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STATE OF NEW MEXICO

SIXTH JUDICIAL DISTRICT COURT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2019

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

TABLE OF CONTENTS
JUNE 30, 2019

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS:	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	20
Mediation Fund	21
Statement of Fiduciary Assets and Liabilities – Agency Funds	22
NOTES TO THE FINANCIAL STATEMENTS	23
SUPPLEMENTARY INFORMATION	
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	38
Schedule of Cash/Investment Accounts	39
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	40
Summary of Audit Results	42
Schedule of Findings and Responses	43
Exit Conference	44

OFFICIAL ROSTER
JUNE 30, 2019

JUDGES

Name	Title
<i>Honorable Thomas F. Stewart</i>	<i>Division I</i>
<i>Honorable Jennifer E. DeLaney</i>	<i>Chief Judge – Division II</i>
<i>Honorable James B. Foy</i>	<i>Division III</i>
<i>Honorable Jarod K. Hofacket</i>	<i>Division IV</i>

ADMINISTRATIVE OFFICIALS

Name	Title
<i>Melissa Frost</i>	<i>Court Executive Officer/CFO</i>
<i>Michael Medina</i>	<i>District Court Clerk – Grant County</i>
<i>Angelic Gutierrez</i>	<i>District Court Clerk – Luna County</i>
<i>Angela Orozco</i>	<i>District Court Clerk – Hidalgo County</i>

INDEPENDENT AUDITOR'S REPORT

Mr. Brian S. Colón, State Auditor and
Honorable Jennifer E. DeLaney, Chief Judge
State of New Mexico
Sixth Judicial District Court
Silver City, New Mexico

Report on 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 the major special revenue fund of the Sixth Judicial District Court, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Sixth Judicial District 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Mr. Brian S. Colón, State Auditor and
Honorable Jennifer E. DeLaney, Chief Judge
State of New Mexico
Sixth Judicial District Court
Silver City, New Mexico
Page Two

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sixth Judicial District Court, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Sixth Judicial District Court, are intended to present the financial position, the changes in financial position, and the respective budgetary comparisons of only that portion of the governmental activities and each major fund of the State of New Mexico that is attributable to the transactions of the Sixth Judicial District Court. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in its financial position for the year then ended in conformity 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 on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Sixth Judicial District Court's financial statements and the budgetary comparisons. The "supplementary information" required by 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Mr. Brian S. Colón, State Auditor and
Honorable Jennifer E. DeLaney, Chief Judge
State of New Mexico
Sixth Judicial District Court
Silver City, New Mexico
Page Three

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2019 on our consideration of Sixth Judicial District 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 Sixth Judicial District Court’s internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

September 28, 2019

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

OVERVIEW

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 2019.

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.

An outline of this agency's approach is to ensure achievement of its future goals, and implementation of new projects and improvements.

