



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**FOURTH JUDICIAL  
DISTRICT COURT**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**



**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
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**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
OFFICIAL ROSTER  
For the Year Ended June 30, 2018**

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**Judges**

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Honorable Gerald E. Baca, Chief Judge	Division I
Honorable Abigail P. Aragon	Division II
Honorable Matthew J. Sandoval	Division III

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**Administrative Officials**

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Robert Duran	<b>Court Executive Officer/CFO</b>
Jeff Romero	<b>Court Financial Administrator</b>



**INDEPENDENT AUDITOR’S REPORT**

Honorable Gerald E. Baca, Chief Judge  
State of New Mexico Fourth Judicial District Court  
and  
Mr. Wayne Johnson, New Mexico State Auditor  
Office of the 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, and the budgetary comparisons for the general fund and major special revenue funds of the Fourth Judicial District Court of the State of New Mexico (the Court) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Court’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court, as of June 30, 2018, and the respective changes in financial position and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 1, the financial statements of the Fourth Judicial District Court are intended to present the financial position and the changes in financial position and budgetary comparison of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Fourth Judicial District Court. They do not purport to, and do not, present fairly the financial position of the State of New Mexico, as of June 30, 2018, and the changes in its financial position and budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, 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 Court's financial statements and the budgetary comparisons. The "other supplementary information", as identified in the table of contents, required by Section 2.2.2 NMAC are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other schedules, listed as "other supplementary information (audited)" in the table of contents, required by Section 2.2.2 NMAC, 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 additional schedules 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 October 12, 2018 on our consideration of the Court'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.



Hinkle + Landers, PC  
Albuquerque, NM  
October 12, 2018

**STATE OF NEW MEXICO  
 FOURTH JUDICIAL DISTRICT COURT  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 As of June 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Investment in State General Fund Investment Pool	\$ 118,482
Total current assets	<u>118,482</u>
Capital assets, net	<u>78,959</u>
Total assets	<u>\$ 197,441</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 7,689
Accrued salaries and employee benefits	88,209
Compensated absences payable - expected to be paid within one year	<u>71,938</u>
Total current liabilities	<u>167,836</u>
Compensated absences payable - expected to be paid after one year	<u>12,387</u>
Total liabilities	<u>180,223</u>
<b>NET POSITION</b>	
Investment in capital assets	78,959
Restricted	22,583
Unrestricted	<u>(84,324)</u>
Total net position	<u>17,218</u>
Total liabilities and net position	<u>\$ 197,441</u>



**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

	<b>Governmental Activities</b>
<b>EXPENSES</b>	
<b>General government</b>	
Administrative services	\$ 2,488,917
Depreciation expense	15,752
Total program expenses	2,504,669
 <b>REVENUES</b>	
<b>Program revenues</b>	
Court fees	23,805
Charges for services	23,830
Other interagency services-LETF-Drug Court	95,132
Total program revenues	142,767
Net program (expenses)/revenue and changes in net position	(2,361,902)
 <b>General revenues</b>	
<b>Transfers</b>	
State general fund appropriation FY 18	2,302,900
Other financing sources	62,988
Reversions to state general fund	(867)
Total transfers	2,365,021
Total net general revenue and other financial sources (uses)	2,365,021
Change in net position	3,119
Net position, beginning	14,099
Net position, ending	\$ 17,218

