

Section I – Summary of Auditor’s Results

No.	Title	Status of Prior Year Findings	Significant Deficiency	Material Weakness	Other Compliance	Other Matters	Federal Awards Finding
Prior Year Findings:							
2010-001	Case File Management	Revised and Repeated				X	
2010-002	Matters Related to Bonds Posted by Defendants	Revised and Repeated				X	
2013-002	Compliance with Regulations	Revised and Repeated			X		
2016-001	Agreements to Pay	Revised and Repeated	X				
2016-002	Vouchers Test	Resolved					
2016-003	Subrecipient Monitoring	Revised and Repeated					X

Current Year Findings:

None

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2016-001

Agreements to Pay

Condition:

We found the following matters that related to the Magistrate Courts failing to comply with procedures regarding agreements to pay; at the thirteen Courts' we visited we noted the following: A) 14 total cases at 4 Courts with insufficient follow up on failure to comply with an agreement to pay. Usually the lack of follow up was that a Bench Warrant or criminal summons was not issued in a timely manner. B) 1 case each at 1 Court with an amount shown as due when community service had been performed in lieu of payment.

The AOC is regularly and consistently working to improve the operations of the Magistrate courts. They conduct training sessions; assigned AOC's staff to assist the courts; they conduct internal audits and assign independent auditors to visit the courts on a rotating basis. Over the years, there has been significant improvement in magistrate court operations. However, due to turnover, remote locations, and the volume of work, errors still do and always will occur.

Criteria:

Operation of the Court is governed by the New Mexico Magistrate Court Administrative Procedures Manual. The manual is authorized and approved by the New Mexico Supreme Court as the best practices for Magistrate Courts to be efficient and effective. Local Magistrates should not have the authority to override these procedures and Courts should comply in every respect.

Effect:

The authority of the Courts to enforce the law is undermined when cases are not properly followed through to completion. The State of New Mexico also loses revenue from fines and fees that should be paid by those who break the law

Cause:

In most cases the lack of follow up on agreements to pay is a function of staffing vacancies, particularly in the position of bench warrant clerk. Most of the cases cited above relate to 2 of the 13 courts we visited which appear to have management problems.

Recommendation:

We recommend that the process for issuing and handling agreements to pay be revisited. Much of the heavy paper work burden at magistrate courts is a function of offenders appearing many times for failure to comply with the provision of one offense. Each appearance requires clerks to handle all associated forms. An innovative solution to the question of an appropriate consequence for offenses could reduce the effort required by magistrate judges and clerks many times over. Thus, the number of employees required would also be reduced.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

Management Response:

The AOC Magistrate Division continues to conduct trainings for the clerks and judges on the new procedures outlined in Rule 6-207.1 NMRA. Management hopes to reduce the number of clerical errors through the uniform case management training for clerks, and has also stressed the importance of oversight from judges when issuing and following through with orders regarding failure to pay and assessment of fines, fees, and costs.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

NONCOMPLIANCE

2013-002

Compliance with Regulations

Condition:

We found the following matters that related to the Magistrate Courts failing to comply with regulations and procedures; At the thirteen courts' we visited we noted the following: A) 3 Courts with a total of 4 checks that were outstanding for more than 6 months. One check was for \$20, another was for \$2. The other 2 were at a court that was experiencing many problems. B) 1 instance at 1 court where the daily cash receipts were not deposited within 24 hours. C) 1 court where 7 of 38 outstanding bonds were more than 6 months old with no explanation of the reason. D) 1 court where the mail log was not complete because the clerk that receipted money arriving in the mail did not initial the log and indicate the Odyssey receipt number. E) 1 instance where a bond that was posted was receipted to the defendant rather than the actual person posting the bond.

The AOC is regularly and consistently working to improve the operations of the Magistrate courts. They conduct training sessions; assigned AOC's staff to assist the courts; they conduct internal audits and assign independent auditors to visit the courts on a rotating basis. Over the years, there has been significant improvement in magistrate court operations. However, due to turnover, remote locations, and the volume of work, errors still do and always will occur.

Criteria:

Operation of the Court is governed by the New Mexico Magistrate Court Administrative Procedures Manual. The manual is authorized and approved by the New Mexico Supreme Court as the best practices for Magistrate Courts to be efficient and effective. Local Magistrates should not have the authority to circumvent these procedures, they should comply in every respect.

Effect:

Delays in following established procedures and the failure to submit timely and accurate reports lead to inefficiencies. The potential for fraud and material error increases when a Court controls are circumvented.

Cause:

Errors usually occur as the result of turnover of clerk personnel, inexperience and the volume of cases required to be handled. In most cases the lack of compliance is an isolated anomaly. Almost all the instances cited above were at 1 court that was poorly managed and chronically understaffed.

Recommendation:

The New Mexico Magistrate Court Administrative Procedures Manual should be followed by all Magistrate Courts in the state. Training should make it clear that exceptions are not appropriate.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

Management Response:

The uniform case management training was implemented to address discrepancies which result from high turnover and/or poor court management. AOC Magistrate Division has started to put more focus on identifying courts with poor management and/or gaps in knowledge of case management, at as early a stage as possible. Management hopes to identify troubled courts before they get to a point where court personnel has to be changed or outside help has to come in to address case processing issues. In the courts where court management has been changed, AOC is focusing more on making sure that the new court managers are trained in uniform cases management procedures and has support from AOC Magistrate Division.