History

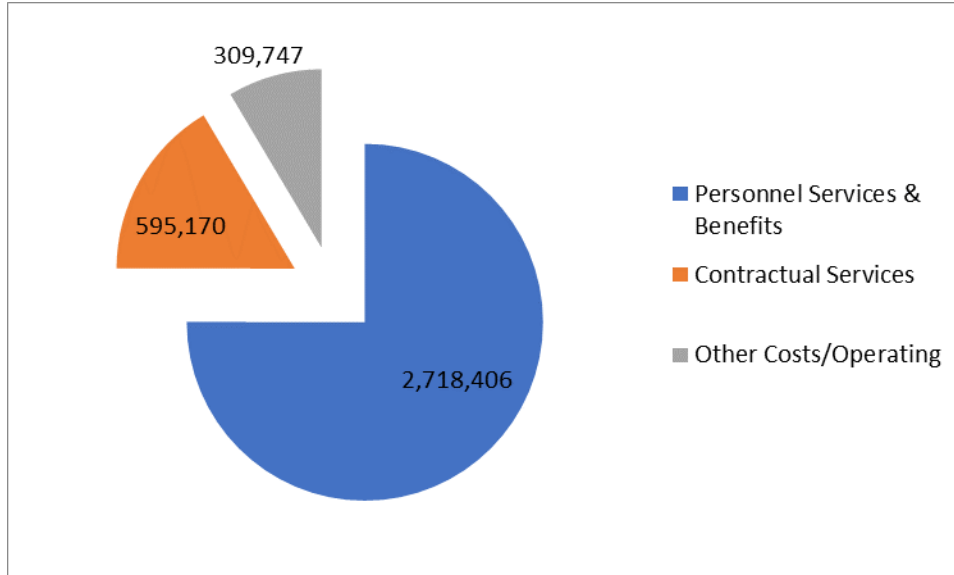
The Sixth Judicial District Courts are established in NMSA 1978, §34-6-9 and stationed in Grant, Luna and Hidalgo Counties. The courts are divided into four divisions with two judges based in Grant County and two judges based in Luna County. The workload for the three Counties is distributed among the 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 Structure: Located in the New Mexico General Appropriation Act of 2018, House Bill 2, the Sixth Judicial District Court is allotted four district judges and 34 employees (*includes two part-time employees*). There are 16.5 District Court employees (includes two judges) in Luna County, while Grant County is served by 20 District Court employees (includes two judges), with two employees working in the Hidalgo County. The District has 1 part-time judicial specialist vacant.

FY19 Allotment: The District's original appropriated operating budget was \$3,266,400 as designated in Laws of 2018, House Bill 2, Second Session, Chapter 73, Section 4. The District received additional financing of \$361,300.00 (\$98,100/compensation package, \$229,200/AOC transfers, and \$45,000/revenue) for other programs.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Chart A: Categories



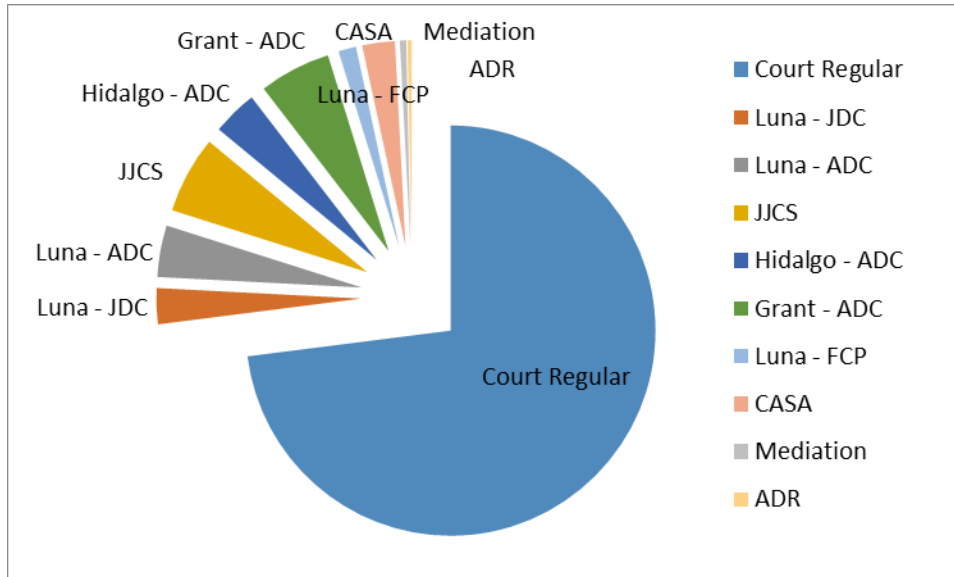
Internal Funds and Departments

The Sixth Judicial District Court’s operating budget has three (3) primary funds. Fund 14600 manages court-operating costs, Fund 52100 manages court mediation costs and Fund 68370 collects Alternative Dispute Resolution funds from civil filing fees. The Mediation Fund and the Alternative Dispute Resolution are non-reverting revenue funds as mandated by NMSA 1976 §34-96-44 and §40-12-4. Within each fund are departments for designated program/purpose as indicated below:

