



# NEW MEXICO JUDICIARY

STATE OF NEW MEXICO  
ADMINISTRATIVE OFFICE OF THE COURTS  
FINANCIAL STATEMENTS  
JUNE 30, 2018

**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.

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



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New Mexico Administrative Office of the Courts

**OFFICIAL ROSTER**

June 30, 2018

<b>Name</b>	<b>Title</b>
Honorable Judith K. Nakamura	Chairperson
Arthur W. Pepin	Director
Celina A. Jones	General Counsel
Suzette A. Fronk	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 AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison 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, 2018, and the related notes to the financial statements, which collectively comprise the AOC's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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 auditors' 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 AOC'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, the aggregate remaining fund information and the respective budgetary comparisons for the general fund and major special revenue funds of the AOC as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note A1, 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, major funds and 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, 2018, and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

As discussed in Notes F and G, the State of New Mexico, as a single employer, follows Governmental Accounting Standards Board (GASB) Standard No. 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2018 Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or AOC's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2018. Our opinion is not modified with respect to this matter.

As discussed in Note H, the State of New Mexico, as a single employer, has implemented GASB Standard No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, (OPEB) in the June 30, 2018, Comprehensive Annual Financial Report. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to AOC's financial statements. All other required footnotes and other disclosures required by GASB are included in the State of New Mexico CAFR for June 30, 2018. 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 6 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the AOC's basic financial statements. The combining and individual financial statements of the nonmajor funds, the budgetary comparison schedule for the major capital projects fund and the schedules required by 2.2.2 NMAC listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. *Code of Federal Regulations* (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual financial statements of the nonmajor funds, the budgetary comparison schedule for the major capital projects fund and the schedules required by 2.2.2 NMAC listed as supplementary information in 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 auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the Supplementary Information section within the Table of Contents 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 our report dated November 1, 2018, on our consideration of the AOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

ATKINSON & CO., LTD

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 1, 2018

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

June 30, 2018

**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.

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2018

Jury and Witness – This activity administers the payment of jurors and witness and administers sub-activities related to jurors.

Language Access Services – This activity provides operating and staffing language access services for court proceedings. This fund is also used to provide training for the purpose of enhancing language access services in the courts.

Federal Grants Administration – The AOC administered 17 grants throughout FY2018 that include the following: (3) U.S. Department of Justice Awards including one Drug Courts, one for Victims of Crime Act (VOCA), and one for Violence against Women; U.S. Department of Transportation (4) 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, (7) State Court Improvement Program basic initiatives, (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, and (3) State Justice Institute with one for Improving Access to Justice for Native Peoples, one for Courthouse Security Assessments, and one for Pretrial Justice and the State Courts Initiative.

**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.

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2018

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.

**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.

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 1<sup>st</sup>, 3<sup>rd</sup>, 5<sup>th</sup>, 6<sup>th</sup>, 11<sup>th</sup> and 13<sup>th</sup> Judicial District Courts. A portion of these funds is transferred to the 1<sup>st</sup>, 3<sup>rd</sup> and 11<sup>th</sup> 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.

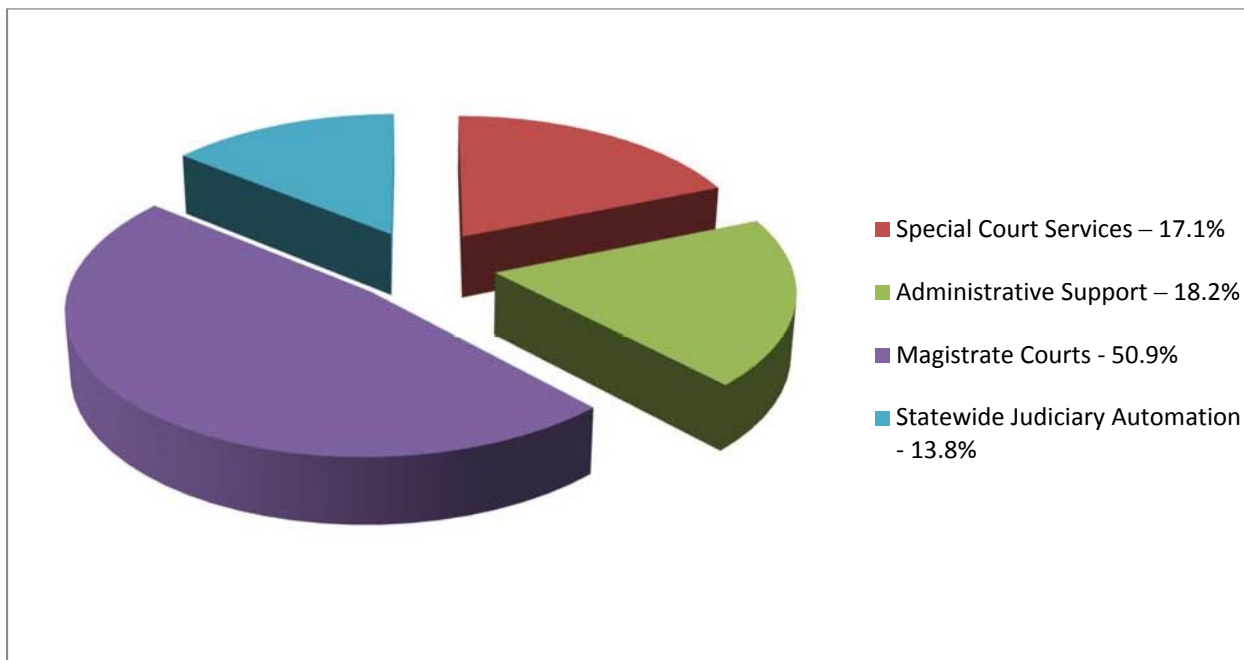
Access to Justice - The Access to Justice Commission created by the New Mexico Supreme Court makes the courts more accessible to low-income persons with civil legal needs in areas such as family law, domestic violence, housing, consumer, employment, government benefits and other non-criminal legal matters.

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

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2018

**FY18 AOC Percent of Budget by Program**



**Financial Highlights:**

- Pursuant to Laws of 2017 Chapter 3, Section 4, AOC's FY2018 General Fund appropriation was decreased by .526%, over FY2017, due to decreased general fund revenues for the State.
- Federal revenue to the AOC increased by 31.0% to \$1,147,677 in FY2018 as compared to \$878,465 in FY2017, mainly attributable to the increase in number and amount of awards.
- Overall revenue to the AOC increased by a negligible .874% in FY2018 as compared to FY2017. This was due to an increase in special appropriations.

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2018

**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.

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2018

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Statement of Net Position  
June 30,

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 13,320,771	\$ 10,503,885
Invested in Capital Assets	-	-
<b>Total Assets</b>	<b>13,320,771</b>	<b>10,503,885</b>
Current Liabilities	4,684,551	5,116,125
Noncurrent Liabilities	<u>186,304</u>	<u>923</u>
<b>Total Liabilities</b>	<b><u>4,870,855</u></b>	<b><u>5,117,048</u></b>
Net Position		
Restricted	6,988,976	4,712,458
Unrestricted	<u>1,460,940</u>	<u>674,379</u>
<b>Total Net Position</b>	<b><u>\$ 8,449,916</u></b>	<b><u>\$ 5,386,837</u></b>

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 to increases in fund balances in Supreme Court Automation, Jury and Witness, Statewide Automation Bond, and Language Access.

**Statement of Activities**

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

	<u>2018</u>	<u>2017</u>
General Revenues		
General fund appropriations	\$ 52,357,500	\$ 52,252,607
Transfers from other agencies	-	300,000
Transfers – bond proceeds	113,234	370,647
Transfer to other agencies	(2,029,752)	(2,791,802)
Interest income	7,670	1,579
Reversion to State General Fund	<u>(158,806)</u>	<u>(1,425,345)</u>
<b>Total Revenues</b>	<b>50,289,846</b>	<b>48,707,686</b>



**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2018

	<u>2018</u>	<u>2017</u>
Program Revenues		
Charges for Services	10,659,635	10,030,424
Operating and Capital Grants	<u>3,574,023</u>	<u>2,908,891</u>
	14,233,658	12,939,315
Program Expenditures		
Judicial Services	<u>61,460,425</u>	<u>62,322,953</u>
Change in Net Position	3,063,079	(675,952)
Net position, beginning of year	<u>5,386,837</u>	<u>6,062,789</u>
Net Position, end of year	<u>\$ 8,449,916</u>	<u>\$ 5,386,837</u>

The FY2018 approved General Fund operating budget beginning July 1, 2017, for the AOC was decreased slightly by .526% during the 2017 Legislative session due to continuing decline in state revenues. Overall, Net Position increased due to increased 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

**MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2018

**ANTICIPATED CHANGES**

**Fund Financial Statements**

Major Funds and Non-Major Funds both saw increases in total fund balance despite a few funds experiencing decreases. Total fund balances increased by \$2,932,013, or 43.4%, at year end. All remaining fund balances at year-end are set aside for the purpose of the particular fund and may be expended in future years.

Funds experiencing a decrease in fund balance include:

- Statewide Drug Court Technology Fund decreased as a result of increased expenditures of a multi-year special appropriation.
- Water Adjudication Fund balance decreased 43.6% due to receiving no revenues from other State funds.
- Magistrate Court Warrant Enforcement Fund decreased slightly due to a 12.9% decrease in revenue from court fees.

Funds experiencing an increase include:

- The Grant Fund increased slightly due to decreased expenditures in the grants.
- Supreme Court Automation Fund increased 81.6% due to a reduction in expenditures to build up the fund balance.
- Jury and Witness Fund increased 281.6% due to numerous cost saving policies that were put in place to preserve the fund balance.
- Statewide Automated Bond fund increased 62.1% due to increased transfers in from other State agencies.

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 have also declined. The AOC does not anticipate a significant increase in case filings in the immediate future and therefore will continue to request additional general fund increases to cover fee revenue shortfalls.

**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.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF NET POSITION**

June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Interest in State General Fund Investment Pool	\$ 13,101,427
Petty cash	5,776
Due from external parties	5,205
Other receivable	2,459
Due from other component units of the State	-
Due from local governments	1,764
Due from Federal grants	204,140
	<hr/>
Total assets	<u>\$ 13,320,771</u>
<b>LIABILITIES</b>	
Due to State General Fund Investment Pool	\$ 86,418
Accounts payable	2,352,409
Accrued payroll	1,188,626
Due to other funds	-
Due to other component units of the State	-
Due to local governments	-
Due to state general fund	-
Other liabilities	1,375
Deposit held for others	-
Compensated absences - current	1,055,723
Compensated absences - noncurrent	186,304
	<hr/>
Total liabilities	<u>4,870,855</u>
<b>NET POSITION</b>	
Restricted	6,988,976
Unrestricted	1,460,940
	<hr/>
Total net position	<u>8,449,916</u>
	<hr/>
Total liabilities & net position	<u>\$ 13,320,771</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
				Revenue and Changes in Net Position	
				Governmental Activities	
Governmental Activities					
Judicial:					
Administrative services	\$ 11,172,152	\$ 2,150,458	\$ 1,247,023	\$ -	\$ (7,774,671)
Statewide judiciary automation	8,496,060	5,628,795	647,000	-	(2,220,265)
Magistrate courts	31,264,088	2,880,382	300,000	-	(28,083,706)
Special court services	10,528,125	-	1,380,000	-	(9,148,125)
Total governmental activities	<u>\$ 61,460,425</u>	<u>\$ 10,659,635</u>	<u>\$ 3,574,023</u>	<u>\$ -</u>	<u>(47,226,767)</u>
General Revenues					
General Fund appropriation					52,357,500
Transfers from other agencies					-
Bond Proceeds					113,234
Transfers to other agencies					(2,029,752)
Interest income					7,670
Reversions					(158,806)
Total general revenues					<u>50,289,846</u>
Changes in Net Position					3,063,079
Net Position, Beginning					<u>5,386,837</u>
Net Position, Ending					<u>\$ 8,449,916</u>

See notes to financial statements.

