



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SIXTH JUDICIAL
DISTRICT COURT**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Independent Auditor’s Report and
Financial Statements
For The Year Ended June 30, 2014**

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**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Independent Auditor's Report and
Financial Statements
For the Year Ended June 30, 2014**

OFFICIAL ROSTER

Judges

Name	Title
Honorable Henry Quintero	Division I
Honorable Jennifer E. Delaney	Division II
Honorable J.C. Robinson	Chief Judge - Division III
Honorable Daniel G. Viramontes	Division IV

Administrative Officials

Name	Title
	Court Executive Officer/CFO/District Court
Melissa Frost	Clerk - Hidalgo County
Michael Medina	District Court Clerk - Grant County
Angelic Gutierrez	District Court Clerk - Luna County



INDEPENDENT AUDITOR’S REPORT

Honorable J.C. Robinson, Chief Judge
Sixth Judicial District Court
Silver City, New Mexico
and
Mr. Hector H. Balderas, 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, and the budgetary comparisons for the general fund and major special revenue funds of the Sixth Judicial District Court of the State of New Mexico (Court), as of and for the year ended June 30, 2014 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 and each major fund of the Court, as of June 30, 2014, and the respective changes in financial position and the respective 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.

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 supplemental information" required, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional schedules listed as "other supplemental 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 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 December 9, 2014 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, P.C.

Hinkle + Landers, PC
Albuquerque, NM
December 9, 2014

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2014**

The following is a summary overview of the Sixth Judicial District Court’s previous year of operation, including financial information, internal structure, management structure, and the financial issues that have affected this agency in fiscal year 2014. An outline of this agency’s approach is to ensure achievement of its future goals and implementation of new projects and improvements.

History

The Sixth Judicial District Courts are established in NMSA 1978, §34-6-9 and sit in Grant, Luna and Hidalgo Counties. The courts are divided into four divisions with two judges based in Grant County and two judges based in Luna County. The workload for the three Counties is distributed among the four judges. The district court provides litigant due process, access to justice, and resolution of disputes in a timely manner. The court staff maintains accurate records of legal proceedings and accounts for funds they are authorized to receive. When called upon, the district court of this judicial district protects the rights and liberties of the citizens of these three counties as guaranteed by the Constitutions of both New Mexico and the United States.

Court Composition: This judicial district is staffed with 4 district judges and 33 employees. There are 14 district court employees (includes 2 judges) in Luna County, while Grant County is served by 18 district court employees (includes 2 judges), with 1 employee working in the Hidalgo County Courthouse.

Allotment: The district received its operating budget of \$3,254,900.00 as designated in Laws of 2013, House Bill 2, Chapter 227, Section 4.

This management’s discussion and analysis are intended to serve as an introduction to the Sixth Judicial District Court’s basic financial statements. The District Court’s basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. In addition to the basic financial statements, the report contains other supplementary information.

Internal Funds and Departments

The revenue for the Sixth Judicial District Court is divided into two (2) funds, which are Fund 14600 and Fund 52100. Each fund has departments for designated programs and/or purposes as indicated below:

Fund	Name	Department
14600		
	Court Regular	0611000000
	Luna Juvenile Drug Court	0621000000
	Juvenile Justice Continuum of Services (JJCS)	0622000000
	Hidalgo Adult Drug Court	0624000000
	Grant Adult Drug Court	0625000000
	CASA	0631000000
52100		
	Mediation/Fund Balance	0641111111

Fund 14600 is designated for court operating costs and fund 52100 is designated for Mediation as a non-reverting revenue fund.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2014**

Net Position

The Sixth Judicial District Court reported balances in three net position categories for fiscal year ending June 30, 2014. These categories are Invested Capital Assets, Restricted Assets and Unrestricted Assets. State statute regarding restricted net assets is required to be utilized for mediation programs that target domestic relations cases. Unrestricted Net Position are negative due to the government's policy to fund compensated absences payable out of current resources as they become due.

While non-current liabilities decreased, due to the drop in compensated absences, the change in total liabilities is a result of improved processing of day-to-day expenditures and the turn-around time from DFA, as our agency's working knowledge of the SHARE program improves.

	Statement of Net Position	
	2014	2013
Assets		
Current assets	\$ 127,552	162,578
Capital assets, net of accumulated depreciation	142,397	132,786
Total assets	<u>\$ 269,949</u>	<u>295,364</u>
Current liabilities	\$ 172,521	209,422
Noncurrent liabilities		
Compensated absences payable expected to be paid after one year	20,414	19,776
Total liabilities	<u>192,935</u>	<u>229,198</u>
Net assets		
Invested in capital assets	142,397	132,786
Restricted	36,685	32,408
Unrestricted (deficit)	<u>(102,068)</u>	<u>(99,028)</u>
Total net assets	<u>77,014</u>	<u>66,166</u>
Total net assets and liabilities	<u>\$ 269,949</u>	<u>295,364</u>

Statement of Activities

The following represents the revenue and expenses for fiscal year 2014 the changes in net position as shown below are the result of increases in operating revenues outpacing operating costs to run the Court's programs.

	Statement of Activities	
	2014	2013
Revenues		
Program	\$ 36,225	295,567
General fund appropriation	3,101,300	3,010,300
Other financing sources	183,971	-
Reversion to state general fund	<u>(6,840)</u>	<u>(28,641)</u>
Total revenues	<u>3,314,656</u>	<u>3,277,226</u>
Expenses		
General government	<u>(3,303,808)</u>	<u>(3,260,461)</u>
Change in net position:	10,848	16,765
Net position - beginning of year	<u>66,166</u>	<u>49,401</u>
Net assets position - end of year	<u>\$ 77,014</u>	<u>66,166</u>

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2014**

Expenditures

The Department of Finance and Administration designates three (3) categories for expenditures which are utilized by this agency. These categories are Category 200-*Personal Services and Benefits*, Category 300-*Contractual Services* and Category 400-*Other Costs*.