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

	<b>(14400) General Fund</b>	<b>(65000) Mediation Program Fund</b>	<b>(67930) Alternative Dispute Resolution Fund</b>	<b>Total Govern- mental Funds</b>
<b>ASSETS</b>				
Investment in State General Fund Investment Pool	\$ 95,899	6,023	16,560	118,482
Total assets	<u>\$ 95,899</u>	<u>6,023</u>	<u>16,560</u>	<u>118,482</u>
<b>LIABILITIES</b>				
Investment in State General Fund Investment Pool overdraft	\$ -	-	-	-
Accounts payable	7,690	-	-	7,690
Accrued salaries and employee benefits	88,209	-	-	88,209
Total liabilities	<u>95,899</u>	<u>-</u>	<u>-</u>	<u>95,899</u>
<b>FUND BALANCES</b>				
<b>Restricted:</b>				
Drug court	-	-	-	-
Alternative dispute resolution	-	-	16,560	16,560
Mediation	-	6,023	-	6,023
Total restricted	<u>-</u>	<u>6,023</u>	<u>16,560</u>	<u>22,583</u>
<b>Unassigned:</b>				
Total fund balance	<u>-</u>	<u>6,023</u>	<u>16,560</u>	<u>22,583</u>
Total liabilities and fund balance	<u>\$ 95,899</u>	<u>6,023</u>	<u>16,560</u>	<u>118,482</u>

**Reconciliation of the Governmental Fund Balance To The Statement of Net Position**

Total fund balance governmental funds	\$	\$	22,583
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.			78,959
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds.			(84,325)
Rounding			1
Net position of governmental activities	\$	\$	<u>17,218</u>

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018**

	<b>(14400) General Fund</b>	<b>(65000) Mediation Program Fund</b>	<b>(67930) Alternative Dispute Resolution Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Charges for services	\$ 23,830	-	-	23,830
Court fees	-	7,245	16,560	23,805
Miscellaneous revenue	-	-	-	-
Other interagency services-LETF-Drug Court	95,132	-	-	95,132
Total revenues	<u>118,962</u>	<u>7,245</u>	<u>16,560</u>	<u>142,767</u>
<b>EXPENDITURES</b>				
Current				
General government:				
Personal services and employee benefits	2,173,987	-	-	2,173,987
Contractual services	186,530	10,000	-	196,530
Other costs	123,100	-	-	123,100
Capital outlay	-	-	-	-
Total expenditures	<u>2,483,617</u>	<u>10,000</u>	<u>-</u>	<u>2,493,617</u>
Excess (deficiency) of revenue over (under) expenditures	(2,364,655)	(2,755)	16,560	(2,350,850)
<b>OTHER FINANCING SOURCES (USES)</b>				
State general fund appropriation	2,302,900	-	-	2,302,900
Other financing sources	62,622	-	-	62,622
Less: reversion to the state general fund	(867)	-	-	(867)
Net other financing sources (uses)	<u>2,364,655</u>	<u>-</u>	<u>-</u>	<u>2,364,655</u>
Net change in fund balance	-	(2,755)	16,560	13,805
Fund balance, beginning	-	8,778	-	8,778
Fund balance, ending	<u>\$ -</u>	<u>6,023</u>	<u>16,560</u>	<u>22,583</u>
<b>Reconciliation Of Statement Of Revenues, Expenditures, And Changes In Fund Balances Of Governmental Funds To</b>				
Net change fund balance in governmental funds			\$	\$ 13,805
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful life. In the current period, these amounts are:				
Depreciation expense				(15,752)
Capital additions				-
Adjustment to accumulated depreciation/capital assets				(1,870)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:				
(Increase) decrease in compensated absences				6,935
Rounding				<u>1</u>
Change in net position - governmental activities			\$	<u>\$ 3,119</u>

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)  
GENERAL FUND (14400)  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal funds	\$ -	-	-	-
Court fees	-	-	-	-
Charges for services	15,000	24,600	23,830	(770)
Other interagency services-LETF-Drug Court	93,900	95,092	95,132	40
Total revenues	108,900	119,692	118,962	(730)
<b>EXPENDITURES</b>				
Current:				
General government				
Personal services	2,178,800	2,175,166	2,173,987	1,179
Contractual services	183,600	186,592	186,530	62
Other costs	112,000	123,434	123,100	334
Capital outlay	-	-	-	-
Total expenditures	2,474,400	2,485,192	2,483,617	1,575
Excess (deficiency) of revenues over (under) expenditures	(2,365,500)	(2,365,500)	(2,364,655)	845
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Inter-agency Transfers</b>				
State general fund appropriations	2,302,900	2,302,900	2,302,900	-
Other financing sources	62,600	62,600	62,622	22
Less: Reversion to state general fund FY 18	-	-	(867)	(867)
Total Interagency transfers	2,365,500	2,365,500	2,364,655	(845)
Net change in fund balance	\$ -	-	-	
Fund balance, beginning			-	
Fund balance, ending			\$ -	
Total modified GAAP budget basis expenditures for FY 18			\$ 2,483,617	
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2018			\$ 2,483,617	