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2018

	General Fund 13900	Supreme Court Automation 01100	Jury and Witness Fees 01200	Court Appointed Attorney 12400	Statewide Automated Bond 27300	Statewide Drug Court Technology 44300
<b>ASSETS</b>						
Interest in State Government Fund						
Investment Pool	\$ 705,088	\$ 1,250,897	\$ 1,440,996	\$ 716,530	\$ 1,075,745	\$ 502,921
Petty Cash	5,776	-	-	-	-	-
Due from external parties	1,065	-	-	-	-	-
Other receivable	-	-	-	-	-	-
Due from other component units of the State	-	-	-	-	-	-
Due from local governments	-	-	-	-	-	-
Due from federal grants	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 711,929</b>	<b>\$ 1,250,897</b>	<b>\$ 1,440,996</b>	<b>\$ 716,530</b>	<b>\$ 1,075,745</b>	<b>\$ 502,921</b>
<b>LIABILITIES</b>						
Due to State Government Fund						
Investment Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	583,531	112,976	135,077	707,804	175,488	-
Accrued payroll	126,154	84,676	9,404	8,726	-	-
Due to other funds	-	-	-	-	-	-
Due to other component units of the State	-	-	-	-	-	-
Due to local governments	-	-	-	-	-	-
Due to State general fund	-	-	-	-	-	-
Other liabilities	654	-	(146)	-	204	-
<b>Total liabilities</b>	<b>710,339</b>	<b>197,652</b>	<b>144,335</b>	<b>716,530</b>	<b>175,692</b>	<b>-</b>
<b>FUND BALANCES</b>						
Non-Spendable	-	-	-	-	-	-
Restricted	-	1,053,245	1,296,661	-	-	-
Committed	-	-	-	-	900,053	502,921
Assigned	-	-	-	-	-	-
Unassigned	1,590	-	-	-	-	-
<b>Total fund balances</b>	<b>1,590</b>	<b>1,053,245</b>	<b>1,296,661</b>	<b>-</b>	<b>900,053</b>	<b>502,921</b>
<b>Total liabilities and fund balances</b>	<b>\$ 711,929</b>	<b>\$ 1,250,897</b>	<b>\$ 1,440,996</b>	<b>\$ 716,530</b>	<b>\$ 1,075,745</b>	<b>\$ 502,921</b>

The accompanying notes are an integral part of this financial statement.

Grant Fund 49500	Special Water Rights Adjudication 51200	Magistrate Court Warrant Enforcement 57500	Language Access 68170	Magistrate Courts 69200	STB Capital Outlay 89200	Non-Major Funds	Total Governmental Funds
\$ -	\$ 695,980	\$ 1,950,854	\$ 1,132,539	\$ 813,550	\$ -	\$ 2,816,327	\$ 13,101,427
-	-	-	-	-	-	-	5,776
4,140	-	-	-	-	-	-	5,205
-	-	207	-	2,252	-	-	2,459
-	-	-	-	-	-	-	-
1,764	-	-	-	-	-	-	1,764
204,140	-	-	-	-	-	-	204,140
<u>\$ 210,044</u>	<u>\$ 695,980</u>	<u>\$ 1,951,061</u>	<u>\$ 1,132,539</u>	<u>\$ 815,802</u>	<u>\$ -</u>	<u>\$ 2,816,327</u>	<u>\$ 13,320,771</u>
\$ 86,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,418
111,719	6,413	62,577	132,754	92,333	-	231,737	2,352,409
5,665	-	88,279	22,567	721,187	-	121,968	1,188,626
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
245	-	335	-	83	-	-	1,375
<u>204,047</u>	<u>6,413</u>	<u>151,191</u>	<u>155,321</u>	<u>813,603</u>	<u>-</u>	<u>353,705</u>	<u>3,628,828</u>
-	-	-	-	-	-	-	-
-	689,567	1,799,663	862,218	-	-	1,287,622	6,988,976
-	-	207	115,000	-	-	-	1,518,181
-	-	-	-	-	-	1,175,000	1,175,000
5,997	-	-	-	2,199	-	-	9,786
<u>5,997</u>	<u>689,567</u>	<u>1,799,870</u>	<u>977,218</u>	<u>2,199</u>	<u>-</u>	<u>2,462,622</u>	<u>9,691,943</u>
<u>\$ 210,044</u>	<u>\$ 695,980</u>	<u>\$ 1,951,061</u>	<u>\$ 1,132,539</u>	<u>\$ 815,802</u>	<u>\$ -</u>	<u>\$ 2,816,327</u>	<u>\$ 13,320,771</u>

The accompanying notes are an integral part of this financial statement.

**RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

June 30, 2018

Fund balances - total governmental funds	\$ 9,691,943
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Amounts reported for governmental activities in the statement of net position are different because:

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	<u>(1,242,027)</u>
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Net Position of Governmental Activities	<u>\$ 8,449,916</u>
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State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS**

Year Ended June 30, 2018

	General Fund 13900	Supreme Court Automation 01100	Jury and Witness Fees 01200	Court Appointed Attorney 12400	Statewide Automated Bond 27300	Statewide Drug Court Technology 44300
<b>REVENUES</b>						
Court fees	\$ -	\$ 3,938,021	\$ 150	\$ -	\$ -	\$ -
Charges for services	-	9,698	1,938,896	-	-	-
Federal grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>3,947,719</b>	<b>1,939,046</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>						
Judicial:						
Current:						
Personnel services and benefits	3,458,665	2,260,584	236,385	175,302	-	-
Contractual services	3,670,126	464,147	-	5,842,800	221,400	-
Other costs	553,143	930,335	2,999,081	18,768	265,633	108,829
Capital outlays	48,892	-	-	-	63,691	232,060
<b>Total expenditures</b>	<b>7,730,826</b>	<b>3,655,066</b>	<b>3,235,466</b>	<b>6,036,870</b>	<b>550,724</b>	<b>340,889</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(7,730,826)</b>	<b>292,653</b>	<b>(1,296,420)</b>	<b>(6,036,870)</b>	<b>(550,724)</b>	<b>(340,889)</b>
Other Financing Sources (Uses)						
Transfer In:						
General fund appropriation	7,752,400	180,000	2,253,500	6,037,100	250,000	-
Other state agencies	1,300,000	-	-	-	647,000	-
Bond Proceeds	-	-	-	-	-	-
Transfer Out:						
Other state agencies	(1,215,242)	-	-	-	-	-
Reversions	(104,742)	-	-	(230)	(1,429)	-
<b>Total other financing sources (uses)</b>	<b>7,732,416</b>	<b>180,000</b>	<b>2,253,500</b>	<b>6,036,870</b>	<b>895,571</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>1,590</b>	<b>472,653</b>	<b>957,080</b>	<b>-</b>	<b>344,847</b>	<b>(340,889)</b>
Fund balances, beginning	-	580,592	339,581	-	555,206	843,810
<b>Fund balances, ending</b>	<b>\$ 1,590</b>	<b>\$ 1,053,245</b>	<b>\$ 1,296,661</b>	<b>\$ -</b>	<b>\$ 900,053</b>	<b>\$ 502,921</b>

The accompanying notes are an integral part of this financial statement.



Grant Fund 49500	Special Water Rights Adjudication 51200	Magistrate Court Warrant Enforcement 57500	Language Access 68170	Magistrate Courts 69200	STB Capital Outlay 89200	Non-Major Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,774,178	\$ -	\$ -	\$ -	\$ 781,794	\$ 7,494,143
14,302	-	2,631	195,761	19,949	-	982,906	3,164,143
1,133,375	-	-	-	-	-	-	1,133,375
-	-	-	-	-	-	7,670	7,670
<u>1,147,677</u>	<u>-</u>	<u>2,776,809</u>	<u>195,761</u>	<u>19,949</u>	<u>-</u>	<u>1,772,370</u>	<u>11,799,331</u>
141,796	156,563	2,414,930	585,159	18,471,860	-	3,329,838	31,231,082
644,460	110,615	10,615	118,931	316,435	-	261,821	11,661,350
361,248	75,127	341,601	2,348,053	9,311,973	92,623	1,386,776	18,793,190
-	-	12,334	-	20,381	20,611	52,413	450,382
<u>1,147,504</u>	<u>342,305</u>	<u>2,779,480</u>	<u>3,052,143</u>	<u>28,120,649</u>	<u>113,234</u>	<u>5,030,848</u>	<u>62,136,004</u>
173	(342,305)	(2,671)	(2,856,382)	(28,100,700)	(113,234)	(3,258,478)	(50,336,673)
-	-	-	3,718,600	28,178,500	-	3,987,400	52,357,500
-	80,000	-	115,000	-	-	300,000	2,442,000
-	-	-	-	-	113,234	-	113,234
-	(270,000)	-	-	-	-	-	(1,485,242)
-	-	-	-	(31,633)	-	(20,772)	(158,806)
-	(190,000)	-	3,833,600	28,146,867	113,234	4,266,628	53,268,686
173	(532,305)	(2,671)	977,218	46,167	-	1,008,150	2,932,013
5,824	1,221,872	1,802,541	-	(43,968)	-	1,454,472	6,759,930
<u>\$ 5,997</u>	<u>\$ 689,567</u>	<u>\$ 1,799,870</u>	<u>\$ 977,218</u>	<u>\$ 2,199</u>	<u>\$ -</u>	<u>\$ 2,462,622</u>	<u>\$ 9,691,943</u>

The accompanying notes are an integral part of this financial statement.

State of 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, 2018

Net change in fund balances - total governmental funds	\$ 2,932,013
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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	131,066
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Change in net position of governmental activities	<u>\$ 3,063,079</u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS**

Year Ended June 30, 2018

	General Fund (13900)			Variance Favorable (Unfavorable)
	Original Budget	Approved Revised Budget	Actual	
<b>Revenues</b>				
State General Fund appropriations	\$ 7,752,400	\$ 7,752,400	\$ 7,752,400	\$ -
Other financing sources	1,300,000	2,300,000	1,300,000	(1,000,000)
<b>Total revenues</b>	<b>9,052,400</b>	<b>10,052,400</b>	<b>9,052,400</b>	<b>(1,000,000)</b>
<b>Expenditures - All Departments</b>				
Personnel services	3,586,100	3,558,800	3,458,665	100,135
Contractual services	3,835,400	4,654,858	3,670,126	984,732
Other costs	345,700	623,500	602,035	21,465
Other financing uses	1,285,200	1,215,242	1,215,242	-
<b>Total expenditures</b>	<b>\$ 9,052,400</b>	<b>\$ 10,052,400</b>	<b>8,946,068</b>	<b>\$ 1,106,332</b>
Excess of revenues and other financing sources over expenditures and other financing uses			106,332	
Reversion			(104,742)	
Ending Fund Balance			<u>\$ 1,590</u>	*

\* Amount will revert in FY19

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Supreme Court Automation Fund (01100)			
	Original Budget	Approved Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Court fees	\$ 4,120,400	\$ 4,120,400	\$ 3,938,021	\$ (182,379)
State General Fund appropriations	180,000	180,000	180,000	-
Miscellaneous revenues	-	-	9,698	9,698
Total revenues	4,300,400	4,300,400	4,127,719	(172,681)
Fund Balance Budgeted	123,500	123,500		
	4,423,900	4,423,900		
Expenditures				
Personnel services	2,202,800	2,382,800	2,260,584	122,216
Contractual services	980,000	920,000	464,147	455,853
Other costs	1,061,100	1,121,100	930,335	190,765
Total expenditures	\$ 4,243,900	\$ 4,423,900	3,655,066	\$ 768,834
Excess of revenues and other financing sources over expenditures and other financing uses			472,653	
Fund Balance Beginning			580,592	
Fund Balance carryforward			\$ 1,053,245	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Jury and Witness Fees Fund (01200)			
	Original Budget	Approved Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State General Fund appropriations	\$ 2,253,500	\$ 2,253,500	\$ 2,253,500	\$ -
Court fees	-	-	150	150
Miscellaneous revenues	2,025,000	2,025,000	1,938,896	(86,104)
<b>Total revenues</b>	<b>4,278,500</b>	<b>4,278,500</b>	<b>4,192,546</b>	<b>(85,954)</b>
<b>Expenditures</b>				
Personnel services	146,100	236,400	236,385	15
Contractual services	10,000	10,000	-	10,000
Other costs	4,122,400	4,032,100	2,999,081	1,033,019
<b>Total expenditures</b>	<b>\$ 4,278,500</b>	<b>\$ 4,278,500</b>	<b>3,235,466</b>	<b>\$ 1,043,034</b>
Excess of revenues and other financing sources over expenditures and other financing uses			957,080	
Fund Balance Beginning			339,581	
Fund Balance carryforward			<u>\$ 1,296,661</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Court Appointed Attorney Fund (12400)			Variance Favorable (Unfavorable)
	Original Budget	Approved Revised Budget	Actual	
<b>Revenues</b>				
State General Fund appropriations	\$ 5,787,100	\$ 6,037,100	\$ 6,037,100	\$ -
<b>Expenditures</b>				
Personnel services	175,300	175,300	175,302	(2)
Contractual services	5,592,800	5,842,800	5,842,800	-
Other costs	19,000	19,000	18,768	232
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 5,787,100</u>	<u>\$ 6,037,100</u>	<u>6,036,870</u>	<u>\$ 230</u>
Excess of revenues and other financing sources over expenditures and other financing uses			230	
Reversion			<u>(230)</u>	
Ending Fund Balance			<u>\$ -</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