Fund Name	Department Number	Program/Services
<u>14600</u>		
	0611000000	Court Regular
	0621000000	Luna County - Juvenile Drug Court Program
	0622000000	Juvenile Justice Continuum of Services (JJCS) - Serves Grant, Luna & Hidalgo Counties
	0623000000	Luna County - Adult Drug Court Program
	0624000000	Hidalgo County - Adult Drug Court Program
	0625000000	Grant County - Adult Drug Court Program
	0631000000	CASA Program - Serves Grant, Luna & Hidalgo Counties
	0632000000	PSD - Pretrial Services Division
<u>52100</u>		
	0641111111	Mediation Services
<u>68370</u>		
	612000000	ADR - Alternative Dispute Resolution

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Chart B: Programs/Services



Net Position

The Sixth Judicial District Court reported balances in three net asset categories for fiscal year ending June 30, 2019. These categories are Invested Capital Assets, Restricted Assets, and Unrestricted Assets.

State statute regarding restricted net assets are required to be utilized for mediation programs that target domestic relations cases and civil cases involving alternative dispute resolution. Unrestricted Net Assets 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 increased, due to the slight increase in Compensated Absences, the change in total liabilities is a result of improved processing of day-to-day expenditures and the turnaround time from DFA, as our agency's working knowledge of the SHARE program improves.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Statement of Net Position

	2019	2018
Assets		
Current and other assets	\$309,412	\$263,176
Capital assets, net of accumulated depreciation	99,533	79,496
<hr/>		
Total assets	\$408,945	\$342,672
<hr/>		
Liabilities		
Current Liabilities	\$217,453	\$193,266
Noncurrent Liabilities		
Compensated absences payable	104,343	101,999
<hr/>		
Total liabilities	321,796	295,265
<hr/>		
Net Assets		
Invested in capital assets	99,533	79,496
Restricted	91,959	69,910
Unrestricted (deficit)	(104,343)	(101,999)
<hr/>		
Total net assets	87,149	47,407
<hr/>		
Total liabilities and net assets	\$408,945	\$342,672
<hr/>		

Statement of Activities: The following represents the revenue and expenses for fiscal year 2019. The changes in net position as shown below are a result of increases in operational costs outpacing operating revenues to manage court programs.

Statement of Activities

	2019	2018
Revenue		
Intergovernmental programs	\$356,648	\$155,228
General fund appropriation	3,266,400	3,229,600
Miscellaneous revenue	55,538	52,209
Reversion to state general fund	(8,008)	(18,200)
<hr/>		
Total revenues	\$3,670,578	\$3,418,837
<hr/>		

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

	2019	2018
Expenses		
General government	\$3,630,836	\$3,421,813
Change in net position	39,742	(2,976)
<i>Net Position - Beginning of Year</i>	47,407	50,383
<i>Net Position - End of Year</i>	\$87,149	\$47,407

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*.

Capital Assets: The Court purchased and disposed capital assets during the year. The Court purchased two new vehicles (\$40,408) and a Xerox machine (\$7,012).

The Court traded-in one fully depreciated vehicle (\$19,230) and removed all fully depreciated assets with an original cost of less than \$5,000 (\$44,520).

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

	2019	2018
Compensated Absences Payable	\$104,343	\$101,999

Budgetary Comparison

The required budgetary comparison schedules are for the general fund and the special revenue funds for which this agency obtains 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 2019 were due to the requested and approved budget reallocations forms (BRF) to different categories. All BRF's are reviewed and approved by the Department of Finance and Administration.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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 2019, the District employed thirty-three (33) full-time employees and four (4) judges. The District experienced two (2) retirements, nine (9) resignations/terminations/not retained, and eleven (11) new hires/transfers. The District's continued priorities are to provide adequate salaries to current staff and staff sustainability. The District also continues to focus on staffing the needs of its changing environment. All employees were compensated for their services from *Personal Services and Benefits* category.

The District contracts with two (2) *Pro Se* Litigant Officers who serve 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 fee 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 fiscal year 2019, the court collected \$13,220 and expended \$12,153. The balance is non-reverting and remains available for use the following year.