**STATE OF NEW MEXICO  
 FOURTH JUDICIAL DISTRICT COURT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)  
 MEDIATION PROGRAM FUND (65000)  
 For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Court fees	\$ 5,000	5,000	7,245	2,245
Prior year cash budgeted (fund balance)	5,000	10,000	-	(10,000)
Total budget revenue	<u>10,000</u>	<u>15,000</u>	<u>7,245</u>	<u>(7,755)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Contractual services	10,000	15,000	10,000	5,000
Other costs	-	-	-	-
Total expenditures	<u>10,000</u>	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
Excess (deficiency) of revenues over (under) expenditures (prior year cash balance required to balance budget)	<u>-</u>	<u>-</u>	<u>(2,755)</u>	<u>(2,755)</u>
Net change in fund balance	-	-	(2,755)	
Fund balance, beginning	<u>8,778</u>	<u>8,778</u>	<u>8,778</u>	
Fund balance, ending	<u>\$ 8,778</u>	<u>8,778</u>	<u>6,023</u>	
Total modified GAAP budget basis expenditures for FY 18			<u>\$ 10,000</u>	
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2018			<u>\$ 10,000</u>	

**STATE OF NEW MEXICO  
 FOURTH JUDICIAL DISTRICT COURT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)  
 ALTERNATIVE DISPUTE RESOLUTION FUND (67930)  
 For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Court fees	\$ -	-	16,560	16,560
Total revenues	<u>-</u>	<u>-</u>	<u>16,560</u>	<u>16,560</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>16,560</u>	<u>16,560</u>
Net change in fund balance	-	-	16,560	
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>16,560</u>	
Total modified GAAP budget basis expenditures for FY 18			\$ <u>-</u>	
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2018			\$ <u><u>-</u></u>	

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
As of June 30, 2018**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash in authorized bank account	\$ <u>313,540</u>
<b>TOTAL ASSETS</b>	\$ <u><u>313,540</u></u>
<b>LIABILITIES</b>	
Deposits held in custody of others	\$ <u>313,540</u>
<b>TOTAL LIABILITIES</b>	\$ <u><u>313,540</u></u>

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**A. NATURE OF BUSINESS AND REPORTING ENTITY**

The Fourth Judicial District Court operates under Section 34-6-1 through 34-6-3, 34-6-7 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Fourth Judicial District is comprised of San Miguel, Mora, and Guadalupe Counties. The Court consists of three divisions as authorized in the above statutes. The Court is a State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases, which are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

These financial statements include all funds and activities over which the Court has oversight responsibility. The Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. Additionally, the Court has no component units that are required to be reported in its financial statements.

The accounting policies of the Fourth Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Court's significant accounting policies follows:

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**1. Basis of Accounting/Measurement Focus**

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and the fund financial statements categorize primary activities as governmental activities.

**Government-Wide Financial Statements**

The Court's government wide financial statements include a statement of net position and a statement of activities that display information about the Court, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Court has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources and liabilities and deferred inflows of resources resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities,



**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resource measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Court'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, a reconciliation is presented on the page following each fund statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The Court's fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Court first uses restricted resources then unrestricted resources.