Statewide Automation Bond Fund (27300)

	Original Budget	Approved Revised Budget	Prior Year Actual	Current Year Actual	Total Since Inception	Variance Favorable (Unfavorable)
<b><u>DATA PROCESSING APPROPRIATIONS</u></b>						
Revenues						
State General Fund appropriations	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ 250,000	\$ -
Other financing sources	2,036,800	2,036,800	1,389,800	647,000	2,036,800	-
Total revenues	<u>\$ 2,286,800</u>	<u>\$ 2,286,800</u>	<u>\$ 1,389,800</u>	<u>\$ 897,000</u>	<u>\$ 2,286,800</u>	<u>\$ -</u>
Expenditures						
Contractual services	\$ 759,470	\$ 759,470	\$ -	\$ 221,400	\$ 378,552	\$ 380,918
Other Costs	1,527,330	1,527,330	-	329,324	1,006,766	520,564
Total expenditures	<u>\$ 2,286,800</u>	<u>\$ 2,286,800</u>	<u>\$ -</u>	<u>550,724</u>	<u>\$ 1,385,318</u>	<u>\$ 901,482</u>
Excess of revenues and other financing sources over expenditures and other financing uses						
Reversion				346,276		
Fund Balance Beginning				(1,429)		
				<u>555,206</u>		
Fund Balance carryforward				<u>\$ 900,053</u>		

Appropriation Period	Short Title	Approved Budget	Prior Years	Current Year	Outstanding Encumbrances	Unexpended/ Unencumbered Balance
FY 2016 Exp:6/30/18	Odyssey Case Management Upgrades	\$ 325,800	\$ 278,300	\$ 47,500	\$ -	\$ -
FY 2017 Exp:6/30/19	Video Network System	284,000	243,879	37,247	-	2,874
FY 2018 Exp:6/30/18	Jury Management System	780,000	312,415	465,977	-	1,608
FY 2018 Exp:6/30/19	Odyssey Elec. Filing Update	250,000	-	-	-	250,000
FY 2018 Exp:6/30/20	Network Switches Replacement	275,000	-	-	-	275,000
FY 2018 Exp:6/30/20	Video and Audio Communication Install	372,000	-	-	-	372,000
		<u>\$ 2,286,800</u>	<u>\$ 834,594</u>	<u>\$ 550,724</u>	<u>\$ -</u>	<u>\$ 901,482</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

		Statewide Drug Court Technology Fund (44300)					
		Original Budget	Approved Revised Budget	Prior Year Actual	Current Year Actual	Total Since Inception	Variance Favorable (Unfavorable)
<b><u>SPECIAL APPROPRIATIONS</u></b>							
Revenues							
State General Fund appropriations		\$ 899,600	\$ 365,039	\$ 365,039	\$ -	\$ 365,039	\$ - *
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		<u>3,099,600</u>	<u>2,565,039</u>	<u>2,565,039</u>	<u>-</u>	<u>2,565,039</u>	<u>-</u>
Expenditures							
Contractual services		20,000	-	-	-	-	-
Other costs		2,379,600	2,565,039	1,721,229	340,890	2,062,119	502,920
Other financing uses		700,000	-	-	-	-	-
Total expenditures		<u>\$ 3,099,600</u>	<u>\$ 2,565,039</u>	<u>\$ 1,721,229</u>	<u>340,890</u>	<u>\$ 2,062,119</u>	<u>\$ 502,920</u>
Excess of revenues and other financing sources over expenditures and other financing uses						(340,890)	
Reversion						-	
Transfer out - other state agencies						-	
Fund Balance Beginning						<u>843,810</u>	
Fund Balance carryforward						<u>\$ 502,920</u>	
Appropriation		Approved Budget	Prior Years	Current Year	Outstanding Encumbrances	Unexpended/Unencumbered Balance	
FY 2016	Critical Safety and Security Statewide	\$ 2,200,000	\$ 1,455,790	\$ 241,290	\$ -	\$ 502,920	
Exp:6/30/18							
FY 2017	Pay dues to National Center for State Courts	99,600	-	99,600	-	-	
Exp:6/30/18							
Other		265,439	265,439	-	-	-	
		<u>\$ 2,565,039</u>	<u>\$ 1,721,229</u>	<u>\$ 340,890</u>	<u>\$ -</u>	<u>\$ 502,920</u>	

The accompanying notes are an integral part of this financial statement.



State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Grant Fund (49500)			Variance Favorable (Unfavorable)
	Original Budget	Approved Revised Budget	Actual	
<b>Revenues</b>				
Federal Grants	\$ 1,148,800	\$ 1,423,800	\$ 1,133,375	\$ (290,425)
Intra-State Wts-Fed Grants	-	-	-	-
Miscellaneous Revenue	-	-	14,302	14,302
<b>Total revenues</b>	<u>1,148,800</u>	<u>1,423,800</u>	<u>1,147,677</u>	<u>(276,123)</u>
<b>Expenditures</b>				
Personnel services	194,800	174,800	141,796	33,004
Contractual services	883,500	883,500	644,460	239,040
Other Costs	70,500	365,500	361,248	4,252
<b>Total Expenditures</b>	<u>\$ 1,148,800</u>	<u>\$ 1,423,800</u>	<u>1,147,504</u>	<u>\$ 276,296</u>
Excess of revenues and other financing sources over expenditures and other financing uses			173	
Fund Balance Beginning			<u>5,824</u>	
Fund Balance carryforward			<u>\$ 5,997</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Special Water Rights Adjudication Fund (51200)			
	Original Budget	Approved Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Other financing sources	\$ 621,900	\$ 621,900	\$ 80,000	\$ (541,900)
Fund Balance Budgeted	317,000	317,000		
Total	<u>\$ 938,900</u>	<u>\$ 938,900</u>		
Expenditures				
Personnel services	\$ 255,300	\$ 233,300	156,563	76,737
Contractual services	379,900	357,900	110,615	247,285
Other Costs	33,700	77,700	75,127	2,573
Other financing uses	270,000	270,000	270,000	-
Total expenditures	<u>\$ 938,900</u>	<u>\$ 938,900</u>	612,305	<u>\$ 326,595</u>
Excess of revenues and other financing sources over expenditures and other financing uses			(532,305)	
Fund Balance Beginning			<u>1,221,872</u>	
Fund Balance Carryforward			<u>\$ 689,567</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Magistrate Court Warrant Enforcement Fund (57500)			
	Original Budget	Approved Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Court fees	\$ 3,284,600	\$ 3,284,600	\$ 2,774,178	\$ (510,422)
Miscellaneous revenues	-	-	2,631	2,631
Total revenues	<u>3,284,600</u>	<u>3,284,600</u>	<u>2,776,809</u>	<u>(507,791)</u>
Expenditures				
Personnel Services	2,854,900	2,832,900	2,414,930	417,970
Contractual services	46,200	46,200	10,615	35,585
Other Costs	383,500	405,500	353,935	51,565
Total expenditures	<u>\$ 3,284,600</u>	<u>\$ 3,284,600</u>	<u>2,779,480</u>	<u>\$ 505,120</u>
Excess of revenues and other financing sources over expenditures and other financing uses			(2,671)	
Fund Balance Beginning			<u>1,802,541</u>	
Fund Balance Carryforward			<u>\$ 1,799,870</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Language Access Fund (68170)			Variance Favorable (Unfavorable)
	Original Budget	Approved Revised Budget	Actual	
<b>Revenues</b>				
State General Fund appropriations	\$ 3,718,600	\$ 3,718,600	\$ 3,718,600	\$ -
Federal grants	-	-	-	-
Intra-state transfers	-	-	115,000	115,000
Other fees and services	100,000	215,000	195,761	(19,239)
Reversion	-	-	-	-
<b>Total revenues</b>	<u>3,818,600</u>	<u>3,933,600</u>	<u>4,029,361</u>	<u>95,761</u>
<b>Expenditures</b>				
Personnel services and benefits	573,000	585,730	585,159	571
Contractual services	165,900	280,900	118,931	161,969
Other operating costs	3,079,700	3,066,970	2,348,053	718,917
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<u>\$ 3,818,600</u>	<u>\$ 3,933,600</u>	<u>3,052,143</u>	<u>\$ 881,457</u>
Excess of revenues and other financing sources over expenditures and other financing uses			977,218	
Reversion			-	
Fund Balance Beginning			-	
<b>Ending Fund Balance</b>			<u>\$ 977,218</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL – MAJOR BUDGETED FUNDS – CONTINUED**

Year Ended June 30, 2018

	Magistrate Courts Fund (69200)			
	Original Budget	Approved Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State General Fund appropriations	\$ 27,557,500	\$ 28,197,461	\$ 28,178,500	\$ (18,961)
Other Services	-	-	19,949	19,949
<b>Total revenues</b>	<u>27,557,500</u>	<u>28,197,461</u>	<u>28,198,449</u>	<u>988</u>
<b>Expenditures</b>				
Personnel services	17,822,800	18,471,861	18,471,860	1
Contractual services	446,000	320,000	316,435	3,565
Other costs	9,288,700	9,334,600	9,332,354	2,246
Transfers out	-	71,000	-	71,000
<b>Total expenditures</b>	<u>\$ 27,557,500</u>	<u>\$ 28,197,461</u>	<u>28,120,649</u>	<u>\$ 76,812</u>
Excess of revenues and other financing sources over expenditures and other financing uses			77,800	
Reversion			(31,633)	
Fund Balance (Deficit) Beginning			<u>(43,968)</u>	
Ending Fund Balance			<u>\$ 2,199</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico Administrative Office of the Courts

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND**

June 30, 2018

	<u>Agency Fund</u>
<b>ASSETS</b>	
Interest in the State General Fund Investment Pool	\$ 1,673,219
Cash in Authorized Bank Accounts	1,688,478
	<hr/>
Total assets	<u>\$ 3,361,697</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 540,856
Due To Beneficiaries (CU's)	-
Due To Local Governments	989,536
Deposits Held for Others	1,831,305
	<hr/>
Total liabilities	<u>\$ 3,361,697</u>

The accompanying notes are an integral part of this financial statement.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE A – 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.

#### 1. 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.

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 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. 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.

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.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Basic Financial Statements – Continued

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.

3. 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.

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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Basis of Presentation – Continued

*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.

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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Basis of Presentation – Continued

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.

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 68170 – Language Access Services – This activity provides operating and staffing language access services for court proceedings. This fund is also used to provide training for the purpose of enhancing language access services in the courts. Any fund balance remaining in this fund at the end of the fiscal year does not revert to the State General Fund.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Basis of Presentation – Continued

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.

*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. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Basis of Presentation – Continued

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.

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.

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. This fund has a \$0 balance in all accounts for FY18.

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 memorandum of 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Basis of Presentation – Continued

**Fiduciary Fund Types**

Fiduciary fund types include 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 Funds- Used to record the collection of allowable Magistrate Court costs and fees and disbursements to the beneficiaries.

The Litigant Fund and the Fines and Fees Funds are detailed in the combining statement of changes in assets and liabilities – agency funds.