Alternative Dispute Resolution (ADR): The Court is authorized to collect a \$15.00 fee each time a civil case is filed/opened in the District Court Clerk's Office. The purpose for the additional fee is to provide ADR services for litigants involved in civil cases. In FY19, the Court collected \$16,125, expended \$0 and is non-reverting.

Luna County Juvenile Drug Court: The Juvenile Drug Court Program operates under the direction of Judge Jarod Hofacket since November 2016. The program manager manages this program as well as the Luna County Adult Drug Court Program. Two-hundred and forty-five (245) have benefited from participation in the program since its inception in July 2000. The program is designed to provide treatment for youth with clinically significant substance use disorders at the community level in lieu of more restrictive and costly modalities such as detention centers, group homes, treatment foster care, and residential treatment centers. In order to graduate from the program the client must have a minimum of 90 days of sobriety, be in school or employed, attend group, individual, and family treatment sessions, and comply with numerous other program components. Other program components include drug testing and intensive monitoring, anger management classes, parenting classes and community service activities. The graduation rate is 63.6% and the retention rate is 36.4%. Expenditures for the Luna County Juvenile Drug Court Program totaled \$111,246.81. The program receives Supplemental Funding in the amount of \$7,671.00.

Luna County Adult Drug Court: The Luna County Adult Drug Court Program has been operational since March 2016, under the supervision of Judge Jennifer E. DeLaney. The program has had forty-three (43) participants to date, and the first graduation occurred in July 2017. The post adjudication program targets adults with moderate to severe substance use disorders and a high criminogenic need, as many clients have already been to the department of corrections, and/or have had numerous probation violations due to drug use. The graduation rate is 30.0% and the retention rate is 66.7%. Expenditures for the Luna County Adult Drug Court Program totaled \$154,867.71.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Hidalgo County Adult Drug Court: The Hidalgo Adult Drug Court Program has been operating since February 2008, under the supervision of Judge Jarod K. Hofacket. The program manager manages this program as well as the Grant County Adult Drug Court Program. The program has had one hundred and sixteen (116) participants to date. The program contracts with two contractual surveillance officers and one female day reporter. In addition to these team members, the Hidalgo County Magistrate Judge is an active member. The Hidalgo Adult Drug Court has implemented group incentives for those progressing in a positive direction; this has been beneficial to keeping participants closer together. The participants encourage each other to focus and reach for a better style of living. The graduation rate is 87.5% and the retention rate is 94.7%. Expenditures for the Hidalgo County Adult Drug Court Program totaled \$92,083.43. The program receives Supplemental Funding in the amount of \$16,270.00.

Grant County Adult Drug Court: The Grant County Adult Drug Court Program was initiated on July 6, 2009. The program has had two hundred and nine (109) participants to date. The program is designed to provide treatment for youth with clinically significant substance use disorders at the community level in lieu of more restrictive and costly modalities such as detention centers, group homes, treatment foster care, and residential treatment centers. In order to graduate from the program the client must have a minimum of 90 days of sobriety, be in school or employed, attend group, individual, and family treatment sessions, and comply with numerous other program components. Other program components include drug testing and intensive monitoring, anger management classes, parenting classes and community service activities. The graduation rate is 64.3% and the retention rate is 84.8%. Expenditures for the Grant County Adult Drug Court Program totaled \$229,122.35. The program receives Supplemental Funding in the amount of \$111,400.00.

Pretrial Services Division: The Sixth Judicial District Court merged two existing programs: the Luna County Felony Compliance Program and the Grant County Surveillance Program to provide the Pretrial Services Division for Magistrate and District Courts in this Region. The program is to support the right to safe, fair, and effective pre-trial release under New Mexico, Article 4, Release Provision, 5-401 through 5-407, and balance that with the courts' concern for public safety, and the defendants' appearances in court. The programs mission is to provide information to aid the court in determining suitability for release, under what conditions of the adult pretrial felony arrestee population, and provide supervision and support of defendants awaiting trial. Expenditures totaled \$59,586.57.