The accounts of the Court are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

The following fund types are used by the Court:

**Governmental Funds**

**General Fund:** The General Fund is the general operating fund of the Court and is considered a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The revenues and expenditures of the Court are regularly accounted for in this fund. The SHARE number and description of the General Fund of the Court is 14400 - Court Regular.

**Special Revenue Funds:** These funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for the operations of the Court.

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**Court Mediation** - The Court has established a Domestic Relations Mediation Fund pursuant to Sections (40-12-4, NMSA 1978 Comp.) of the Domestic Relations Mediations Act. The Court collects a fee from general docket cases as required by statute to finance a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The Mediation Fund is non-reverting. The SHARE fund number of the Mediation Fund is 65000. The court considers this fund a major fund. At June 30, 2018, there were no outstanding encumbrances.

**Alternative Dispute Resolution Fund** -The Alternative Dispute Resolution (ADR) Fund is used to account for fees collected and expenses incurred pursuant to Section 34-6-45 of the New Mexico State Statutes. The Court collects a fee of fifteen dollars on all new and reopened civil cases except domestic relations cases. The fee is deposited into the Alternative Dispute Resolution fund to be used to defray the cost of operating the Court's Alternative Dispute Resolution program. The SHARE fund number of the Alternative Dispute Mediation Fund is 67930. This fund is non-reverting.

**Fiduciary Funds**

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

**Court Clerk's Fund** - These monies are amounts collected from persons involved in pending lawsuits. The Court has custody and, if directed by the Court, may invest these monies until refunded to litigants. The interest earned, if stated in the Court Order, is refunded and, if not stated, the interest earned is transferred to the State General Fund.

**State Treasurer's Fund** - These monies are collected from individuals filing with the Court. These monies are remitted intact to the New Mexico State Treasurer.

Both funds are accounted for under the SHARE fund number 10490.

**2. Assets, Liabilities and Equity**

**Capital Assets**

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Capital assets with a value exceeding \$5,000 are capitalized. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture and fixtures	5 to 7 years
Equipment	5 to 10 years
Vehicles	5 to 10 years
Building improvements	15 to 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. The Court does not

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capitalize computer software or software developed for internal use (if applicable), unless it exceeds the \$5,000 threshold.

Long-Term Liabilities

Compensated Absences - The Court's policy regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as current debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

Equity

***Government-Wide Statements:***

Equity is classified as net position and displayed in three components:

1. Invested in Capital Assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.
2. Restricted net position, consists of assets (reduced by liabilities and deferred inflows related to those assets) with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations by other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position are all other assets (reduced by liabilities and deferred inflows related to those assets) that do not meet the definition of "restricted" or "invested in capital assets", net of related debt. The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

***Fund Financial Statements:***

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Court is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

***Restricted:*** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed:*** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Court. These amounts cannot be used

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for any other purpose unless the Court removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** This classification includes amounts that are constrained by the Court's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Court or through the Court delegating this responsibility to the Court manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

**Unassigned:** This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Court would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**3. Budgets and Budgetary Accounting**

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

1. No later than September 1, the Court submits to the Judiciary Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Fourth District.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was revised in a legal manner.
6. Legal budget control for expenditures is by category.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
8. The General Appropriation Act of 2004, which applies to fiscal years beginning in 2009, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. State agencies have a different budget basis that began in the fiscal year ended June 30, 2005. Under the new law, encumbrances related to single year appropriations lapse at year-end. The portion of an encumbrance representing goods and services received by the last day of the fiscal

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year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion. If the Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

9. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When such appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, which applies to fiscal years beginning with 2008 establishes the modified accrual basis of accounting as the budgetary basis except for accounts payable accrued at the end of fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. The accounts payable that do not get paid timely must be paid out of the next year's budget.

**4. Accrued Compensated Absences**

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. In accordance with GASB Statement No. 16 Accounting for Compensated Absences, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

**5. Program Revenues**

Program revenues consist of federal grants, charges for services and court fees collected per statute designated for Court operations. The Court has only one function and therefore does not have a policy for allocating indirect costs.