Long Term Debt: This agency had a total long term debt which consists of accumulated leave balances, sick leave balance over 600 hours, and terminal leave eligible employees received upon termination:

	2014	2013
Compensated absences payable	\$ 102,068	98,877

Budgetary Comparison

The required budgetary comparison schedules above are for the general fund and the special revenue fund for which this agency has a legally adopted annual budget. This is in compliance with the Office of the State Auditor requirements under 2.2.2 NMAC.

The appropriated balance changes for fiscal year 2014 were due to the requested and approved budget adjustment reallocations to different categories. Budget adjustment requests to the Department of Finance and Administration were approved and funding was applied in other categories that assisted in the operation of the court.

Review of Departments

Court Regular - This department is composed of various factors and elements, which are significant in operating this agency to its full capacity. In fiscal year 2014, the numbers of employees are 31 full-time, and 4 judges. The district continued priority is to provide adequate salaries to current staff, and staff sustainability. The district also continues to focus on staffing needs and their changing environment. All employees were compensated for their services from Personal Services and Benefits.

The agency contracted specific contractors for various specialized services for the continuing operation of the agency. The district contracts two Special Masters; one located in Deming and one located in Silver City. There is one Pro Se Litigant Officer serving all three counties.

Mediation - The court is authorized to collect a \$30.00 fee each time a domestic relations case is filed/opened in the District Court Clerk's Office. The purpose for the additional fees is to provide mediation for parties when conflict is present.

An experienced mediator is contracted for negotiation between the parties. The mediator is paid from the revenue collected from this fee. In FY14, the court collected \$12,540 and expended \$8,262.84. The balance is non-reverting and remains available for use the following year.

Juvenile Drug Court – The Juvenile Drug Court Program employs three employees. The Juvenile Drug Court program has been in existence since August 2000 and to date has impacted 207 juvenile participants. The three year recidivism rate is 25%. This program operates in Luna County, which provides services to juveniles, which have committed a delinquent act involving drugs or alcohol. This is an alternative program to probation. The program focuses on assisting juveniles to strive towards personal growth through positive behavior, such as sobriety goals, better behavioral choices, etc. The Sixth Judicial expensed general funds for the Juvenile Drug Court (JDC) in the amount of \$208,253.

Hidalgo County Adult Drug Court- The Hidalgo County Adult Drug Court employs one employ who also manages another drug court. Funds in received through HB 2 to continue to provide an

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2014

alternative program of treatment, continuum of care and team involvement to the County of Hidalgo. This program has been active since 2008.

The Drug Court in Hidalgo County has served 84 persons and their families. Drug Court provides a foundation for change and recovery in this very rural section of Southwest New Mexico. Drug Court is considered the “hub” of a collaboration of teams and stakeholders who facilitate the community in assisting our participants become productive members of the community.

Communication is a key element to the process in Hidalgo County and Drug Court has assumed the lead role in providing the opportunity for our stakeholders to participate. Since 2008, the Drug Court has provided the Community with a substance free, taxpaying workforce. The program has pride on the fact that several of the graduates are actively enrolled in college and one is working on a Master’s Degree.

This agency expensed a total of \$149,170 during FY 14 for its portion of the program, which includes all operational costs. During FY 14, the program had 18 participants, with 7 graduates completing the program successfully.

Grant County Adult Drug Court– The Grant County Adult Drug Court employs one full time and one part-time employee. The program manager of Hidalgo County also manages this program. The program’s mission is striving to prevent and/or reduce substance abuse problems in Grant County by providing treatment, continuum of care services and development of collaborative and cooperative efforts within the communities of this County. Funding is received through HB2. This program has been active since 2009.

This agency expensed a total of \$128,132 during FY 14 for its portion of the program, which includes all operational costs. During FY 14, the program had 24 participants, with 2 graduates completing the program successfully.

During FY 14, the Drug Court conducted 22 intakes, with 4 successful graduates. The program maintains a 24.3% recidivism rate; while maintaining a 74.3% retention rate. Employment attainment of Drug Court graduates was 100%.

Juvenile Justice Continuum Services - The Sixth Judicial expensed general funds for the Juvenile Justice Continuum Services Program (JJCS) in the amount of \$245,825. This funding was distributed to the three counties that comprise in the Sixth Judicial District.

JJCS is supervised by the Board of Directors, which includes District Judge J.C. Robinson (representative for Grant County) and District Judge Daniel G. Viramontes (representative for Hidalgo County and Luna County), Chief JPPO Officer and six key members, representative from the three counties. The Juvenile Drug Program Manager administers the program.

JJCS assists the youth in the community through intervention, prevention and positive youth development through proactive programs such as comprehensive after-school programs, bicycle recycle, teen outreach and others.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2014**

Special Appropriation for Drug Court Programs – The district receives Liquor Excise Tax Funds to manage the three drug courts by a transfer of funds from the Administrative Office of the Courts. The district received in FY 14 the amount of \$79,494.