Magistrate Division management will approach Fiscal Services Division management and staff to assess whether procedures already in place for end of month reporting could alleviate this finding.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

OTHER MATTERS

2010-001

Case File Management (Repeated)

Condition:

At the thirteen Magistrate Courts visited, we noted the following circumstances related to case file management: A) 1 case showing an amount due with no follow up. However, in fact, the case was closed and not updated in the system. B) 1 case in which the file did not contain a check stub or other documentation demonstrating payment made to the District Court. C) 1 case showing a past due agreement to pay. The defendant was incarcerated and the judge had ordered a hold on collection. There was no documentation of these facts in the file. D) 1 case with an old version of the Judgement and Sentencing form in the file that did not include a bench warrant fee. The same case did not have documentation of the bond conversion. E) 2 cases at 1 court in which the file contained no documentation of a bond being refunded. The Odyssey system showed that the bonds were refunded.

The AOC is regularly and consistently working to improve the operations of the Magistrate courts. They conduct training sessions; assigned AOC's staff to assist the courts; they conduct internal audits and assign independent auditors to visit the courts on a rotating basis. Over the years, there has been significant improvement in magistrate court operations. However, due to turnover, remote locations, and the volume of work, errors still do and always will occur.

Criteria:

Both the paper case file and the Odyssey system should always reflect the details, progress and status of the case. Files should be available on every case and should contain evidence that actions were adjudicated.

Effect:

Cases could be improperly handled in a variety of ways if the file does not contain a complete record of all actions in the adjudication of the case. The Courts run the risk of failing to properly execute its' duty to enforce the Statutes of New Mexico.

Cause:

The Courts are very busy and operating with a limited number of personnel. Turnover and training is always an issue. The above findings appear to be isolated errors or practices at one of the Courts and do not reflect a trend or pattern.

Recommendation:

The AOC and the Magistrate Courts should continue to do their best with training and internal audits to minimize the types of errors described.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

Management Response:

The AOC Magistrate Division has recently begun to implement a uniform case processing training program, at individual courts, to address discrepancies in case processing throughout the state. The AOC Magistrate Division is also conducting regional staff training conferences, in conjunction with the NM Judicial Education Center (JEC), which will train clerks on various aspects of case processing, including the implementation of new Supreme Court Approved Rules of Criminal Procedure 6-207, 6-207.1, and 6-406 NMRA. Management believes that these trainings and the processes outlined under the new Rules, will help to significantly address the issues identified in this audit report.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

2010-002

Matters related to bonds posted by defendants (Repeated)

Condition:

At the thirteen Magistrate Courts we visited we noted the following matters relating to the handling of defendants posted bonds. A) 2 cases at 2 different courts with a bond that was converted when the bond payor had not checked the box agreeing to have it converted. B) 1 case where the file did not contain a default judgement for a forfeited bond.

The AOC is regularly and consistently working to improve the operations of the Magistrate courts. They conduct training sessions; assign AOC's staff to assist the courts; they conduct internal audits and assign independent auditors to visit the courts on a rotating basis. Over the years, there has been significant improvement in magistrate court operations. However, due to turnover, remote locations, and the volume of work, errors still do and always will occur.

Criteria:

Courts shall review all Outstanding Cash Bond reports monthly to ensure that appropriate action is taken on the related case. Outstanding Bonds shall be refunded, converted, forfeited or sent to the Administrative Office of the Courts suspense fund. All bonds over six months shall be reviewed for disposition. (New Mexico Magistrate Court Administrative Procedures Manual 11.13.G.2.a) Further, action to remove bonds from the cash bond record should be timely. Generally, bonds should be removed from the cash bond record within six months. (New Mexico Magistrate Court Administrative Procedures Manual 11.6.B.1). To take proper action on Outstanding Bonds the Court must assure that all bonds posted are properly posted to the correct case and to the correct individual who posted the bond. Bonds must then be refunded to the same person that posted the bond and a copy of the ID helps assure that will happen. The newly mandated bond receipt book contains all the information necessary to properly refund or convert the bond as appropriate, including an opportunity for the person posting the bond to agree that it can be converted for fines and fees.

Effect:

If bonds are not properly recorded as to amount and the name of the individual posting the bond, the refund may be erroneously disbursed or otherwise disposed. A person posting a bond that is converted for fines and fees may have recourse against the court if they did not consent to such action.

Cause:

Errors related to accounting for bonds are simply the result of clerk error. In most cases the clerk is new and not fully trained.