**6. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**7. Inter-fund Activity**

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

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**C. CASH AND INVESTMENTS POLICY WITH STATE TREASURER AND BANK INSTITUTIONS**

**1. Cash and Cash Equivalents**

At June 30, 2018, cash and cash equivalents consisted of the following checking accounts:

<b>Cash and Cash Equivalents</b>	<b>2018</b>
Agency Funds - State Treasurer	\$
San Miguel and Mora - Wells Fargo	-
Agency Funds - Trust Accounts:	
San Miguel - Wells Fargo	130,512
San Miguel and Mora - Wells Fargo	<u>183,028</u>
	<u>\$ 313,540</u>

**Custodial Credit Risk – Cash Accounts**

Custodial credit risk is the risk that in the event of a bank failure the Court’s deposits may not be returned. Currently all of the above listed accounts are either insured or collateral has been pledged by the financial institution for amounts exceeding FDIC insurance. Section 6-10-14, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Court’s bank accounts is monitored by the State Treasurer’s Office. The State Treasurer’s Office issues separate financial statements which disclose the collateral pledged to secure State Treasurer cash and investments and can be accessed at the State Treasurer’s website [www.nmsto.gov](http://www.nmsto.gov).

**2. Investments in the State Treasurer’s General Fund Investment Pool (SGFIP)**

State law (Section 8-6-3 NMSA 1978) requires the Department’s cash be managed by the New Mexico State Treasurer’s Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer’s Office.

For further information regarding the SGFIP, please see the State Treasurer’s annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer’s Office, P.O. Box 608, Santa Fe, NM 87504-0708.

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At June 30, 2018 the Court had the following invested in the SGFIP:

<u>Fund Type</u>	<u>Location</u>	<u>Fund No.</u>	<u>Per Depository</u>	<u>Checks</u>	<u>Financial Statements</u>
General	STO	14400	\$ 95,899	-	95,899
<b>Total General Fund</b>			<u>95,899</u>	<u>-</u>	<u>95,899</u>
Special revenue	STO	65000	6,023	-	6,023
Special revenue	STO	67930	16,560	-	16,560
<b>Total Special Revenue Funds</b>			<u>22,583</u>	<u>-</u>	<u>22,583</u>
<b>Total Fund Financials</b>			<u>\$ 118,482</u>	<u>-</u>	<u>118,482</u>

There were no deposits in transit as of June 30, 2018. The Office of the State Treasurer (STO) accounts are interest bearing accounts, but no interest income was allocated to the Court.

**Custodial Credit Risk—Investment Accounts**

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Court. Therefore, collateralization of the Court’s accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Court is not permitted to have any investments other than what is held at the State Treasurer’s Office and the Court did have investments in the State Treasurer Local Government Investment Pool during the year ended June 30, 2018. There is no custodial risk at the Court level since the Court’s investments are under the contract of the Office of the State Treasurer.

**Credit Risk for Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The GFIP is not rated for credit risk.

**Interest Rate Risk for Investments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Court does not have an investment policy that limits investment interest rate risk.

**3. Additional Cash Disclosures**

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks within the geographical boundaries of the Court. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

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According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Additional information of the Court's deposits is included on the "Schedule of Cash and Investments" as listed in the table of contents.

**D. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS**

The Court had no amounts expensed in fiscal year 2018 and paid out of fiscal year 2019's budget.

**E. REVERSIONS AND DUE TO STATE GENERAL FUND**

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report.

The Court's reversion of funds totaled \$867 as of June 30, 2018. All amounts in the general fund and human services division fund, of the Court's fund balance revert except what is noted as grants, on the balance sheet-governmental funds per the table of contents.