Juvenile Justice Continuum Services: The Sixth Judicial District expensed general funds for the Juvenile Justice Continuum Services Program (JJCS) in the amount of \$222,000.00. The program has been operating for 15 years. 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 vested educational programs. JJCS is supervised by key stakeholders, which includes District Judge J.C. Robinson as representative for Grant County, and Judge Jarod K. Hofacket as the current representative for Hidalgo and Luna Counties.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

CASA - (Court Appointed Special Advocates): During fiscal year 2019, this judicial district had one contractor to provide CASA services in all three counties with a budget of \$99,751.00. CASA oversees 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 34 permanent employees and 4 judges.

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, which are deposited to designated accounts and 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 Offices for fiscal year 2019 is as follows:

	2019	2018
Grant County	\$115,685	\$123,870
Luna County	114,941	140,620
Hidalgo County	18,193	19,694
	\$249,266	\$284,184

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.

The Sixth Judicial District Court's main goal during fiscal year 2019 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.

In addition, there is communication between the supervisors and the Court Executive Officer on either financial and/or human resource matters that involve subordinates.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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.

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**

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$300,957
Accounts receivable	447
<i>Total current assets</i>	<u>301,404</u>

Noncurrent Assets:

Capital assets	877,274
Less: accumulated depreciation	(777,741)
<i>Total capital assets, net of depreciation</i>	<u>99,533</u>

<i>Total assets</i>	<u>400,937</u>
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LIABILITIES

Current Liabilities:

Accounts payable	96,353
Undistributed receipts	351
Accrued payroll and payroll liabilities	112,741
<i>Total current liabilities</i>	<u>209,445</u>

Long-Term Liabilities:

Compensated absences - long term	104,343
<i>Total liabilities</i>	<u>313,788</u>

NET POSITION

Net investment in capital assets	99,533
Restricted for mandates per state statute	91,959
Unrestricted	(104,343)
<i>Total net position</i>	<u>\$87,149</u>

The Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF ACTIVITIES

JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$3,579,997	\$29,345	\$0	\$0	(\$3,550,652)
Depreciation expense - unallocated	50,839	0	0	0	(50,839)
<i>Total governmental activities and primary government</i>	\$3,630,836	\$29,345	\$0	\$0	(\$3,601,491)

	Primary Government Governmental Activities
Change in Net Position:	
Net (expense) revenue	(\$3,601,491)
General Revenues and Transfers:	
State general fund appropriations	3,266,400
Operating transfers	356,648
Miscellaneous revenue	24,443
Gain in trade-in	1,750
Reversions to State General Fund - 2019	(8,008)
<i>Total revenues and transfers</i>	3,641,233
<i>Change in net position</i>	39,742
Net position - June 30, 2018	47,407
<i>Net position - June 30, 2019</i>	\$87,149

The Notes to Financial Statements are an integral part of these statements.

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

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	Major Funds		Other Funds	Total
	General Fund #14600	Mediation Funds #52100	Alternative Dispute Resolution Fund #68370	
ASSETS				
Investment in the State Treasurer General Fund Investment Pool	\$208,584	\$59,723	\$32,650	\$300,957
Accounts receivable	447	0	0	447
Total assets	\$209,031	\$59,723	\$32,650	\$301,404
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$95,939	\$414	\$0	\$96,353
Undistributed receipts	351	0	0	351
Accrued payroll and payroll liabilities	112,741	0	0	112,741
<i>Total liabilities</i>	209,031	414	0	209,445
FUND BALANCES				
Assigned	0	0	0	0
Restricted for mandates per state statute	0	59,309	32,650	91,959
<i>Total fund balances</i>	0	59,309	32,650	91,959
Total liabilities and fund balances	\$209,031	\$59,723	\$32,650	\$301,404

The Notes to Financial Statements are an integral part of these statements.

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

FUND BALANCE of Governmental Funds	\$91,959
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	99,533
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(104,343)
<hr/>	
<i>Net position of governmental activities</i>	\$87,149
<hr/>	

The Notes to Financial Statements are an integral part of these statements.