4. 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 means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

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 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

4. Basis of Accounting - Continued

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 not yet received in its agency funds is recorded as deposits held for others.

5. 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.

6. Capital Assets

Property 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 \$272,356 in capital assets to the Supreme Court Building Commission and \$178,027 to various district courts, see Schedule of Operating Transfers.

7. 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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

7. Compensated Absences – Continued

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 30<sup>th</sup>, 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 30 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.

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.

8. 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), 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.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

9. 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 \$6,988,976.

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 \$1,518,181 consisting of multi-year Special and Data Processing appropriations.

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 \$1,175,001.

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 fund balances at year end were \$9,786.

10. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

11. 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.

12. 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.

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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

12. Budgets and Budgetary Accounting – Continued

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 B – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL**

State law (Section 8-6-3 NMSA 1978) requires the AOC's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the AOC consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2018, the AOC had a balance of \$14,688,288 in Interest in the State General Fund Investment Pool as shown in the *Schedule of Investment in State General Fund Investment Pool*.

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, 2018.

**NOTE C – 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 of New Mexico Administrative Office of the Courts

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE C – CASH ACCOUNTS – CONTINUED**

State Treasurer Balance	\$ 14,688,228
Commercial Bank Balance	1,782,474
Magistrate Change Fund Balance	5,776
Reconciling items	<u>(93,994)</u>
Financial statement balance	<u>\$ 16,382,483</u>
Presented in the financial statements as:	
Interest in State General Fund Investment Pool	\$ 13,101,427
Other cash	5,776
Deficit cash balance	(86,418)
Agency Fund Cash	<u>1,673,219</u>
Total cash per financial statement	<u>\$ 14,694,004</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, the expense to the bank accounts at June 30 was limited with respect to custodial credit risk.

**NOTE D – DUE TO THE STATE GENERAL FUND**

The amounts reverted to the State General Fund and reversion balances due at June 30, 2018, are detailed as follows:

General Fund (13900)	\$ 104,742
Judges Pro-Temp (13600)	20,705
Court Appointed Attorney (12400)	230
Statewide Automated Bond (27300)	1,429
Judicial Information Systems (68900)	67
Magistrate Court General Fund (69200)	<u>31,633</u>
Total reversions	158,806
Less amount reverted during year	<u>(158,806)</u>
Total Due to State General Fund	<u>\$ -</u>

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE E – COMPENSATED ABSENCES**

During the year ended June 30, 2018, the following changes occurred in the compensated absence liabilities:

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018	Due In One Year
Annual Leave	\$ 1,373,093	\$ 1,691,368	\$ (1,822,434)	\$ 1,242,027	\$ 1,055,723

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 F – STATE EMPLOYEES’ PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*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.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico follows the standard for the fiscal year ending June 30, 2018.

The New Mexico Supreme Court, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

The New Mexico Supreme Court also has a single employer defined benefit pension plan for Supreme Court Justices (Judicial Retirement) administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the CAFR of the State of New Mexico.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE F – STATE EMPLOYEES’ PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – CONTINUED**

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 PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the 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, 2018, 2017 and 2016 were \$2,791,030, \$2,736,389, and \$2,780,115, respectively, which equal the amount of the required percentage of payroll contributions for each fiscal year.

**NOTE G – MAGISTRATE JUDGES 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 plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries.

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 PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the CAFR of the State of New Mexico.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE G – MAGISTRATE JUDGES PENSION PLAN – CONTINUED**

*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 AOC's contributions to PERA for the fiscal years ending June 30, 2018, 2017 and 2016, were \$828,985, \$829,793, and \$829,894 respectively, which equals the amount of the required percentage of payroll contributions for each fiscal year.

**NOTE H – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*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.

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

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

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE H – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED**

The Administrative Office of the Court's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$438,946, \$432,808 and \$438,450, respectively, which equal the required contributions for each year.

**NOTE I – 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 J – OPERATING LEASES**

At June 30, 2018, 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, 2018, amounted to \$8,696,486 for buildings and \$273,547 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:

<u>Year ending June 30 :</u>	<u>Buildings</u>	<u>Equipment</u>
2019	\$ 8,693,779	\$ 51,230
2020	8,699,433	63,043
2021	8,504,565	9,547
2022	8,501,032	9,547
2023	6,666,132	9,547
Thereafter	45,778,558	85,922
	<u>\$ 86,843,499</u>	<u>\$ 228,836</u>



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE K – 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.) As of June 30, 2018, all balances have been expended.

*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, 2018, \$5,463 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, 2018, \$2,874 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 27300.)

*Judicial Wide Data Processing Appropriations Law of 2018, Chapter 73, Section 7, Item 1:* The AOC was appropriated \$115,000 to purchase and implement language access system scheduling software for court interpreter services for use in fiscal years 2018 and 2019. As of June 30, 2018, all funds were unexpended.

*Judicial Wide Data Processing Appropriations Law of 2018, Chapter 73, Section 7, Item 2:* The AOC was appropriated \$275,000 to replace network switches for all courts statewide with the exception of the second judicial district court and metropolitan court in Albuquerque for use in fiscal years 2018 and 2019. As of June 30, 2018, all funds were unexpended.

*Judicial Wide Data Processing Appropriations Law of 2018, Chapter 73, Section 7, Item 3:* The AOC was appropriated \$372,000 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 2018 and 2019. As of June 30, 2018, all funds were unexpended.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE K – SPECIFIC AND SUPPLEMENTAL APPROPRIATIONS – CONTINUED**

**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, 2018, \$115,841 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 89200.)

*Judicial Wide Capital Outlay Appropriations Laws of 2015, 1<sup>st</sup> 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, 2018, \$502,902 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for funds 44300 and 57500.)

*Judicial Wide Capital Outlay Appropriations Laws of 2018, HB 306, Chapter 80, Section 3:* The AOC was appropriated \$1,400,000 to purchase and install security systems and for technology upgrades related to security systems at magistrate courts and judicial district courts statewide. As of June 30, 2018, \$1,400,000 remained unexpended. (See Statement of Revenue and Expenditures – Budget to Actual for fund 89200).

**Supplemental Appropriations:**

*Supplemental Appropriation Laws of 2018, Chapter 73, Section 6, Item 1:* The AOC received \$71,000 for a shortfall in funding to cover insurance premiums in fiscal year 2016. As of June 30, 2018, all balances have been expended or reverted.

*Supplemental Appropriation Laws of 2018, Chapter 73, Section 6, Item 2:* The AOC received \$250,000 for court-appointed attorney fund to cover operational needs. Any unexpended or unencumbered balance remaining at the end of the fiscal year 2018 shall revert to the general fund.

*Supplemental Appropriation Laws of 2018, Chapter 73, Section 6, Item 3:* The AOC received \$550,000 for a shortfall in magistrate court building leases in fiscal year 2018. As of June 30, 2018, all balances have been expended.

*Supplemental Appropriation Laws of 2018, Chapter 73, Section 6, Item 4:* The AOC received \$30,000 for pro tempore judge fund to cover hiring of additional pro tempore judges. As of June 30, 2018, all balances have been expended or reverted.

*Supplemental Appropriation Laws of 2018, Chapter 73, Section 6, Item 5:* The AOC received \$180,000 for the statewide automation program costs. As of June 30, 2018, all balances have been expended.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

**NOTE K – SPECIFIC AND SUPPLEMENTAL APPROPRIATIONS – CONTINUED**

**Special Appropriations:**

*Special Appropriation Laws of 2018, Chapter 73, Section 5, Item 5:* The AOC was appropriated \$1,000,000 for costs associated with reforming New Mexico's guardianship system.

*Special Appropriation Laws of 2018, Chapter 73, Section 5, Item 8:* The AOC was appropriated \$1,125,000 from other state funds, electronic services fund, to purchase redaction software for electronic case documents

*Supplemental Appropriation Laws of 2018, Chapter 73, Section 5, Item 10:* The AOC was appropriated \$250,000 to update the odyssey system to allow for electronic filing of criminal cases.

**NOTE L – 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, 2018, premiums for claims and assessments against the AOC totaled \$431,031.

**NOTE M – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS**

GASB 84

GASB Statement No. 84, Fiduciary Activities (GASB 84) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for periods beginning after December 15, 2018 (FY20). Management has not yet determined the impact of this statement.

GASB 87

GASB Statement No. 87, Leases (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 21) with earlier application encouraged. This statement may have some impact on the assets and liabilities of the Office.

**SUPPLEMENTARY INFORMATION**

State of New Mexico Administrative Office of the Courts

**COMBINING BALANCE SHEET – ALL NON-MAJOR FUNDS**

June 30, 2018

	Electronic Services Fund 10790	Magistrate Drug Court 11600	Magistrate Court Operations 11120	Municipal Court Automation 12600
<b>ASSETS</b>				
Interest in State Government Fund				
Investment Pool	\$ 1,409,312	\$ 176,156	\$ -	\$ 508,199
Petty Cash	-	-	-	-
Due from external parties	-	-	-	-
Other receivable	-	-	-	-
Due from other component units of the State	-	-	-	-
Due from local governments	-	-	-	-
Due from federal grants	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 1,409,312</u>	<u>\$ 176,156</u>	<u>\$ -</u>	<u>\$ 508,199</u>
<b>LIABILITIES</b>				
Due to State Government Fund				
Investment Pool	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	117,634
Accrued payroll	-	11,614	-	7,461
Due to other funds	-	-	-	-
Due to other component units of the State	-	-	-	-
Due to local governments	-	-	-	-
Due to state general fund	-	-	-	-
Other liabilities	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>-</u>	<u>11,614</u>	<u>-</u>	<u>125,095</u>
<b>FUND BALANCES</b>				
Non-Spendable	-	-	-	-
Restricted	284,312	114,542	-	383,104
Committed	-	-	-	-
Assigned	1,125,000	50,000	-	-
Unassigned	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>1,409,312</u>	<u>164,542</u>	<u>-</u>	<u>383,104</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 1,409,312</u>	<u>\$ 176,156</u>	<u>\$ -</u>	<u>\$ 508,199</u>

Judges Pro- Temp 13600	Magistrate Court Mediation 30400	49600	Judicial Performance Evaluation 58300	Judicial Information Division 68900	Total Non-Major Funds
\$ 14,606	\$ 127,573	\$ -	\$ 419,928	\$ 160,553	\$ 2,816,327
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,606</u>	<u>\$ 127,573</u>	<u>\$ -</u>	<u>\$ 419,928</u>	<u>\$ 160,553</u>	<u>\$ 2,816,327</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14,606	4,070	-	36,333	59,094	231,737
-	-	-	1,434	101,459	121,968
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,606</u>	<u>4,070</u>	<u>-</u>	<u>37,767</u>	<u>160,553</u>	<u>353,705</u>
-	-	-	-	-	-
-	123,503	-	382,161	-	1,287,622
-	-	-	-	-	-
-	-	-	-	-	1,175,000
-	-	-	-	-	-
<u>-</u>	<u>123,503</u>	<u>-</u>	<u>382,161</u>	<u>-</u>	<u>2,462,622</u>
<u>\$ 14,606</u>	<u>\$ 127,573</u>	<u>\$ -</u>	<u>\$ 419,928</u>	<u>\$ 160,553</u>	<u>\$ 2,816,327</u>

State of 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, 2018

	Electronic Services Fund 10790	Magistrate Drug Court 11600	Magistrate Court Operations 11120	Municipal Court Automation 12600
<b>REVENUES</b>				
Court fees	\$ -	\$ -	\$ -	\$ 701,269
Charges for services	977,670	3,099	-	2,137
Federal grants	-	-	-	-
Interest income	7,670	-	-	-
<b>Total revenues</b>	<b>985,340</b>	<b>3,099</b>	<b>-</b>	<b>703,406</b>
<b>EXPENDITURES</b>				
Judicial:				
Current:				
Personnel services and benefits	-	285,000	-	195,130
Contractual services	-	17,257	-	-
Other costs	-	2,055	-	581,811
Capital outlays	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>304,312</b>	<b>-</b>	<b>776,941</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>985,340</b>	<b>(301,213)</b>	<b>-</b>	<b>(73,535)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In:				
General fund appropriation	-	-	-	-
Other State agencies	-	300,000	-	-
Bond Proceeds	-	-	-	-
Transfer Out:				
Other State agencies	-	-	-	-
Reversions	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>985,340</b>	<b>(1,213)</b>	<b>-</b>	<b>(73,535)</b>
Fund balances, beginning	423,972	165,755	-	456,639
<b>Fund balances, ending</b>	<b>\$ 1,409,312</b>	<b>\$ 164,542</b>	<b>\$ -</b>	<b>\$ 383,104</b>