		<u>2014</u>
Grant County	\$	42,994
Luna County		8,500
Hidalgo County		<u>28,000</u>
	\$	<u><u>79,494</u></u>

CASA-(Court Appointed Special Advocates)-During FY 14, this judicial district had one contractor to provide CASA services in all three counties with a budget of \$83,677. CASA administers its volunteers by screening, selecting, training, and managing those who devote their time to this important program. The CASA volunteers were available to serve in each abuse or neglect case in the district’s Children’s Court. The volunteers visit the children’s homes, attend court hearings, and provide the Court reports and recommendations as how to best deal with children of troubled families.

Internal Management

The Sixth Judicial District Court is comprised of three counties, which are Grant County (Silver City), Luna County (Deming) and Hidalgo County (Lordsburg). The district’s FTE position count as indicated in House Bill 2 totals 35.5 permanent employees and 1 part-time temporary employee.

The District’s internal mission is to continue to supply justice to the community by operating to its full potential in all three counties by providing eight hours of customer service with normal daily/weekly business hours. All programs are operating accurately and efficiently through team participation.

The district collects revenues through the clerk’s office from filing fees, mediation fees, and fines are deposited to designated accounts, which are then transferred to the State Treasurer’s Office, located in Santa Fe, New Mexico. The revenue taken in from all three District Court Clerk’s Office for end year FY 14 is as follows:

		<u>2014</u>	<u>2013</u>
Grant County	\$	86,206	102,382
Luna County		88,865	88,463
Hidalgo County		<u>18,843</u>	<u>15,775</u>
	\$	<u><u>193,914</u></u>	<u><u>206,620</u></u>

Each month the Clerk of the Court for each county reports to the State Treasurer’s Office. All three counties also provide Trust Accounts for reporting assets held in trust for others and are not available to support the agency’s programs. All reports are audited by the Administration Department for accountability and accuracy.

The statewide financial and human resource program called SHARE is provided by the Department of Finance and Administration. This program is utilized with a great amount of efficiency; however, the Financial and HR Departments continue to utilize internal books to maintain internal accuracy, assurance and accountability.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
Management Discussion and Analysis (Unaudited)
For The Year Ended June 30, 2014**

Management Decisions

The Sixth Judicial District Court's main goal during FY 14 was to provide daily operational needs efficiently and effectively. The Chief Judge is consulted in all major decisions, issues, and resolutions. Meetings are also held with the participation of the other judges for involvement, understanding, and agreement regarding issues of particular interest to this agency.

There is also communication between the supervisors and the Court Executive Officer on either financial and/or human resource matters that involve subordinates.

Economic Factors and Next Year's Budget

The Sixth Judicial District's internal mission is to provide equal and exact justice for all who are involved in litigation before the Court. The Sixth District Court staff continues to conduct its business with integrity, competence, and commitment to excellence in order to promote public trust and confidence in the judicial system. During fiscal year 2014, the agency continued to operation with a slight increase but still limited in certain budget categories. The district's forecast for fiscal year 2015 will be restricted due to rising personal obligations.

The purpose of this financial report is to provide the public and other interested parties with a general overview of the Sixth Judicial District Court's finances and accountability of funds. Questions or concerns resulting from the review of this report should be addressed to the Sixth Judicial District Court, Administration Department, P. O. Box 2339, (201 N. Cooper Street, First Floor-88061), Silver City, New Mexico, 88062.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2014**

ASSETS	Governmental Activities
Current Assets	
State general fund investment pool	\$ 127,552
Other receivables	-
Total current assets	<u>127,552</u>
Capital assets, net	<u>142,397</u>
Total assets	<u>\$ 269,949</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	\$ 28,888
Due to the state general fund	6,840
Accrued salaries and employee benefits	55,139
Compensated absences payable - expected to be paid within one year	81,654
Total current liabilities	<u>172,521</u>
 Non-Current Liabilities	
Compensated absences payable - expected to be paid after one year	<u>20,414</u>
Total liabilities	<u>192,935</u>
 NET POSITION	
Investment in capital assets	142,397
Restricted	36,685
Unrestricted	<u>(102,068)</u>
Total unrestricted net position	<u>77,014</u>
Total liabilities and net position	<u>\$ 269,949</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014**

EXPENSES	Governmental Activities
General government	
Judicial services	\$ 3,260,426
Depreciation expense	<u>40,883</u>
Total program expenses	3,301,309
Less: Program revenues	
Court fees	12,540
Operating grants and contributions (other financing sources)	183,971
Charges for services (miscellaneous income)	<u>21,185</u>
Total program revenues	<u>217,696</u>
Net program (expenses)/revenue and changes in net position	<u>(3,083,613)</u>
REVENUES	
General revenues	
Transfer - state general fund appropriation FY 14	3,101,300
Less transfer - reversions to state general fund	<u>(6,840)</u>
Total net general revenue and other financial sources (uses)	<u>3,094,460</u>
Changes in net position	10,847
Net position, beginning	<u>66,167</u>
Net position, ending	<u>\$ <u>77,014</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2014**

	14600 General Fund	52100 Mediation Fund	Total Govern- mental Funds
ASSETS			
State general fund investment pool	\$ 90,867	36,685	127,552
Other receivables	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 90,867</u>	<u>36,685</u>	<u>127,552</u>
LIABILITIES			
Due to other funds	\$ -	-	-
Accounts payable	28,888	-	28,888
Accrued salaries and expenses benefits	55,139	-	55,139
Due to state general fund	<u>6,840</u>	<u>-</u>	<u>6,840</u>
Current liabilities	<u>90,867</u>	<u>-</u>	<u>90,867</u>
FUND BALANCES			
Restricted:			
Mediation program	-	36,685	36,685
Unassigned:			
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>36,685</u>	<u>36,685</u>
Total liabilities and fund balance	<u>\$ 90,867</u>	<u>36,685</u>	<u>127,552</u>