Recommendation:

The AOC and the Magistrate Courts should continue to emphasize the need for magistrate clerks to handle bonds properly. Since the handling of bonds is an acknowledged area of concern training sessions should emphasize the proper procedures. Consistent procedures across all Courts would be very desirable.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section II – Financial Statement Findings

Management Response:

The JEC completed the annual Magistrate Judges’ Conference, at which the judges were given instructions on various aspects of the new Release Provisions of Article 4 of the Rules of Criminal Procedure for the Magistrate Courts. One topic was bond forfeitures. Management hopes that this judicial training, in conjunction with the aforementioned clerk trainings, will help reduce the number of errors such as these.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section III – Federal Awards Findings

SIGNIFICANT DEFICIENCY

2016-003

Subrecipient Monitoring (Revised and Repeated)

U.S Department of Transportation-

Minimum Penalties for Repeat Offenders for DWI

CFDA: 20.608

Condition:

The AOC created a form called the Federal Subrecipient and Contractor Determination Checklist to identify whether a contractor is a subrecipient. The program managers identified six subrecipients, but the original schedule of expenditures of federal awards (SEFA) report only listed one. We reviewed the contracts and found that five of the six contractors were misidentified as subrecipients. We also found one contract that should have been identified as subrecipient because the language in the contract required the contractor to be subject to the 2 CFR 200 requirements.

We also found no evidence that the AOC monitors its subrecipients for the existence of audit findings pertaining to its Federal award programs. This issue was not addressed in prior year management response and corrective action

Criteria:

OMB Uniform Guidance Sections 200.330 and 200.331 provide information on contractor and subrecipient relationship and subrecipient monitoring, respectively.

Effect:

The AOC had misidentified a subrecipient who had received over \$75,000 during the year. This subrecipient was omitted from the original SEFA report. The AOC also did not comply with the subrecipient monitoring requirements under the Single Audit Act to ensure that deficiencies, if they exist, are addressed in a timely manner.

Cause:

The checklist created more confusion than intended; as a result, several contractors and a subrecipient were misidentified. The AOC also doesn't have a system in place to timely monitor subrecipients and take appropriate action on all deficiencies, if they exist, pertaining to its federal sub-awards.

Recommendation:

More training may be required for the grant administrators and program managers with respect to the OMB Uniform Guidance, 2 CFR 200 to ensure proper identification of subrecipients and monitoring of subrecipients.

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Section III – Federal Awards Findings

Management Response & Corrective Action:

The AOC has Grant Administrative policies and procedures to ensure compliance but due to a vacancy in the position from January through May, 2017, there was failure to completely adhere to those policies.

The Federal Sub-recipient and Contractor Determination Checklist has been revised for greater clarity and understanding in identifying a sub-recipient. The AOC FSD will send the revised checklist out to all program / grant managers and have them review all current contracts and resubmit the checklist to ensure that all sub-recipients are identified.

The AOC will continue to emphasize to grant / program managers the importance of completing the sub-recipient determination checklist for each contract or MOU and carefully review all language contained in the documents. Once the review has been completed, the Manager will need to email the AOC Financial Grant Administrator a completed checklist and note if and who the sub-recipient contractors are as per the contract. Once a sub-recipient is identified, the program / grant manager should follow up on whether findings exist on the program as per their auditor and notify AOC for corrective actions.

Additionally, the AOC Financial Grant Administrator will not encumber any funds to a contract award prior to the checklist being completed and certified via an email from the Manager.

**STATE OF NEW MEXICO
 ADMINISTRATIVE OFFICE OF THE COURTS
 CORRECTIVE ACTION PLAN
 Year Ended June 30, 2017**

<u>Audit Finding</u>	<u>Corrective Action Plan</u>	<u>Person Responsible</u>	<u>Estimated Completion Date</u>
<u>Non-Federal:</u>			
2010-001 Case File Management	As described in management's response	Director of Magistrate Courts	On going
2010-002 Matters Related to Bonds Posted by Defendants	As described in management's response	Director of Magistrate Courts	On going
2013-002 Compliance with Regulations	As described in management's response	Director of Magistrate Courts	On going
2016-001 Agreements to Pay	As described in management's response	Director of Magistrate Courts	On going
2016-002 Vouchers Test	As described in management's response	CFO	Completed
<u>Federal:</u>			
2016-003 Subrecipient Monitoring	As described in management's response	CFO	December 31, 2017

**STATE OF NEW MEXICO
ADMINISTRATIVE OFFICE OF THE COURTS
EXIT CONFERENCE
Year Ended June 30, 2017**

We discussed the recommendations contained in this letter during the exit conference held October 26, 2017. The exit conference was attended by the following individuals:

Administrative Office of the Courts

Honorable Judith K. Nakamura	Chief Justice
Celina Jones	General Counsel
Suzette Fronk	CFO
Lydia Romero	Deputy CFO
Rosemary McCourt	Magistrate Court Division Director
Jason Clark	Magistrate Attorney
Charlene Romero	Internal Auditor, Supervisor
Bobbi Geiss	Internal Auditor
Heather Velasquez	Court Financial Manager
Rosie Salgado	Court Financial Manager
Tommy Zold	Asset Manager

Zlotnick, Laws & Sandoval, P.C.

Asa Laws	CPA
Brian Laws	CPA
Ban Trinh	CPA

Preparation of Financial Statements

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C. However, the financial statements are the responsibility of management.

Supreme Court of New Mexico
Administrative Office of the Courts
237 Don Gaspar
Santa Fe, New Mexico 87501
505-827-4800