Judges Pro-Temp 13600	Magistrate Court Mediation 30400	Judicial Performance Evaluation 58300	Judicial Information Division 68900	Total Non-Major Funds
\$ -	\$ 80,525	\$ -	\$ -	\$ 781,794
-	-	-	-	982,906
-	-	-	-	-
-	-	-	-	7,670
<u>-</u>	<u>80,525</u>	<u>-</u>	<u>-</u>	<u>1,772,370</u>
-	22,328	37,282	2,790,098	3,329,838
39,595	68,325	136,644	-	261,821
-	1,709	14,279	786,922	1,386,776
-	-	-	52,413	52,413
<u>39,595</u>	<u>92,362</u>	<u>188,205</u>	<u>3,629,433</u>	<u>5,030,848</u>
(39,595)	(11,837)	(188,205)	(3,629,433)	(3,258,478)
60,300	-	297,600	3,629,500	3,987,400
-	-	-	-	300,000
-	-	-	-	-
-	-	-	-	-
<u>(20,705)</u>	<u>-</u>	<u>-</u>	<u>(67)</u>	<u>(20,772)</u>
<u>39,595</u>	<u>-</u>	<u>297,600</u>	<u>3,629,433</u>	<u>4,266,628</u>
-	(11,837)	109,395	-	1,008,150
-	135,340	272,766	-	1,454,472
<u>\$ -</u>	<u>\$ 123,503</u>	<u>\$ 382,161</u>	<u>\$ -</u>	<u>\$ 2,462,622</u>



**STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL STB CAPITAL PROJECT FUND (89200)**

For the Year Ended June 30, 2018

		<b>STB Capital Outlay Fund (89200)</b>					
		<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Prior Year Actual</u>	<u>Current Year Actual</u>	<u>Total Since Inception</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>CAPITAL APPROPRIATIONS</u></b>							
Revenues							
	Severance Tax Bonds	\$ 534,561	\$ 534,561	\$ 305,486	\$ 113,234	\$ 418,720	\$ (115,841)
Expenditures							
	Contractual services	20,000	20,000	20,000	-	20,000	-
	Other costs	514,561	514,561	285,486	113,234	398,720	115,841
	<b>Total expenditures</b>	<u>534,561</u>	<u>534,561</u>	<u>305,486</u>	<u>113,234</u>	<u>418,720</u>	<u>115,841</u>
Excess of revenues and other financing sources over expenditures and other financing uses					-		
Transfer out - other state agencies					-		
Fund Balance Beginning					-		
Fund Balance carryforward					<u>\$ -</u>		
Appropriation Period	Short Title	Approved Budget	Prior Years	Current Year	Outstanding Encumbrances	Unexpended/Unencumbered Balance	
FY 2017 Exp:6/30/20	Court Priorities	\$ 534,561	\$ 305,486	\$ 113,234	\$ -	\$ 115,841	
		<u>\$ 534,561</u>	<u>\$ 305,486</u>	<u>\$ 113,234</u>	<u>\$ -</u>	<u>\$ 115,841</u>	

**SCHEDULE OF OPERATING TRANSFERS**

June 30, 2018

	Share Fund	Title	Transfer	
			In	Out
<b>General Fund</b>				
(1)	85300	Department of Finance and Administration	\$ 51,026,500	\$ -
(5)	85300	Department of Finance and Administration	1,081,000	-
(8)	85300	Department of Finance and Administration	250,000	-
<b>Local DWI Grant Fund</b>				
(2)	56000	DWI Grant fund distribution for Drug Courts	1,300,000	-
(9)	56000	DWI Grant fund distribution for Drug Courts	-	79,291
<b>Magistrate Drug Court</b>				
(7)	56000	DWI Grant Fund for Drug Courts	300,000	-
<b>Water Project Fund</b>				
(3)	21400	Water Project Fund distribution share to AOC	80,000	-
<b>Computer System Enhancement Fund</b>				
(4)	00900	IT Project Funding to AOC	762,000	-
(12)	00900	Fiscal Year 2018 Reversions to the DWI Fund Grant	-	1,429
<b>Capital Outlay</b>				
(6)	43120	Severance Tax Bonds	113,234	-
<b>General Fund</b>				
(10)	Various	Transfer CASA Funding to Various Courts	-	1,215,242
<b>Water Adjudication Fund</b>				
(11)	Various	Transfer Water Adjudication Funding to Various Courts	-	270,000
<b>Due to the State General Fund</b>				
(12)	85300	Department of Finance and Administration	-	78,086
			<u>\$ 54,912,734</u>	<u>\$ 1,644,048</u>

**SCHEDULE OF OPERATING TRANSFERS – CONTINUED**

June 30, 2018

**Government-Wide Financial Statements**

(13)	14900	9th Judicial District Court	\$	-	\$	8,856
(13)	15100	11th Judicial District Court		-		150,000
(13)	15300	13th Judicial District Court		-		19,171
(14)	13700	Court of Appeals		-		37,933
(14)	14400	4th Judicial District Court		-		366
(14)	14900	9th Judicial District Court		-		9,229
(14)	15100	11th Judicial District Court		-		46,600
(15)	14000	Supreme Court Building Commission		-		272,356
				<hr/>		<hr/>
Total governmental activities				-		544,511
				<hr/>		<hr/>
Grand total			\$	54,912,734	\$	2,188,559
				<hr/>		<hr/>

- (1) General Fund Appropriations - Laws of 2017, Chapter 135, Section 4B
- (2) Interagency Transfer Appropriation - Laws of 2017, Chapter 135, Section 4B
- (3) Interagency Transfer Appropriation - Laws of 2017, Chapter 135, Section 4B
- (4) Interagency Transfer Appropriation - Laws of 2018, Chapter 73, Section 7(1-3)
- (5) General Fund Appropriation - Laws of 2018, Chapter 73, Section 6(1-6)
- (6) Capital Outlay Appropriations (Severance Tax Bonds) - Laws of 2016, Chapter 5, Section 3
- (7) Interagency Transfer Appropriation - Laws of 2017, Chapter 135, Section 4B
- (8) General Fund Appropriation - Laws of 2018, Chapter 73, Section 5 (10)
- (9) Fiscal Year 2018 Reversions to the DWI Fund Grant
- (10) Interagency Transfer Appropriation - Laws of 2017, Chapter 135, Section 4B
- (11) Interagency Transfer Appropriation - Laws of 2017, Chapter 135, Section 4B
- (12) Fiscal Year 2018 Reversions to the State General Fund
- (13) Transfer Capital Assets purchased by the AOC for the District Courts.
- (14) Transfer Inventory Exempt items purchased by the AOC for the District Court.
- (15) Transfer Capital Assets to the Supreme Court Building Commission

State of New Mexico Administrative Office of the Courts

**SCHEDULE OF DUE FROM/DUE TO FUNDS**

June 30, 2018

To AOC FUNDS from FEDERAL GOVERNMENT

TO		FROM		AMOUNT
<u>FUND</u>	<u>NAME</u>	<u>FUND</u>	<u>NAME</u>	
49500	AOC Grant Fund		Various Federal Agencies	<u>\$ 204,140</u>

To AOC FUNDS from LOCAL GOVERNMENT

TO		FROM		AMOUNT
<u>FUND</u>	<u>NAME</u>	<u>FUND</u>	<u>NAME</u>	
49500	AOC Grant Fund		Various Federal Agencies	<u>\$ 1,764</u>

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS**

June 30, 2018

<b><u>Total All Agency Funds</u></b>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>ASSETS</b>				
Interest in SGFIP	\$ 1,564,689	\$ 20,099,385	\$ (19,990,855)	\$ 1,673,219
Cash in commercial banks	2,534,884	16,091,807	(16,938,213)	1,688,478
Total assets	<u>\$ 4,099,573</u>	<u>\$ 36,191,192</u>	<u>\$ (36,929,068)</u>	<u>\$ 3,361,697</u>
<b>LIABILITIES</b>				
Deposits held for others (in banks)	\$ 1,064,957	\$ 12,856,648	\$ (12,847,622)	\$ 1,073,983
Due to Litigants	1,469,927	3,233,374	(4,088,806)	614,495
Deposits held for others				
Brain Injury Fee Fund (48100)	-	306,263	(306,263)	-
Civil Legal Service Fund (60000)	-	1,833,807	(1,833,807)	-
Correction Fee Fund (68800)	873,519	3,820,992	(3,704,974)	989,537
Crime Victims Reparation (40150)	-	353,909	(353,909)	-
Warrant Enforcement Suspense (53300)	22,561	320,072	(295,374)	47,259
Magistrate Suspense (82200)	245,382	47,414	(166,344)	126,452
Municipal Court Automation (70400)	-	701,269	(701,269)	-
Court Automation Fund (07800)	-	3,938,021	(3,938,021)	-
Court Facilities Fund (53200)	419,058	3,663,644	(3,583,056)	499,646
Crime Laboratory Fund (68700)	4,169	1,033,385	(1,027,229)	10,325
Judges Retirement Fund (12200)	-	402,932	(402,932)	-
Juvenile Adjudication (11210)	-	3,955	(3,955)	-
Judicial Education Fee Fund (57700)	-	208,207	(208,207)	-
Magistrate Enforcement Fund (57600)	-	2,774,178	(2,774,178)	-
Magistrate Penalty Assessment Fund (79400)	-	804	(804)	-
Domestic Violence Offender Fund (51500)	-	421,127	(421,127)	-
Traffic Safety Fund (25200)	-	266,788	(266,788)	-
Magistrate Court Operations (11120)	-	2,619	(2,619)	-
Total liabilities	<u>\$ 4,099,573</u>	<u>\$ 36,189,408</u>	<u>\$ (36,927,284)</u>	<u>\$ 3,361,697</u>

State of New Mexico Administrative Office of the Courts

**SCHEDULE OF INTEREST IN STATE GENERAL FUND INVESTMENT POOL**

June 30, 2018

	<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	<u>\$ 705,088</u>	<u>\$ 705,088</u>
Special Revenue Funds				
JID Supreme Court Automation	01100	1 day	1,250,897	1,250,897
Jury & Witness Fees	01200	1 day	1,440,996	1,440,996
Court Appointed Attorney	12400	1 day	716,530	716,530
JID Statewide Automated Bond	27300	1 day	1,075,745	1,075,745
Statewide drug court	44300	1 day	502,921	502,921
Grant Fund	49500	1 day	(86,418)	(86,418)
Water Adjudication Fund	51200	1 day	695,980	695,980
Magistrate Court Warrant Enforcement	57500	1 day	1,950,854	1,950,854
Language Access	68170	1 day	1,132,539	1,132,539
Magistrate Courts	69200	1 day	813,550	813,550
STB Capital Outlay	89200	1 day	-	-
E-Filing Services Fund	10790	1 day	1,409,312	1,409,312
Magistrate Drug Court Fund	11600	1 day	176,156	176,156
JID Municipal Court Automation	12600	1 day	508,199	508,199
Judges Pro-Temp	13600	1 day	14,606	14,606
Magistrate Court Mediation Fund	30400	1 day	127,573	127,573
Judicial Performance Evaluation	58300	1 day	419,928	419,928
JID Judicial Information Division	68900	1 day	160,553	160,553
Total Special Revenue Funds			<u>12,309,921</u>	<u>12,309,921</u>
Fiduciary Funds				
Correction Fees Fund	68800	1 day	989,537	989,537
Court Facilities Fund	53200	1 day	499,646	499,646
Crime Laboratory Fees Fund	68700	1 day	10,325	10,325
Suspense Fund	53300	1 day	47,260	47,260
Magistrate Suspense Fund	82200	1 day	126,451	126,451
Total Fiduciary Funds			<u>1,673,219</u>	<u>1,673,219</u>
Total State Treasurer - Interest in SGFIP			<u>\$ 14,688,228</u>	<u>\$ 14,688,228</u>