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

Total fund balance governmental funds	\$ 36,685
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	142,397
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.	(102,068)
Rounding	<u>-</u>
Net position of governmental activities	<u>\$ 77,014</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICITS) - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2014**

	14600 General Fund	52100 Mediation Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Court costs	-	12,540	12,540
Misc. revenue	21,184	-	21,184
Total revenues	<u>21,184</u>	<u>12,540</u>	<u>33,724</u>
EXPENDITURES			
Current			
General government:			
Administrative services			
Professional services	2,336,935	-	2,336,935
Contractual services	686,523	8,263	694,786
Other costs	276,007	-	276,007
Total expenditures	<u>3,299,465</u>	<u>8,263</u>	<u>3,307,728</u>
Excess (deficiency) of revenue over expenditures	(3,278,281)	4,277	(3,274,004)
OTHER FINANCING SOURCES (USES)			
Transfer - Other financing sources	183,971	-	183,971
Transfer - State general fund appropriation FY 14	3,101,300	-	3,101,300
Transfer - Other financing sources	-	-	-
Less: Transfer reversion of FY 14	(6,840)	-	(6,840)
Net other financing sources (uses)	<u>3,278,431</u>	<u>-</u>	<u>3,278,431</u>
Net change in fund balance	150	4,277	4,427
Fund balance, beginning	(150)	32,408	32,258
Fund balance, ending	<u>\$ -</u>	<u>36,685</u>	<u>36,685</u>
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities			
Net change in fund balance in governmental funds		\$	4,427
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 lives as depreciation expense.			
Depreciation expense			(40,883)
Capital additions			50,493
Some items reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.			
(Increase) decrease in compensated absences			(3,191)
Rounding			<u>1</u>
Change in net position— governmental activities		\$	<u>10,847</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
For The Year Ended June 30, 2014**

General Fund (14600)				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Miscellaneous revenue	\$ 17,000	17,000	21,184	4,184
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>21,184</u>	<u>4,184</u>
EXPENDITURES				
Current:				
General government				
Personal services	2,465,000	2,337,400	2,336,935	465
Contractual services	628,600	687,971	686,373	1,598
Other costs	<u>149,300</u>	<u>276,900</u>	<u>276,007</u>	<u>893</u>
Total expenditures	<u>3,242,900</u>	<u>3,302,271</u>	<u>3,299,315</u>	<u>2,956</u>
Excess (deficiency) of revenues over (under) expenditures	(3,225,900)	(3,285,271)	(3,278,131)	7,140
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	3,101,300	3,101,300	3,101,300	-
LETF funds and grants	124,600	183,971	183,971	-
Severance Tax Bond Proceeds	-	-	-	-
Reversion to SGF	-	-	(6,840)	(6,840)
Total other financing sources	<u>3,225,900</u>	<u>3,285,271</u>	<u>3,278,431</u>	<u>(6,840)</u>
Net change in fund balance	-	-	300	-
Fund balance, beginning	\$ -	-	(150)	-

Reconciliation of Budgetary Basis to Fund Financial Statement

Total modified GAAP budget basis expenditures for fiscal year 2014	\$ 3,299,315
Amounts expensed in fiscal year 2013 financial statements and paid out of FY 14 budget Contractual services	150
Amounts expensed in fiscal year 2014 financial statements and paid out of FY 15 budget Contractual services	-
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2014	<u>\$ 3,299,465</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
For The Year Ended June 30, 2014**

Mediation Fund (52100)				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other financing sources	\$ 12,000	12,000	12,540	540
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>12,540</u>	<u>540</u>
EXPENDITURES				
Current:				
General government				
Contractual services	<u>12,000</u>	<u>12,000</u>	<u>8,263</u>	<u>3,737</u>
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>8,263</u>	<u>3,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>4,277</u>	<u>4,277</u>
Fund balance, beginning			<u>32,408</u>	
Fund balance, ending			<u>\$ 36,685</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
As of June 30, 2014**

	<u>Agency Fund</u>
ASSETS	
Cash in authorized bank account	\$ 376,021
State Treasurer accounts	<u>3,419</u>
TOTAL ASSETS	<u>\$ 379,440</u>
 LIABILITIES	
Due to litigants	\$ 376,021
Due to other state agencies	<u>3,419</u>
TOTAL LIABILITIES	<u>\$ 379,440</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

NATURE OF BUSINESS AND REPORTING ENTITY

The Sixth Judicial District Court (Court) operates under Section 34-6-1, 34-6-9 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Court covers Grant, Luna, and Hidalgo Counties. The Court is comprised of six divisions as authorized in the above sections. The Court is the State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases which are not specifically exempted from its jurisdiction. Financing of the Court is primarily by state appropriation and grant funds.

The financial reporting entity as defined by GASB Statement 61 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. Additionally, 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, when it issues an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statement 14.

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 benefits the government and/or its citizens, or 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 Court is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units identified or excluded from the reporting entity.

The Sixth Judicial District Court is a component unit of the Judicial Branch and these financial statements include all funds and activities over which the Court has oversight responsibility. The Court is not included in any other government "reporting entity" as described in Section 2100, "Codification of Government Accounting and Financial Reporting Standards".

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements

The financial statements of the Court have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Court's accounting policies are described below.

The basic financial statements include both government-wide (based on the Court as a whole) and fund financial statements. The reporting model focus is on either the Court as a whole or major individual fund (within the 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 activities. In the Government-Wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources measurement focus basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Court did not have any business-type activities during the year ended June 30, 2014.