**F. COMPENSATED ABSENCES**

A summary of changes in long-term debt for the year ended June 30, is as follows:

	<b>2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>2018</b>	<b>Current Portion</b>
Compensated absences	\$ 91,260	90,651	(97,586)	84,325	71,938

Compensated absences are liquidated with available financial resources out of the general fund. The State of NM does not budget in the current year, funds to pay any portion of the compensated absence liability at the end of the year; therefore, the current portion of compensated absences is not recorded in the fund financial statements. The Court has no other debt.

**G. RISK OF LOSS**

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, worker's compensation, law enforcement liability, civil rights, property, and vehicle. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1 through June 30. There are no pending or known threatened legal proceedings involving material matters to which the Court is a party.

**H. INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS**

Interfund receivables and payables reflect short-term (current) borrowings among the Court's funds in the normal course of business. The Court had no due to/from other funds as of June 30, 2018.



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**I. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u>			<u>Adjustments/</u>	<u>Balance</u>
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassify</u>	<u>2018</u>
Capital assets depreciated:					
Building improvements	\$ 12,190	-	-	-	12,190
Machinery & Equipment	227,072	-	(58,162)	(1,870)	167,040
Vehicles	120,151	-	-	-	120,151
Software	58,089	-	-	-	58,089
Total capital assets depreciated	<u>417,502</u>	<u>-</u>	<u>(58,162)</u>	<u>(1,870)</u>	<u>357,470</u>
Less accumulated depreciation for:					
Building improvements	(1,524)	(610)	-	-	(2,134)
Machinery & Equipment	(172,487)	(8,045)	58,162	-	(122,370)
Vehicles	(88,821)	(7,097)	-	-	(95,918)
Software	(58,089)	-	-	-	(58,089)
Total accumulated depreciation	<u>(320,921)</u>	<u>(15,752)</u>	<u>58,162</u>	<u>-</u>	<u>(278,511)</u>
Total capital assets, net	<u>\$ 96,581</u>	<u>(15,752)</u>	<u>-</u>	<u>(1,870)</u>	<u>78,959</u>

For the year ended June 30, 2018, depreciation expense was \$15,752.

**J. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

The Court, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the New Mexico Public Employees Retirement Association (PERA). Overall, total PERA liability exceeds PERA Plan net position resulting in a net PERA liability. The State has determined the State's share of the net PERA 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 Court's financial statements. Disclosure requirements apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**Funding Policy.** Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Court's contributions to PERA for the

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fiscal years ending June 30, 2018, 2017 and 2016 were \$246,104, \$244,973, and \$239,741, less the amounts disclosed in the JRA Pension plan shown below respectively, which equal the amount of the required contributions for each fiscal year.

**K. JRA PENSION PLAN**

The Court, as part of the primary government of the State of New Mexico, is a single employer defined benefit pension plan (Judicial Retirement) administered by the Public Employees Retirement Associations (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the next 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 of The JRA Pension Plan**

Plan members are required to contribute 10.5% of their gross salary. The Court is required to contribute 15% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2018, 2017, 2016, and 2016 were \$53,545, \$53,545, and \$53,545, respectively, equal to the amount of the required contributions for each year.

**L. 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 Fourth Judicial District Court nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Fourth Judicial District Court have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

**M. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN**

***Plan Description.*** 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 the standard for the fiscal year ending June 30, 2018.

The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit post-employment health care plan (New Mexico Retiree Health Care Fund) administered by the New Mexico Retiree Health Care Authority(NMHCA). 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 Office's financial statements. Disclosure requirements apply to the primary government as a whole, and as such, this

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information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net OPEB liability, OPEB expense, and OPEB-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to section 10-7C-15 (G) NMSA 1978 at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distribution pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Court's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$31,592, \$31,468 and \$31,142 respectively, which equal the required contributions for each year.

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**N. LEASES**

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Future minimum rental payments under these operating leases are as follows:

<b><u>For the Year Ended June 30</u></b>	<b><u>Office Equipment</u></b>
2019	\$ 12,412
2020	1,566
2021	522
2022	-
2023	-
Thereafter	-
Total	<u>\$ 14,500</u>

Lease expenditures and related expenses for the year ended June 30, 2018 were \$20,465.