State of New Mexico Administrative Office of the Courts

**SCHEDULE OF CASH ACCOUNTS**

June 30, 2018

Magistrate Court	Bank	Court Location	Bank Balance June 30, 2018
Catron I	First State	Reserve	\$ 1,860
Catron Circuit	First State	Quemado	25
Chaves I, II	Valley Bank of Commerce	Roswell	74,328
Cibola I, II	Wells Fargo	Grants	36,242
Colfax I	Wells Fargo	Raton	16,438
Colfax II	International State	Springer	14,341
Curry I, II	New Mexico Bank & Trust	Clovis	67,036
DeBaca I	Citizens Bank of Clovis	Ft. Sumner	4,254
Dona Ana I, II, III	Wells Fargo	Las Cruces	147,512
Dona Ana Circuit	Wells Fargo	Anthony	48,970
Dona Ana Hatch	Wells Fargo	Hatch	125
Eddy I, II	Western Commerce	Carlsbad	82,738
Eddy III	First National	Artesia	20,340
Grant I	Wells Fargo	Silver City	26,221
Grant II	Bank of America	Bayard	11,869
Guadalupe I	Wells Fargo	Santa Rosa	33,824
Harding I	Wells Fargo	Roy	747
Hidalgo I	Western	Lordsburg	31,902
Lea I	Lea County State	Lovington	50,225
Lea II	Lea County State	Hobbs	69,347
Lea III	Wells Fargo	Eunice	1,762
Lea Circuit	Wells Fargo	Jal	1,074
Lincoln I	Wells Fargo	Carrizozo	17,661
Lincoln II	First National	Ruidoso	26,333
Los Alamos I	Los Alamos National	Los Alamos	2,244
Luna I	Wells Fargo	Deming	64,297
McKinley I, II	Wells Fargo	Gallup	54,839
Subtotal			<u>906,553</u>

Reconciling Items	Book Balance June 30, 2018	Deposits In Transit	Outstanding Checks	Book Balance Variance	Bond Balance
\$ -	\$ 1,860	\$ -	\$ -	\$ (20)	\$ -
-	25	-	-	-	-
(4,361)	69,967	281	4,642	(205)	38,345
(874)	35,368	276	1,150	146	10,175
(348)	16,090	481	829	160	6,362
(1,024)	13,317	50	1,074	(133)	481
2,103	69,139	3,678	1,575	(973)	22,060
695	4,949	698	3	(2)	1,967
(8,359)	139,153	1,274	9,633	581	28,300
(3,465)	45,505	281	3,746	(143)	4,050
-	125	-	-	-	-
(551)	82,187	2,328	2,879	614	32,571
(91)	20,249	-	91	29	6,159
(1,032)	25,189	-	1,032	3	1,650
(119)	11,750	81	200	(89)	1,300
(1,001)	32,823	515	1,516	(38)	13,714
-	747	-	-	-	-
(587)	31,315	407	994	(17)	8,174
(3,074)	47,151	572	3,646	(37)	12,993
(4,077)	65,270	167	4,244	5	40,077
-	1,762	-	-	-	-
-	1,074	-	-	-	-
(675)	16,986	125	800	4	8,760
(565)	25,768	-	565	(18)	5,183
-	2,244	-	-	(28)	150
(1,676)	62,621	125	1,801	105	27,225
(3,343)	51,496	256	3,599	(79)	18,169
<u>(32,423)</u>	<u>874,130</u>	<u>11,595</u>	<u>44,018</u>	<u>(135)</u>	<u>287,865</u>



State of New Mexico Administrative Office of the Courts

**SCHEDULE OF CASH ACCOUNTS – CONTINUED**

June 30, 2018

Magistrate Court	Bank	Court Location	Bank Balance June 30, 2018
Mora I			
Otero I, II	Bank of Las Vegas	Mora	\$ 22,410
Quay I	First National	Alamogordo	106,826
Rio Arriba I, II	Wells Fargo	Tucumcari	23,536
Rio Arriba Circuit	Wells Fargo	Espanola	76,164
Roosevelt I	Community Bank	Chama	12,277
San Juan I	Portales National	Portales	42,068
San Juan II, III	Wells Fargo	Aztec	86,276
San Miguel I, II	Bank of the Southwest	Farmington	63,141
Sandoval I	Bank of Las Vegas	Las Vegas	62,017
Sandoval II	Wells Fargo	Bernalillo	46,816
Santa Fe I, II, III	Wells Fargo	Cuba	20,498
Santa Fe Circuit	Wells Fargo	Santa Fe	166,343
Sierra I	Wells Fargo	Pojoaque	-
Socorro I	Bank of the Southwest	T or C	20,707
Taos I, II	Wells Fargo	Socorro	21,171
Taos Circuit	Centinel	Taos	28,313
Torrance I, II	Centinel-CLOSED	Questa	-
Torrance Circuit	Wells Fargo	Moriarity	10,703
Union I	Wells Fargo-CLOSED	Estancia	-
Valencia I	Farmers/Stockmens	Clayton	4,681
Valencia II	Ranchers Banks	Los Lunas	34,091
	Ranchers Banks	Belen	27,883
Subtotal			<u>875,921</u>
Total bank and book balance			<u>\$ 1,782,474</u>

Reconciling Items	Book Balance June 30, 2018	Deposits In Transit	Outstanding Checks	Book Balance Variance	Bond Balance
\$ (1,325)	\$ 21,085	\$ 100	\$ 1,425	\$ 1	\$ 6,351
(21,328)	85,498	519	21,847	(19)	26,489
(1,367)	22,169	165	1,532	2	10,826
(15,166)	60,998	1,464	16,630	(89)	29,890
(255)	12,022	-	255	(83)	4,483
(124)	41,944	108	232	(37)	23,768
(1,115)	85,162	969	2,084	(97)	12,651
(2,504)	60,637	609	3,113	201	14,023
(3,286)	58,731	312	3,598	192	34,256
(2,488)	44,328	568	3,056	124	20,533
(1,053)	19,445	244	1,297	6	5,600
(5,645)	160,698	481	6,126	(900)	98,749
-	-	-	-	-	-
(3,231)	17,476	331	3,562	(117)	1,350
(208)	20,963	492	700	(49)	6,600
(1,730)	26,584	192	1,922	565	12,708
-	-	-	-	-	-
-	10,703	-	-	(55)	2,550
-	-	-	-	-	-
73	4,754	73	-	1	250
(719)	33,372	305	1,024	(742)	10,453
(101)	27,782	61	162	(552)	5,104
(61,571)	814,350	6,993	68,564	(1,648)	326,633
<u>\$ (93,994)</u>	<u>\$ 1,688,480</u>	<u>\$ 18,588</u>	<u>\$ 112,582</u>	<u>\$ (1,783)</u>	<u>\$ 614,498</u>

New Mexico Administrative Office of the Courts

**SCHEDULE OF CHANGE FUNDS**

June 30, 2018

<u>Magistrate Court</u>	<u>Court Location</u>	<u>Balance June 30, 2018</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
		<hr/>
Subtotal		2,745

State of New Mexico Administrative Office of the Courts

**SCHEDULE OF CHANGE FUNDS – CONTINUED**

June 30, 2018

<u>Magistrate Court</u>	<u>Court Location</u>	<u>Balance June 30, 2018</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 or 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>
<b>Total</b>		<u><u>\$ 5,776</u></u>

State of New Mexico Administrative Office of the Courts  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Pass-Through Subrecipient Expenditures	Federal Expenditures
<b>U.S. Department of Justice / Office of Justice Programs</b>				
Drug Court Discretionary Grant Program	16.585		\$ -	\$ 24,489
VOCA - Victims of Crime Act	16.575		-	21,478
Violence Against Women Formula Grants	16.588		-	50,111
<b>Total U.S. Department of Justice</b>			<u>-</u>	<u>96,078</u>
<b>U.S. Department of Transportation</b>				
TraCS Citation and Adjudication Data Transfer	20.616	16-HE-64-P05	65,818	101,602
AOC DWI Drug Court Expansion San Juan County	20.616		-	42,336
Document Imaging in Magistrate Court Phase II	20.616		-	275,040
AOC DWI Drug Court San Juan County	20.616		-	121,886
<b>* Total U.S. Department of Transportation</b>			<u>65,818</u>	<u>540,864</u>
<b>U.S. Department of Health and Human Services</b>				
State Court Improvement - Basic Program	93.586		-	2,075
State Court Improvement - Data Program	93.586		-	51,505
State Court Improvement - Training Program	93.586	1601NMSCIT	68,088	68,088
State Court Improvement - Basic Program	93.586		-	75,794
State Court Improvement - Data Program	93.586		-	15,465
State Court Improvement - Training Program	93.586	1701NMSCIT	105,256	105,256
Total State Court Improvement Program			<u>173,344</u>	<u>318,183</u>
State of New Mexico Department of Children, Youth and Families:				
Promoting Safe and Stable Families	93.556		-	105,578
<b>Total U.S. Department of Health and Human Services</b>			<u>173,344</u>	<u>423,761</u>
<b>State Justice Institute</b>				
Improving Access to Justice for Native Peoples	NA		-	14,332
Courthouse Security Assessments	NA		-	50,000
Pretrial Justice and the State Courts Initiative	NA		-	8,340
<b>Total State Justice Institute</b>			<u>-</u>	<u>72,672</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 239,162</u>	<u>\$ 1,133,375</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2018

**NOTE A – 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, 2018. 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 B – 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 C – 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.

**INDEPENDENT AUDITORS' 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**

State of New Mexico  
Administrative Office of the Courts  
and  
Mr. Wayne Johnson  
New Mexico State Auditor

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, the budgetary comparisons for the general fund and major special revenue funds, and, the aggregate remaining fund information of the State of New Mexico Administrative Office of the Courts (the AOC), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the AOC's basic financial statements as of and for the year ended June 30, 2018.

**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 AOC'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. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-004 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the AOC's basic 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 or other matters that are required to be reported under *Government Auditing Standards* and 2.2.2 NMAC, which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-003 and 2010-010.

### **AOC's Responses to 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 results of that testing, and not to provide an opinion on the effectiveness of the AOC'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 AOC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATKINSON & CO., LTD

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 1, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

State of New Mexico  
Administrative Office of the Court  
and  
Mr. Wayne Johnson  
New Mexico State Auditor

**Report on Compliance for Each Major Federal Program**

We have audited the State of New Mexico Administrative Office of the Courts' (the 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, 2018. The AOC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' 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, 2018.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2018-005, 2018-008 and 2018-009. Our opinion on each major federal program is not modified with respect to these matters.

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

## **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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance 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 items 2018-005, 2018-006, 2018-007, 2018-008 and 2018-009 that we consider to be significant deficiencies.

The AOC's response to the internal control over compliance findings identified in our audit is 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 compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control 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.