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function).

Grant revenues are recognized as soon as the eligibility requirements are met.

This government-wide focus is more on the sustainability of the Court as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. 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' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental wide presentation.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. 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 of fiscal plan. Since the governmental fund statements are presented on a different 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 in to the governmental column on the government-wide presentation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement. The only charges for services are for photocopies and small miscellaneous charges.

2. Basis of Presentation

The financial transactions of the Court are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures 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. The various funds are summarized by the type and reported by generic classification the accompanying financial statements.

The reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Court has elected to consider all their special revenue funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, per GASB Statement No. 54, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See Note F for additional information about fund balances.

The following are the Court's major funds:

General Fund—(14600) The general operating fund of the Court. It is used to account for all financial resources except those required to be accounted for in other funds. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the State of New Mexico. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame. Please refer to the schedule of interagency transfers for details of state appropriations and other financing sources.

The Court receives all State of New Mexico appropriations in their General Fund, the Court's additional funds are as follows:

Court Appointed Special Advocates (CASA)—The Court Appointed Special Advocate (CASA) is a program with the mission to support effective volunteer advocacy for the best interests of abused and neglected children involved in the court system. The objective of the program is to ensure that every child has a safe, supportive and permanent home. A CASA is a trained, community volunteer, appointed by a judge to represent the best interest of the child in court. Once appointed to a case the CASA becomes an official part of the judicial proceeding, working alongside attorneys and social

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

workers as an appointed officer of the court. A CASA program exists in Grant, Luna, and Hidalgo Counties.

Grant Count Adult Drug Court (GCADC)—The program receives funding from a state grant through Total Community Approach/United Behavioral and BHSD. The GCADC is designed for 20 participants; however, the program maintains a census of 23 active participants. The program is in its second year of operation. The development of the program is due to the ongoing addiction of defendants who are repeat offenders in criminal court.

Court Mediation—(08300) The Court has established a domestic relations mediation program pursuant to Section 5 (40-12-5 NMSA, 1978 Comp.) of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 (40-12-5, NMSA, 1978 Comp.) of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 (40-12-6, NMSA, 1978 Comp.) of the Act. The fund is a special revenue fund and is non-reverting. For purposes of financial statement presentation, the fund is considered a major fund.

Mediation Program—The Mediation Program is designed to settle disagreements about the care of children following separation and divorce without an extensive courtroom battle. Mediation requires both parties to agree to the rights and responsibilities of each parent and the ways in which the children's needs will be met. A court order requires the parties to meet with an independent mediator for the purpose of reaching an acceptable agreement. Mediation is available in Grant, Luna, and Hidalgo Counties. The Authority for this fund is Section 40-12-4 NMSA 1978.

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

- 1) Litigant 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.
- 2) Treasurer Fund – These monies are collected from individuals filing with the Court. These monies are remitted intact to the New Mexico State Treasurer.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and the fiduciary financial statements are presented on a full-accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

The statement of net position and the statement of activities are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support Court programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Court's policy to use restricted resources first, then unrestricted resources as needed.

4. Budgetary Data

The New Mexico State Legislature makes annual appropriations to the Court. Legal compliance is monitored through the establishment of a budget (modified-accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit 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 limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

1. No later than September 1, the Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC) and the Department of Finance and Administration an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Court.
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 Court's budget for the fiscal year ending June 30, 2014 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
5. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The Court submits, no later than May 1st, 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 on July 1.
6. All subsequent budget adjustments must be approved by the JBO and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
8. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts. The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts except as noted in Note F of this report.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

9. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2014. The Court's General Fund is a reverting fund (funds revert back to the State General Fund).
10. Appropriations lapse at the end of the year except for those amounts encumbered with the exception of appropriations presented in the "schedule of special, deficiency, specific and capital outlay appropriation" as referenced in the table of contents of this report.
11. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of accounting. 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 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 amount subject to reversion. Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
12. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget. See Note F for amounts paid out of different budget years.
13. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 2014.
14. The legal level of budgetary control is at the appropriation program level.

5. Encumbrances

Encumbrances outstanding at year-end related to single year appropriations are classified as unreserved fund balance and as a liability recorded to recognize any amounts subject to reversion to the State General Fund.

6. Net Position

The government-wide financial statements utilize a net position presentation. Net Position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Court did not have any related debt during the year ended June 30, 2014.

Restricted net positions reflect the portion of net position that has third party limitations on its use.

Unrestricted (Deficit) Net Position represents net position of the Court that are not restricted for any project or other purpose.

GASB Statement #54

In February 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as nonspendable, restricted, or unrestricted (committed, assigned or unassigned).

Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Court's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Court's policy to spend committed resources first.

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports restricted net position. All the restricted net position are considered restricted by enabling legislation under the alternative dispute resolution and domestic relations mediation act and the grants. The enabling legislation has been determined to be legally enforceable.

Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

7. Fund Balance

The Court's fund balance is classified under the following GASB Statement 54 components:

- **Nonspendable:** Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Court does not have any nonspendable fund balance for the year ended June 30, 2014.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The Court's restricted funds in the general fund represent restricted grants and in the special revenue funds the restricted funds represent funds held for the Court's dispute and mediation programs for the year ended June 30, 2014.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The Court does not have any committed fund balance for the year ended June 30, 2014.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The Court does not have any assigned fund balance for the year ended June 30, 2014.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The Court does not currently have a minimum fund balance policy. The unassigned amount is \$150 because \$150 of the outstanding accounts payable applied to the subsequent year's budget. The remaining state appropriation was reverted to the State General Fund leaving the general fund with a deficit of \$150.