**O. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. No funds maintained a deficit fund balance of June 30, 2018.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2018.

**P. CONCENTRATIONS**

The Court depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Court is subject to changes in specific flows of intergovernmental revenues based upon modifications to Federal and State laws and Federal and State appropriations.

**Q. JOINT POWER AGREEMENTS**

The Court did not have any joint power agreements for the year ended June 30, 2018.

**R. EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet/net position date but before the financial statements are issued. The Court recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet/net position, including the estimates inherent in the process of preparing the financial statements. The Court's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet/net position but arose after the balance sheet/net position date and before financial statements are available to be issued. The Court has evaluated subsequent events through October 12, 2018, which is the date the financial statements were available to be issued.

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 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES-AGENCY FUNDS  
 For the Year Ended June 30, 2018**

	<u>2017</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>2018</u>
<b>FIDUCIARY FUND (10490):</b>				
<b>ASSETS</b>				
San Miguel and Mora - Wells Fargo	\$ -	214,212	214,212	-
San Miguel - Wells Fargo	136,160	170,736	176,384	130,512
San Miguel and Mora - Wells Fargo Acct# 4125006734	5,280	183,356	5,608	183,028
	<u>141,440</u>	<u>568,304</u>	<u>396,204</u>	<u>313,540</u>
<b>LIABILITIES</b>				
Deposits held in custody of others	141,440	568,304	396,204	313,540
	\$ <u>141,440</u>	<u>568,304</u>	<u>396,204</u>	<u>313,540</u>

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SCHEDULE OF CASH AND INVESTMENTS  
As of June 30, 2018**

	<u>Account Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
<b>Investment in the State Treasurer General Fund Investment Pool</b>			
<b>General Fund</b>			
NM State Treasurer	SGFIP	\$ 95,899	95,899
<b>Alternative Dispute Resolution Fund</b>			
NM State Treasurer	SGFIP	16,560	16,560
<b>Mediation Program Fund</b>			
NM State Treasurer	SGFIP	<u>6,023</u>	<u>6,023</u>
Total		<u>\$ 118,482</u>	118,482
Balance per Statement of Net Position			<u>\$ 118,482</u>
 <b>Agency Funds</b>			
NM State Treasurer	Checking	\$ -	-
Wells Fargo	Checking	130,512	130,512
Wells Fargo	Savings	<u>183,028</u>	<u>183,028</u>
Total Agency Funds		<u>\$ 313,540</u>	<u>313,540</u>
Total amount of deposit in banks		\$ 313,540	<u>130,512</u>
FDIC coverage		<u>(250,000)</u>	
Total uninsured public funds		<u>\$ 63,540</u>	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		<u>\$ 31,770</u>	

**Collateralization of the Court's bank deposits is as follows:**

The uninsured public funds is as shown above. Collateral information for the deposits at Wells Fargo is not available because the banks commingle pledged collateral for all of the State funds they hold. The collateralization of these accounts is monitored by the State Treasurer's office. These banks provide proof of collateral sufficient to cover all State funds deposited. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure amounts held by the State Treasurer.

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
SCHEDULE OF INTERAGENCY TRANSFERS  
For the Year Ended June 30, 2018**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
<b>State Appropriations</b>					
<b>General Fund</b>					
General Fund Appropriation	DFA	85300	14400	Laws 2017, 1st Ses. Ch 135, Sec 4 (b)	\$ 2,302,900
Other Financing Sources (CASA)	AOC	13900	14400	Laws 2017, 1st Ses. Ch 135, Sec 4 (a) & (c)	62,622
Total General Fund					<u>2,365,522</u>
<b>Total Transfers In</b>					<b>\$ <u>2,365,522</u></b>