ATKINSON & CO., LTD

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 1, 2018

**SUMMARY OF AUDIT FINDINGS**

Year ended June 30, 2018

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(s) identified?   X   Yes \_\_\_\_\_ None Reported
- Non-compliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(s) identified?   X   Yes \_\_\_\_\_ None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_   X   Yes \_\_\_\_\_ No

Identification of Major Programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
93.586	State Court Improvement Program

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

- Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2018

**Current Year Findings Description**

*Findings – Financial Statement Audit*

- 2018-001 (2010-001) Case File Management (Other Matters) Modified and Repeated
- 2018-002 (2010-002) Matters Related to Bonds Posted by Defendants (Other Noncompliance)  
Modified and Repeated
- 2018-003 (2013-002) Compliance with Regulations (Other Noncompliance) Modified and Repeated
- 2018-004 (2016-001) Agreements to Pay (Significant Deficiency) (Other Noncompliance)  
Modified and Repeated
- 2018-010 Compensated Absences (Control Deficiency)

*Federal Award Findings and Responses*

- 2018-005 (2016-003) Subrecipient Monitoring (Significant Deficiency Modified and Repeated
- 2018-006 Failure to Review Schedule of Expenditures of Federal Awards (Significant Deficiency)
- 2018-007 Invoices not Approved – Allowable Costs, Activities Allowed, Period of  
Performance (Significant Deficiency)
- 2018-008 Time Tracking – Allowable Costs (Significant Deficiency and Noncompliance)
- 2018-009 Federal Financial Reports Incomplete (Significant Deficiency and Noncompliance)

*Findings in Accordance with 2.2.2 NMAC (State Audit Rule)*

None

**Prior Year Findings Description**

**Status**

- |  |                       |
|--|-----------------------|
| 2018-001 (2010-001) Case File Management (Other Matters)                                   | Modified and Repeated |
| 2018-002 (2010-002) Matters Related to Bonds Posted<br>by Defendants (Other Noncompliance) | Modified and Repeated |
| 2018-003 (2013-002) Compliance with Regulations (Other<br>Noncompliance)                   | Modified and Repeated |
| 2018-004 (2016-001) Agreements to Pay (Other Noncompliance)                                | Modified and Repeated |
| 2018-005 (2016-003) Subrecipient Monitoring (Significant<br>Deficiency)                    | Modified and Repeated |

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS**

**2018-001 (2010-001) Case File Management (Other Matters)**

**CONDITION**

At the thirteen Magistrate Courts tested for 2018, we noted the following matters of noncompliance in accordance with the internal policies and procedures as required by the Magistrate Manual for Judges and Clerks related to case file management:

<b>Noncompliance</b>	<b># of Courts</b>	<b>Total # of Instances</b>
Payment plan not docketed and so are not scanned into the system. Should have been docketed.	1	6
Bonds created for situations where the warrant was issued for failure to pay (FTP), so any payment should have been applied to the outstanding balance instead of becoming a bond.	1	3
Judge's case notes in file indicate that the defendant was told they must provide a community service report with hours completed by a certain date that was later than the original order. A new order should have been issued for the change; however, only notes on the case file exist to document this change.	1	1

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 likely will continue to occur.

**CRITERIA**

Both the paper case file and the Odyssey system should always reflect the details, progress and status of the case as required by the Magistrate Manual for Judges and Clerks related to case file management.

**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 their duty to enforce the Statutes of New Mexico. Courts are creating additional paperwork when bonds are created unnecessarily.

**CAUSE**

The Courts are very busy and operating with a limited number of personnel. Turnover and training are always an issue to ensure consistent compliance. The above findings appear to be isolated errors or practices at a few Magistrate 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 audit monitoring to minimize the types of errors described.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-001 (2010-001) Case File Management (Other Matters) – Continued**

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

The AOC Magistrate Division will be conducting training with the court managers during this year's Magistrate Judges Conference. These items appear to be training issues and will be addressed at this time. The implementation of the scanning process in the magistrate courts should also aid in reducing the number of instances where documents, including agreements to pay, are not docketed. Since the docketing of the events is required in order to complete the scanning process, it is less likely that items will not be docketed as court staff becomes accustomed to the practice of scanning all documents as they are generated and filed. Reduced turnover, due to the Workforce Improvement Plan (WIP), should also help to reduce the number of errors caused by unfamiliarity with correct procedures inherent to newer employees.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-002 (2010-002) Matters Related to Bonds Posted by Defendants (Other Noncompliance)**

**CONDITION**

At the thirteen Magistrate Courts we tested and noted the following matters of noncompliance in accordance with the internal policies and procedures as required by the Magistrate Manual for Judges and Clerks or laws and regulations related to the handling of bonds posted by defendants:

<b>Noncompliance</b>	<b># of Courts</b>	<b>Total # of Instances</b>
No order for bond returned prior to adjudication.	4	4
Hearing for forfeiture scheduled less than 30 days from notice.	3	7
No judgement of forfeiture in file.	2	5
Notice of forfeiture and/or bench warrant was issued more than 4 days after failure to appear (FTA).	6	8
Issued the order of forfeiture but did not issue the notice of forfeiture within 5 days.	2	2
Bond was receipted or refunded to the defendant not to the bond payor.	4	7

The sample consisted of a total of 180 bond receipts tested over 13 courts. One of the thirteen Magistrate Courts selected for testing in the current year did not have any bonds outstanding at year end.

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 can and do occur.

**CRITERIA**

Rule 6-406 NMRA governs the exoneration and forfeiture of bonds and requires that certain actions be taken at certain times. 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. To take proper action on Outstanding Bonds the Court must assure that all bonds posted are properly posted to the correct case and receipted to the correct individual who posted the bond. Bonds must then be refunded to the same person that posted the bond.

**EFFECT**

Improper adjudication of bonds. 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.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-002 (2010-002) Matters Related to Bonds Posted by Defendants (Other Noncompliance)  
– Continued**

**CAUSE**

Several compliance procedures related to bonds were new during this fiscal year. Timing requirements also often proved most difficult for Courts with only a single Magistrate judge. Errors related to accounting for bonds were usually the result of clerk error. In most cases the clerk was 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 and develop procedures to assist clerks and judges with the timing of orders, summons, and bench warrants.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

The internal auditors and Fiscal Services staff have been reviewing the processing of bonds, including bond forfeitures, and working with courts to make corrections and ensure compliance with statutory and rule requirements. Management is also planning on conducting a training session regarding bond forfeitures with the court managers and judges during this year's Magistrate Judges' Conference scheduled in December to ensure proper statutory and procedural rule requirements are explained and emphasized. Internal auditors and fiscal services will continue to monitor courts' compliance with legal bond procedures, and any continuing issues will be properly addressed by management.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-003 (2013-002) Compliance with Regulations (Other Noncompliance)**

**CONDITION**

We tested thirteen courts and found the following matters of noncompliance in accordance with the internal policies and procedures as required by the Magistrate Manual for Judges and Clerks or law and regulation that related to the Magistrate Courts failing to comply with regulations and procedures:

<b>Noncompliance</b>	<b># of Courts</b>	<b>Total # of Instances</b>
Cash receipt not deposited within 24 hours of receipt.	5	9
Court costs not charged and should have been (non-penalty assessment).	5	6
Mail log not filled out completely.	3	3
Court has checks outstanding that are over 6 months old.	1	1
No bond log included in reporting package.	2	2
Bond log has no field for a receipt number, so unable to determine that they are sequential.	3	3

The sample consisted of a total of 245 deposits for timeliness of deposit and 110 agreements tested over 13 courts to pay for inclusion of court costs.

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 can and do 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 and should comply in every respect. The above instances of noncompliance are based on AOC's internal policies and procedures as required by the Magistrate Manual for Judges and Clerks or law and regulation that related to the Magistrate Courts and not state statute with respect to the 24 hour compliance violations.

**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 Court controls are circumvented.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-003 (2013-002) Compliance with Regulations (Other Noncompliance) – Continued**

**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 infrequent or remote occurrence.

**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.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION**

Per NMSA 35-7-5(B), courts are required to deposit all money received within four banking days. It is AOC's internal policy that money received be receipted and deposited within 24 hours. The findings related to money not deposited timely is based on AOC's internal policy. In some instances, courts were unable to meet the 24 hour deadline due to bonds received either on the last day of the month or the first of the month while the end of month reconciliation was taking place. Courts cannot receipt bonds until the end of month process and reconciliation has been completed. In these instances, as well as all but two of those not related to end of month processing, the courts missed the 24 hour deadline but complied with the statutory requirements for receipting the money within four banking days.

With respect to the remainder of the issues identified, the Field Services Financial Supervisor sends monthly reminders regarding end of month requirements to court managers in an effort to assist them in submitting complete and accurate documentation for the end of month reports. Magistrate Court Division management will also be exercising increased oversight of magistrate court financials, and will work with courts on an individual basis when issues regarding incomplete or incorrect documentation are identified.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-004 (2016-001) Agreements to Pay (Significant Deficiency) (Other Noncompliance)**

**CONDITION**

We tested thirteen courts and found the following matters of noncompliance in accordance with the internal policies and procedures as required by the Magistrate Manual for Judges and Clerks or laws and regulations regarding agreements to pay:

<b>Noncompliance</b>	<b># of Courts</b>	<b>Total # of Instances</b>
Summons or bench warrants for failure to pay was not issued within 5 business days of payment or community service due date.	10	40
Date to bring current was not within 15 days of summons.	9	34
Bench warrants for failure to appear (FTA) not issued within 5 days of appearance date set in summons.	7	13
No payment plan executed, no payment made.	2	2

The sample consisted of a total of 110 agreements to pay for all courts tested. Two of the 13 courts selected for testing in the current year did not have any outstanding agreements to pay.

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**

Rule 6-207.1 NMRA governs the payment of fines, fees, and costs. The rule specifies how payments are supposed to be scheduled and what action is to be taken on late payments.

**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 new rules in the current year regarding the timing of required judicial action required for nonpayment as well as staffing vacancies.

**RECOMMENDATION**

We recommend that the process for issuing and handling agreements to pay be revisited due to the new rules including soliciting the input of the judges and clerks.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-004 (2016-001) Agreements to Pay (Significant Deficiency) (Other Noncompliance) – Continued**

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION**

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.

A possible change to Odyssey processes is also being considered to assist courts in complying with the 15-day deadline to bring accounts current that is entered on the criminal summons sent to defendants. Most courts utilize the criminal summons format that provides for the defendant to bring their account current by a specified deadline or appear at the court for a failure to pay hearing at a date and time noted on the summons. The process for generating the criminal summons includes the court setting the failure to pay hearing in the calendar and then generating the notice in Odyssey. Odyssey utilizes the date of the hearing to populate the date the account is to be brought current on the summons. NMRA 6-205(B) requires that service of a summons be made at least 13 days prior to the date the defendant is required to appear if service is made by mail. This requirement coupled with calendar restrictions and judge availability issues that sometimes arise, especially in one judge courts, provides a limited amount of time in which to set a hearing. As a result, the hearings cannot always be set within 15 days causing the date that appears on the summons for the deadline to bring the account current to exceed the 15-day deadline. In order to address this issue, a request has been submitted to the Forms Committee to consider changing the language on the summons to specify that if the account is brought current within 15 days of the date of the summons, the defendant is not required to appear for the hearing. A second option of adding a prompt in Odyssey for court staff to enter a date that complies with the 15-day deadline was also proposed. This would allow for a date other than the hearing date to be recorded for the date the account is to be brought current on the summons so the court is in compliance in instances where the hearings cannot be set within 15 days.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS - CONTINUED**

**2018-010 Compensated Absences (Control Deficiency)**

**CONDITION**

During audit test work performed on the compensated absences, we noted that the Administrative Office of the Courts had 74 inactive employees with termination pay balances totaling \$14,177 based on 240 hours. During audit test work performed on the journal entries, we noted that the Administrative Office of the Courts had one employee that was paid for three full pay periods after retirement for a total of \$5,857. This overpayment was not caught by AOC and was subsequently discovered by the State's Central Payroll. The Administrative Office of the Courts recorded a journal entry to record the overpayment reimbursement.

**CRITERIA**

The New Mexico State Personnel Administration determines absence and leave policies for all state entities. Per Section 1.1.7 of the New Mexico Administrative Code, annual leave balances up to 240 hours are due and payable as an obligation to the Administrative Office of the Courts to the terminated employees.

**CAUSE**

There was not a process in place to ensure that terminated employees were paid their compensated absences balances owed to them by the Administrative Office of the Courts. Until recently there were no reports in SHARE which identified inactive employees with compensated absences balances owed. For the one employee that was paid after termination, the error was due to management oversight.

**EFFECT**

The Administrative Office of the Courts was not in compliance with State of New Mexico standards for terminal leave pay and still has outstanding compensated absences owed to former employees, several of which left employment more than five years ago. The overpaid employee did remit back the overpaid balance to the AOC.

**RECOMMENDATION**

We recommend that management utilize the new reporting available in SHARE to improve its monitoring procedures to ensure terminated employees are paid appropriate terminal leave.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION**

The AOC HR Services Manager who oversees the payroll administration for the AOC spoke to the DFA Time and Labor Manager (DFA) regarding the query reflecting possible leave balance liabilities for separated AOC employees.