Modified Accrual—All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Court, 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 deferred revenue by the recipient.

The interfund transactions are eliminated. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds".

If the New Mexico State Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. The only revenues that the Court receives other than State appropriations are state and federal and other operating grants and other contracts.

Expenditures are recognized when the related fund liability is incurred.

8. 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

9. 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.

10. Program Revenues

Program revenues include federal and state grants, charges for tapes and copies of court proceedings and court fees collected per statute designated for court operations.

11. Receivables

Receivables consist of amounts due from federal, and other state and local governments. No allowance for doubtful accounts is established, since all amounts are considered collectible in the subsequent fiscal year. There were no receivables at YE 14.

12. Schedule of Net Position/Fund Balance

Per: Governmental Wide Statement of Net Position

	142,397 Investment in capital assets
	(20,414) Long-term compensated absences payable as of year end
	<u>(81,654)</u> Current portion of compensated absences payable as of year end
	40,329 Total of net position investment in capital assets and compensated absences
	<u>36,685</u> Per Balance Sheet - Governmental Funds net position
	<u><u>77,014</u></u> Grand Total Net Position at year-end

A total of \$102,068 was related to compensated absences payable which is expected to be financed by future state appropriations. A total of \$142,397 was the net position invested in capital assets. The Mediation fund has a total net position of \$36,685.

13. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments.

14. Capital Assets

Property and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the Court's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The Court does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Court depreciation guidelines. There is no related debt relating to capital assets.

Furniture and Fixtures	7—10 years
Equipment and Machinery	5—10 years
Vehicles	5 years

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applied to a future period and so will not be recognized as an expense or expenditure until then. The Court has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applied to a future period and so will not be recognized until then. The Court has no items that meet this criterion.

15. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

Years of Service	Hours Earned per Month	Days Earned per Month	Days of Maximum Accrual
1 month – 3 years	10	1 ¼	30
Over 3 – 7 years	12	1 ½	30
Over 7 – 14 years	14	1 ¾	30
Over 14 years/beyond	16	2	30

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. At June 30, 2014, accrued compensated absences payable for accumulated annual leave can be seen in the note for long-term debt.

16. Accrued Sick Leave

Chapter 150 Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee’s regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2014 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers’ matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the governmental-wide financial statements. As of June 30, 2014, Seven (7) employees of the Court have accrued leave benefits in excess of 600 hours, which amounted to \$2,572 of the total noted below in the long-term debt note.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

B. CASH AND INVESTMENTS POLICY

Investments in the State Treasurer's General Fund Investment Pool (GFIP)

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. Please see the "Schedule of Deposits and Investments" in the "Other Supplementary Information" section of the audit report. Below are required disclosures regarding credit and interest risk.

General Fund Investment Pool Not Reconciled

In June 2012 an independent diagnostic report revealed that the State of New Mexico's General Fund Investment Pool has not been reconciled since the implementation of the Statewide Human resources, Accounting, and management REporting system (SHARE) in July of 2006. The Department of Finance and Administration (DFA) has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the NM Department of Finance & Administration's website: www.nmdfa.state.nm.us/Cash_Control.aspx.

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert. The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items. It is DFA's responsibility to perform the monthly reconciliation of the General Fund Investment Pool.

Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2012 and continues into 2014.

That directive instructed agencies to do the following:

1. Provide copies of the referenced reports to the agency's Independent Public Accountant (IPA) performing the 2014 audit;
2. Explain to the IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
3. Disclose in the agency's notes to the financial statements the facts about the statewide cash reconciliation as of June 30, 2014, and what the agency's policies and procedures were during the 2014 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2014.

The Court has provided copies of the referenced diagnostic reports to the IPA. The Court has also explained and provided copies to the IPA what policies and procedures are in place that ensures that

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

the cash balances in SHARE are correct to the extent that the Court has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

The Court has an interest in the State General Fund Investment Pool allocated between three fund operating under the oversight of SHARE and the State Treasurers Office. The cash transactions processed by the Court flow through the state general fund investment pool. Since SHARE was implemented, the Court recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities and a review of outstanding warrants. The Court conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool 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.

The Court does not have an investment policy that limits investment interest rate risk.

For further information regarding the GFIP, 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.

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Court. The Office of the State Treasurer 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 not have any other investments during the year ended June 30, 2014. There is no custodial risk at the Court level since the cash amount is under the contract of the New Mexico State Treasurer.

See the "Schedule of Pledged Collateral" for information on Court's Custodial Credit Risk for its bank deposits as reference in the table of contents.

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For The Year Ended June 30, 2014**

C. RECEIVABLES

As of June 30, 2014 there were no receivables.

D. DUE TO OTHER GOVERNMENTS

As of June 30, 2014, no funds were due to other governments.

E. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the Court keeps their budget on the modified GAAP basis there is no need to reconcile the budget financial statements to the fund financial statements, with the exception if accounts payables shown on the balance sheet—governmental funds was paid out of a different fiscal year budget. Please see the There were no outstanding accounts payable that were applied against the subsequent year’s budget.

F. 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 amount due to the State General Fund as of June 30, 2014 is as follows:

<u>Description</u>	<u>General Fund</u>	<u>Due To SHARE Fund</u>	<u>Due From SHARE Fund</u>
Reversion of appropriations FY 14	\$ 4,185	34100	14600
Portion already reverted before submission of audit	2,655	34100	14600
Total due to State General Fund	<u>\$ 6,840</u>		

All amounts in the general 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.

G. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	<u>2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>2014</u>	<u>Current Portion</u>
Compensated absences payable \$	<u>98,877</u>	<u>95,753</u>	<u>(92,562)</u>	<u>102,068</u>	<u>81,654</u>

Prior year compensated absences have been liquidated by the general fund

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

H. CONTINGENCIES

Risk of loss: The Court is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workers' compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and were not included in this report. However, the Court is not liable for more than the premiums paid.

I. 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. As of June 30, 2014, there were no inter fund payables and receivables outstanding. Also, there were no interfund transfers.

J. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2014 is as follows:

Governmental Activities	Balance			Balance
	2013	Additions	Deletions	2014
Furniture and equipment	\$ 52,874	-	-	52,874
Machinery and equipment	225,745	12,504	-	238,249
Vehicles	105,268	37,990	(32,392)	110,866
	<u>383,887</u>	<u>50,494</u>	<u>(32,392)</u>	<u>401,989</u>
Less accumulated depreciation for:				
Furniture and equipment	30,476	5,711	-	36,187
Machinery and equipment	140,038	26,833	-	166,871
Vehicles	80,587	8,339	(32,392)	56,534
	<u>251,101</u>	<u>40,883</u>	<u>(32,392)</u>	<u>259,592</u>
Capital assets, net	\$ <u>132,786</u>	<u>9,611</u>	<u>-</u>	<u>142,397</u>

The Court is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$40,883.

K. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description: Substantially all of the Court's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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For The Year Ended June 30, 2014**

Funding Policy: Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 16.59% 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 fiscal years ending June 30, 2014, 2013 and 2012 were \$245,401, \$228,807, and \$242,102, less the amounts disclosed in the JRA Pension plan shown below respectively, which equal the amount of the required contributions for each fiscal year.

L. JRA PENSION PLAN

Substantially all of the Court's Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act. The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Funding Policy Of The JRA Pension Plan

Plan members are required to contribute 10.75% of their gross salary. The Court is required to contribute 8.75% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2014, was \$44,147, equal to the amount of the required contributions for each year.

In addition to the above, the Court remits \$30 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$44,147 in filing fees for the year ending June 30, 2014.

M. 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 Court nor the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Court have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan

N. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

Plan Description. The Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also

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SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, 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, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

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For The Year Ended June 30, 2014**

The Court's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$34,423, \$36,151, and \$30,647, respectively, which equal the required contributions for each year.

O. LEASES COMMITMENTS

The Court has equipment leases and associated maintenance agreements which can be terminated with no penalty to the Court, if the Legislature does not appropriate money to the Court. The lease is for one vehicle through the state transportation pool. The lease may be terminated at any time with 60 days of notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Court decides that termination is necessary to protect the best interests of the State of New Mexico. There are no future minimum rental payments as of June 30, 2014.

Type	FY15	FY16	FY17	FY18
Postage Meter - Lordsburg	\$ 1,578	1,578	1,578	1,183
Postage Meter - Silver City	1,568	1,568	1,568	784
Postage Meter - Deming	1,568	1,568	1,568	784
	<u>\$ 4,713</u>	<u>4,713</u>	<u>4,713</u>	<u>2,751</u>

Lease expenditures and related expenses for the year ended June 30, 2014 were \$5,721.

P. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. No funds that maintained a deficit fund balance as of June 30, 2014.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2014.

Q. 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 on modifications to Federal and State laws and Federal and State appropriations.

R. IMPLEMENTATION OF NEW GASB STANDARDS

In June 2012, The Governmental Accounting Standards Board (GASB) approved Statement No. 67, Financial Reporting for Pension Plans, which applies to pension plans that administer pension benefits. The Public Employees Retirement Association (PERA) administers the pension plan for the DC. Statement No. 68, Accounting and Financial Reporting for Pensions, which applies to governments that provide pension benefits to their employees.

GASB 67 Financial Reporting for Pension Plans

Requires changes to presentation in financial statements, notes to the financial statements, and required supplementary information in PERA's financial report. GASB 67 will be implemented in FY 2014 by PERA.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

GASB 68 Accounting and Financial Reporting for Pensions

Applies the changes implemented at the pension plan level (PERA) under GASB 67 and segregates and divides, or allocates, the pension liability to each participating employer (state, municipal, judicial, magistrate, volunteer firefighters, and legislative). The statement implementation date is FY 2015.

PERA's Current Implementation and Timeline

Implement GASB 67

GASB 67 will require the net pension liability to be disclosed in PERA's FY 2014 financial report. The total "collective" pension liability will then be allocated to the participant employers for FY 2015 financial reporting.

PERA plans to separately issue an audited report, referred to as the "Schedule of Employer Allocations" that will allocate the total pension liability *by employer*. The report will also include other required information that will be used by each employer participant for disclosure in each employer's FY 2015 financial reports.

Anticipated process and timeline is as follows:

1. The "Schedule of Employer Allocations" is provided to PERA's external auditor in January of 2015.
2. PERA's external auditor's will audit the "Schedule of Employer Allocations" in February of 2015 and submit that report to the State Auditor's Office for review in March of 2015. (*See also 2.2.2.10 NMAC Sections CC and DD*)
3. The "Schedule of Employer Allocations" will be provided to employers in April of 2015, allowing enough time for incorporation into financial reports as required by GASB 68, after the June 30, 2015 year-end.

In FY 15, the Court will report a net pension liability based on its proportion of the collective net pension liability of all of the governments participating.

S. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Sixth Judicial 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 statement of financial position, including the estimates inherent in the process of preparing the financial statements. Sixth Judicial Court's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization has evaluated subsequent events through December 9, 2014, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY
FUNDS
As of June 30, 2014**

	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
ASSETS				
Litigant fund	\$ 563,283	467,060	(654,322)	376,021
Treasurer fund	9,479	321,558	(327,618)	3,419
TOTAL ASSETS	<u>\$ 572,762</u>	<u>788,618</u>	<u>(981,940)</u>	<u>379,440</u>
LIABILITIES				
Litigant fund	\$ 563,283	467,060	(654,322)	376,021
Treasurer fund	9,479	321,558	(327,618)	3,419
TOTAL LIABILITIES	<u>\$ 572,762</u>	<u>788,618</u>	<u>(981,940)</u>	<u>379,440</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS
As of June 30, 2014**

	Type of Account	Bank/ Treasurer Balance	Deposits In Transit	Outstanding Warrants/ Checks	Book Balance
GENERAL/MEDIATION FUNDS					
NMST 236-14600 (General Fund)	SGFIP	\$ 90,867	-	-	90,867
NMST 236-52100 (Mediation)	SGFIP	36,685	-	-	36,685
Total Governmental Funds		<u>127,552</u>	<u>-</u>	<u>-</u>	<u>127,552</u>
AGENCY ACCOUNTS					
Litigant - Wells Fargo - Silver City	Checking	107,062	-	-	107,062
State Treasurer - Wells Fargo - Deming	Checking	807	-	-	807
State Treasurer - Western Bank - Lordsburg	Checking	111	-	-	111
Litigant - Wells Fargo - Deming	Checking	197,523	-	-	197,523
State Treasurer - Wells Fargo - Silver City	Checking	2,501	-	-	2,501
Litigant - Western Bank - Lordsburg	Checking	71,436	-	-	71,436
Total Trust Accounts		<u>379,440</u>	<u>-</u>	<u>-</u>	<u>379,440</u>
Grand Total of Deposits		<u>\$ 506,992</u>	<u>-</u>	<u>-</u>	<u>506,992</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SCHEDULE OF PLEDGED COLLATERAL
BY BANK AND ACCOUNT
As of June 30, 2014**

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds			
Cash at State Treasurer	SGFIP	\$ <u>127,552</u>	<u>127,552</u>
Agency Funds			
State Treasurer - Wells Fargo - Silver City	Checking	\$ 2,501	2,501
Litigant - Wells Fargo - Silver City	Checking	107,062	107,062
State Treasurer - Wells Fargo - Deming	Checking	807	807
Litigant - Wells Fargo - Deming	Checking	197,523	197,523
State Treasurer - Western Bank - Lordsburg	Checking	111	111
Litigant - Western Bank - Lordsburg	Checking	71,436	71,436
Total Agency Funds		\$ <u>379,440</u>	<u>379,440</u>
Total amount of deposit in banks		\$ <u>379,440</u>	<u>379,440</u>
Total uninsured public funds		\$ <u>379,440</u>	
State Collateral Requirement - 50% (Section 6-10-17 NMSA 1978)		\$ <u>189,720</u>	

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

Custodial Credit Risk is the risk that in the event of a bank failure, the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. The Court's Agency Fund bank balances were exposed to custodial credit risk as follows:

The uninsured public funds is as shown above. Collateral information for the deposits at Western Bank of Lordsburg and Wells Fargo Bank 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.

<u>As of June 30, 2014</u>	<u>Amount</u>
Uninsured and uncollateralized as pledged collateral commingled for all state funds	\$ Unknown

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SCHEDULE OF INTERAGENCY TRANSFERS
As of June 30, 2014**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
State Appropriations					
General Fund Appropriation	DFA	34101	85300	Laws 2013, 51st 1st Sess, Ch 227 Sec 8	\$ <u>3,101,300</u>
Other Financing Sources					
CASA Grant	AOC	13900	14600	N/A	83,677
GCADC LETF Funds	AOC	13900	14600	N/A	42,994
HCADC LETF Funds	AOC	13900	14600	N/A	28,000
JDC LETF Funds	AOC	13900	14600	N/A	8,500
GCADC UBH Grant	AOC	13900	14600	N/A	20,800
Total Other Financing Sources					\$ <u><u>183,971</u></u>

The accompanying notes are an integral part of these financial statements



INDEPENDENT AUDITOR’S REPORT INDEPENDENT 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 J.C. Robinson, Chief Judge
Sixth Judicial District Court
Silver City, New Mexico
and
Mr. Hector H. Balderas, 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 *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, the budgetary comparisons of the general fund and major special revenue funds of the Sixth Judicial District Court of the State of New Mexico (Court) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Court’s basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and 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.

December 9, 2014

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, PC
Albuquerque, NM
December 9, 2014

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2014**

SUMMARY OF FINDINGS AND RESPONSES

There are no prior or current year findings:

Reference FY-Finding #	Findings	Status of Current and Prior Year Findings	Financial Statement Finding	State Audit Rule Finding	Material Weakness	Significant Deficiency
	None	None				

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
For The Year Ended June 30, 2014**

EXIT CONFERENCE

An exit conference was held in a closed session on December 9, 2014, at the Court's Offices in Silver City, New Mexico. In attendance were the following:

Sixth Judicial District Court

Honorable J.C. Robinson

Melissa Frost

Judge

Court Executive Officer

Hinkle + Landers, PC

Farley Vener, CPA, CFE

Misty Crawford, CPA, CGMA, CFE

Managing Shareholder

Audit Manager

FINANCIAL STATEMENTS

The financial statements of the Court as of June 30, 2014, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.