Description	Agency Transferred To	From Fund	To Fund	Reference	Amount Transferred Out*
<b>General Fund</b>					
General Fund Appropriation	DFA	14400	85300	Laws 2017, 1st Ses. Ch 135, Sec 4 (b)	\$ 867
<b>Total Transfers Out</b>					<b>\$ <u>867</u></b>

\*Note: The reversions presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds are expected to be reverted in FY 19



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Gerald E. Baca, Chief Judge  
State of New Mexico Fourth Judicial District Court  
and  
Mr. Wayne Johnson, New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Fourth Judicial District Court, of the State of New Mexico (the Court) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and the related budgetary comparisons of the Court, presented as supplementary information, and have issued our report thereon dated October 12, 2018.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



October 12, 2018

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 2018-001.

**The Court's Response to Finding**

The Court's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Court's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

This 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, PC  
Albuquerque, NM  
October 12, 2018

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**SUMMARY OF FINDINGS AND RESPONSES**

Current and prior year findings are as follows:

<u>Reference #</u>	<u>Findings</u>	<u>Status of Findings</u>	<u>Type of Finding*</u>
<b>PRIOR YEAR</b>			
<b>None</b>			
<b>CURRENT YEAR</b>			
2018 - 001	Chief Procurement Officer Certification	Current	D

\* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Non-compliance with State Audit Rule, NM State Statutes, NMAC, or other entity compliance

**2018-001 – Chief Procurement Officer Certification**

**Type of Finding: D**

**Statement of Condition**

During the fiscal year, for approximative nine months, a member of the Court’s staff did not have a designated Chief Procurement Officer certification. During those months, purchases totaling \$250,049 were made (contractual and other categories).

**Criteria**

New Mexico Administrative Code section 1.4.1.94 C:

On or before January 1, 2015, the state purchasing agent shall establish a certification program for chief procurement officers that includes initial certification and recertification every two years for all chief procurement officers. In order to be certified and recertified, a chief procurement officer shall obtain such education and training as deemed appropriate by the secretary of the general services department and pass a certification or recertification examination, as appropriate, approved by the secretary of the general services department.

According to section 1.4.1.94 D, on or after July 1, 2015, only certified Chief Procurement Officers may:

- Make determinations, including determinations regarding exemptions, pursuant to the Procurement Code.
- Issue purchase orders and authorize small purchases pursuant to the Procurement Code.
- Approve procurement pursuant to the Procurement Code.

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2018**

**Cause**

During FY18, the court experienced unique office personnel changes. During the transition, scheduling for CPO certification was in conflict with other Court obligations which overlapped with CPO training dates.

**Effect**

The Court is not in compliance with the New Mexico Administrative Code regarding Chief Procurement Registration and Certification.

**Recommendation**

We recommend the Court's CEO/CFO or other designated employee to complete the certification as soon as possible.

**View of Responsible Official and Corrective Action Plan**

The current agency Chief Financial Officer/Court Executive Officer was made aware of this requirement during the audit process. The Court has taken immediate action and has enrolled the Court Financial Administrator in the NM EDGE Public Purchasing Foundations classes scheduled for October 16-19, 2018.

Upon completion, the CPO Certification will be effective for FY19. The Court will be in compliance with this requirement.

Finding Resolution Timeline: The Court will have the certification by the end of fiscal year 2019.

Designated Employee Position: Court Financial Administrator.

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
EXIT CONFERENCE  
For the Year Ended June 30, 2018**

An exit conference was held in a closed session on October 12, 2018, at the Court's Office. In attendance were the following:

Representing the Fourth Judicial District Court:

Honorable Gerald E. Baca	Chief Judge
Robert Duran	Court Executive Officer/ Court Financial Officer
Jeff Romero	Court Financial Administrator

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Cosmina Hays, CPA, MBA	Audit Manager

**FINANCIAL STATEMENTS**

The financial statements of the Court as of June 30, 2018, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.