DFA indicated to AOC there is a break between the employee's timesheet and payroll that can create a discrepancy. The hours may have been offsets that remained in a terminated employee's timesheet for years, and in cases of other employees, from prior employers with other State agencies. When an employee is separated, DFA then cleans up these offsets or cause time to "pop-up" after approval and after the terminal leave payout has been submitted to DFA and the employee separates.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**B. FINANCIAL STATEMENT FINDINGS – CONTINUED**

**2018-010 Compensated Absences (Control Deficiency) – Continued**

For some, timesheet entries should have removed any remaining annual leave balances and paid out sick leave; however, these balances are showing on the query as possible liabilities.

The problem is that AOC HRD cannot currently access an employee after they are separated, and AOC cannot access these employees' timesheets or time records. DFA has offered to audit and correct these outstanding balances and let us know which actually require payment in November/December 2018.

AOC recently gained access to this DFA query and will incorporate it into our business practice to run each payroll as one of our pre- and post-audit reports to ensure these errors are timely caught and corrected. Additionally, the Chief Financial Officer will be making a formal request to DoIT to try and gain access to our employee's time sheets and pay data following their separation. DFA believes due to this issue that AOC can demonstrate the necessity of this access and so that we can timely correct any issues rather than DFA having to research for us.

We have 58 employees who require research; 14 who do not or cannot be researched, or the balances are so small DFA is unable to clear them out due to SHARE system limitations. The Chief Financial Officer will oversee implementation of this process by June 30, 2019.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**C. STATE AUDITOR COMPLIANCE FINDINGS**

None



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**D. FEDERAL AWARD FINDING AND RESPONSES**

**2018-005 (2016-003) Subrecipient Monitoring (Significant Deficiency) (Noncompliance)**

**Funding Agency: U.S. Department of Health and Human Services**

**Program: State Court Improvement Program**

**CFDA No.: 93.856**

**Period: 7/1/17 – 6/30/18**

**CONDITION**

We noted the following deficiencies in internal control and noncompliance over subrecipient monitoring requirements:

- No review of subrecipient/contractor determination checklist.
- No review of subrecipient's financial statements to determine the existence of audit findings pertaining to its Federal award programs.
- No subrecipient risk assessment completed.

**CRITERIA**

2 CFR 200.330 requires a pass-through entity to make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

2 CFR 200.331(d) requires the pass-through entity to follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means.

2 CFR 200.331(b) requires the pass-through entity to evaluate the subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring procedures.

**CAUSE**

Cause of lack of review of subrecipient/vendor determination is unknown.

Grant management thought that AOC's Financial Capability Checklist and Subrecipient Monitoring Questionnaire covered this requirement; however, this questionnaire is a component of subrecipient monitoring, not a risk assessment. Additionally, the financial portions of the questionnaire that was completed were left blank.

**EFFECT**

AOC may not properly identify subrecipients and is not in compliance with subrecipient monitoring requirements under the Uniform Guidance to ensure that deficiencies, if they exist, are addressed in a timely manner.

**RECOMMENDATION**

We recommend that AOC review its Fiscal Control and Grant Accounting Requirements manual to ensure that subrecipient monitoring requirements are clear and in compliance with Uniform Guidance. Additionally, the Federal Subrecipient and Contractor Determination Checklist should be reviewed by a knowledgeable person other than the person who prepared the form.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**D. FEDERAL AWARD FINDING AND RESPONSES - CONTINUED**

**2018-005 (2016-003) Subrecipient Monitoring (Significant Deficiency) (Noncompliance)  
– Continued**

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

AOC will review the Grant Administrative policies and procedures with the grant administrator and ensure that all components for subrecipient monitoring and risk assessment are included and reviewed. Additionally, the Fiscal Control and Grant Accounting Requirements manual will be reviewed to ensure that all parts are clear and in compliance with Uniform Guidance.

AOC will continue to emphasize to grant/program managers the importance of completing the subrecipient determination checklist for each contract or MOU and carefully review all language contained in the documents. Once the review has been completed, the grant/program manager will forward to the grant administrator a completed checklist and note if and who the subrecipient contractors are as per the contract. Additionally, the AOC grant administrator will not encumber any funds to a contract award prior to the checklist being completed and certified via email from the grant/program manager.

All forms and submissions will be reviewed by multiple people to ensure the information is correct, complete and in compliance. The grant management will also continue to attend and receive training and additional education on grants management.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**D. FEDERAL AWARD FINDING AND RESPONSES - CONTINUED**

**2018-006 Failure to Review Schedule of Expenditures of Federal Awards  
(Significant Deficiency)**

**Funding Agency: All**  
**Program: All**  
**CFDA No.: All**  
**Period: 7/1/17 – 6/30/18**

**CONDITION**

During our audit, we noted no formal review of the Schedule of Expenditures of Federal Awards (SEFA) was performed by management as a required and necessary internal control procedure.

**CRITERIA**

The SEFA is presented as supplementary information to the financial statements and should go through a similar process of review and approval as other financial information. As required by 2 CFR 200.303(a) under Uniform Guidance, all federal awardees must maintain effective internal control over federal awards which includes the preparation of the SEFA.

**CAUSE**

During 2018, there was turnover in the grants manager position. A new grants manager has been repositioned within AOC and has begun to receive initial training and support.

**EFFECT**

The SEFA could be materially misstated.

**RECOMMENDATION**

We recommend that management implement a process for review of the SEFA by a qualified individual to ensure that the SEFA agrees to the underlying accounting records and contains the elements required by 2 CFR 200.510(b).

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

AOC Fiscal Services Division has implemented a process where the CFO, and others as necessary, will review the SEFA to ensure it agrees to the underlying accounting records, contains the elements as required by 2 CFR 200.510(b), and is complete and accurate.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**D. FEDERAL AWARD FINDING AND RESPONSES – CONTINUED**

**2018-007 Invoices Not Approved – Allowable Costs, Activities Allowed,  
Period of Performance (Significant Deficiency)**

**Funding Agency: U.S. Department of Health and Human Services**

**Program: State Court Improvement Program**

**CFDA No.: 93.856**

**Period: 7/1/17 – 6/30/18**

**CONDITION**

During our audit, we noted there was no evidence of Program Manager approval on 3 of 40 invoices tested.

**CRITERIA**

When approving invoices, the Program Manager determines that costs are allowable and that they occurred within the grant period. This review is a significant internal control over the allowable costs, activities allowed and period of performance compliance requirements under Uniform Guidance. Lack of evidence of approval indicates that this review did not occur. As required by 2 CFR 200.303(a), federal awardees must maintain effective internal control over federal awards.

**CAUSE**

Unknown.

**EFFECT**

Ineffective controls over compliance with the allowable costs, activities allowed and period of performance compliance requirements.

**RECOMMENDATION**

We recommend that management follow its existing internal control process for approval of invoices to ensure that Program Managers complete physical signoffs without exception.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

It is imperative that the program manager approve all expenses to insure all costs and activities are allowable and within the time frame of the grant. AOC grant administrator will review all invoices submitted for payment and insure that all necessary approvals are in place. If any approvals or other questions arise from the voucher review, the grant administrator will return the voucher to the program manager for completion, correction or approval.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**D. FEDERAL AWARD FINDING AND RESPONSES – CONTINUED**

**2018-008 Time Tracking – Allowable Costs (Significant Deficiency and Noncompliance)**

**Funding Agency: U.S. Department of Health and Human Services**

**Program: State Court Improvement Program**

**CFDA No.: 93.856**

**Period: 7/1/17 – 6/30/18**

**CONDITION**

During our audit, we noted there was no tracking of actual time spent on activities which are grant-funded or that are used as matching by personnel who work on multiple grants or cost objectives for two of four employees with payroll costs allocated to the program during the fiscal year.

**CRITERIA**

In accordance with the Uniform Guidance, 2 CFR 200.430(i), the standards for documentation of personnel expenses, requires that AOC support the distribution of salary or wages among specific activities or cost objectives if an employee works on more than one award or activity. All requirements that apply to grant funds also apply to matching funds. Budget estimates alone do not qualify as support for charges to awards.

**CAUSE**

The allocation of employee time to more than one fund or project is set up at the beginning of the grant based on a budget and then changed only by the direction of the project manager. Actual time records were not kept by AOC to reconcile from the budgeted hours allocation to actual hours charged.

**EFFECT**

AOC cannot accurately allocate payroll costs to grants in accordance with the cost principles in the Uniform Guidance.

**QUESTIONED COSTS**

\$11,368

**RECOMMENDATION**

We recommend that AOC review and modify the timekeeping requirements for personnel funded by federal grants to ensure that records of actual time spent on cost objectives are kept and that adjustments from budgeted to actual costs are done at least quarterly.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

AOC grant administrator was erroneously informed by grant/program manager that one person on the CIP did not have to record her time because she was 50% grant funded but working 100% on CIP and another person did not have to report their time because they were only working 5% on CIP. Going forward, AOC grant administrator will require time reports for every

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**D. FEDERAL AWARD FINDING AND RESPONSES – CONTINUED**

**2018-008 Time Tracking – Allowable Costs (Significant Deficiency and Noncompliance) – Continued**

time period for every person working less than 100% on a grant, with no exceptions. If the proper records are not received, grant administrator will elevate the issue to the CFO and, if necessary, to the grant/program manager's supervisor.

Additionally, the grant administrator will work to bring all missing time reports current for the current fiscal year.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2018

**D. FEDERAL AWARD FINDING AND RESPONSES – CONTINUED**

**2018-009 Federal Financial Reports Incomplete (Significant Deficiency and Noncompliance)**

**Funding Agency: All**  
**Program: All**  
**CFDA No.: All**  
**Period: 7/1/17 – 6/30/18**

**CONDITION**

During our audit, we determined that two out of two federal financial reports (SF-425) tested were not completed in accordance with the instructions to the form and did not contain all required information. We also determined that one of the two reports were not approved by the project manager. There were four quarterly reports filed for the fiscal year.

**CRITERIA**

In accordance with Uniform Guidance, 2 CFR 200.302(b)(2), federal financial reports submitted to granting agencies should be complete, accurate, and in agreement with the SEFA and underlying financial records. As required by 2 CFR 200.303(a), federal awardees must maintain effective internal control over federal awards.

**CAUSE**

Unknown. Due to all requests for reimbursement being received, grants administrator was unaware of this issue that was most likely caused by incomplete oversight.

**EFFECT**

AOC is not in compliance with federal reporting requirements under the Uniform Guidance.

**RECOMMENDATION**

AOC should provide training on the preparation and required content of federal financial reports to personnel responsible for federal grant compliance to ensure that forms are prepared completely and accurately and that the reviewers of the reports can detect errors.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

AOC grant administrator reviews each quarterly cumulative report with grant / program manager for completeness and accuracy. Once reviewed, the grant / program manager signs the cumulative sheet that grant administrator then uses to complete the online federal grant reimbursement request. All reimbursements requested have been received with no questions or concerns from the grantor.

Going forward, grant administrator will insure that all cumulative sheets are signed and forms are completed as per Uniform Guidance.

Additionally, grants administrator has attended conference and webinars and will continue to participate in grant educational conferences and webinars.

**EXIT CONFERENCE**

Year ended June 30, 2018

We discussed the recommendations contained in this letter during the exit conference held October 23, 2018. The exit conference was attended by the following individuals:

**Administrative Office of the Courts**

Honorable Judith K. Nakamura	Chief Justice
Artie Pepin	AOC Director
Suzette Fronk	Chief Financial Officer
Lydia Romero	Deputy Chief Financial Officer
Jason Clark	Acting Magistrate Court Division Director
Charlene Romero	Internal Auditor, Supervisor
Rosie Salgado	Court Financial Manager

**Atkinson & Co., Ltd.**

Clarke Cagle, CPA, CCIFP, CGFM	Audit Shareholder
Sarah Brack, CPA, CGFM, CGMA	Audit Manager
Andrea Brewer, CPA, CFE	Audit Manager

**PREPARATION OF FINANCIAL STATEMENTS**

Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are correct and in balance. The financial statements presented in this report have been prepared by the independent auditor with the assistance of the AOC. Management has reviewed and approved the financial statements.