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

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Major Funds		Other Funds	Total
	General Fund #14600	Mediation Funds #52100	Alternative Dispute Resolution Fund #68370	
REVENUES				
Court fees	\$0	\$13,220	\$0	\$13,220
Legal services	0	0	16,125	16,125
Other services - interagency	135,341	0	0	135,341
Miscellaneous revenue	19,586	4,857	0	24,443
<i>Total revenues</i>	<u>154,927</u>	<u>18,077</u>	<u>16,125</u>	<u>189,129</u>
EXPENDITURES				
Current:				
Personal services	2,718,406	0	0	2,718,406
Contractual services	583,017	12,153	0	595,170
Other costs	264,077	0	0	264,077
Capital outlay	45,670	0	0	45,670
<i>Total expenditures</i>	<u>3,611,170</u>	<u>12,153</u>	<u>0</u>	<u>3,623,323</u>
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	3,266,400	0	0	3,266,400
Transfers from (to) other state agencies	197,851	0	0	197,851
Transfers - reversion to State General Fund 2019	(8,008)	0	0	(8,008)
<i>Total other financing sources (uses)</i>	<u>3,456,243</u>	<u>0</u>	<u>0</u>	<u>3,456,243</u>
<i>Net change in fund balance</i>	0	5,924	16,125	22,049
Fund balance, beginning of year, as previously stated	0	53,385	16,525	69,910
<i>Fund balance, end of year - June 30, 2019</i>	<u>\$0</u>	<u>\$59,309</u>	<u>\$32,650</u>	<u>\$91,959</u>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds	\$22,049
<p>Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays and depreciation in the current period are:</p>	
Depreciation expense	(50,839)
Capital outlay additions	70,876
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.</p>	
Change in compensated absences	(2,344)
<hr/> <i>Change in net position of governmental activities</i>	<hr/> <i>\$39,742</i> <hr/>

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

GENERAL FUND #14600

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$3,266,400	\$3,266,400	\$3,266,400	\$0
Other services - interagency	135,300	135,300	135,341	41
Other financing sources	192,000	197,817	197,851	34
Miscellaneous revenue	21,000	21,000	19,586	(1,414)
<i>Total revenues</i>	<u>3,614,700</u>	<u>3,620,517</u>	<u>3,619,178</u>	<u>(1,339)</u>
EXPENDITURES				
Personal services	2,857,000	2,722,000	2,718,406	3,594
Contractual services	594,500	587,817	583,017	4,800
Other costs	163,200	265,030	264,077	953
Capital outlay	0	45,670	45,670	0
<i>Total expenditures</i>	<u>3,614,700</u>	<u>3,620,517</u>	<u>3,611,170</u>	<u>9,347</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>\$8,008</u>	<u>\$8,008</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$8,008
Adjustments for current year reversions	(8,008)
Adjustment for unrealized gains - investments	
Net change in fund balance	\$0

The Notes to Financial Statements are an integral part of these statements.

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

MEDIATION FUND #52100

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court fees	\$15,800	\$15,800	\$13,220	(\$2,580)
Miscellaneous revenues	0	0	4,857	4,857
<i>Total revenues</i>	15,800	15,800	18,077	2,277
EXPENDITURES				
Current:				
Personal services				
Contractual services	15,800	15,800	12,153	3,647
Other costs				
<i>Total expenditures</i>	15,800	15,800	12,153	3,647
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$5,924	\$5,924

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and
other financing sources (uses) \$5,924

Adjustments for current year reversions

Adjustment for unrealized gains - investments

Net change in fund balance \$5,924

The Notes to Financial Statements are an integral part of these statements.

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

AGENCY FUND

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2019

	Agency Fund
ASSETS	
Cash	\$49,141
<i>Total assets</i>	\$49,141
LIABILITIES	
Deposits held in custody for others	\$49,141
Due to other agencies	0
<i>Total liabilities</i>	\$49,141

The Notes to Financial Statements are an integral part of these statements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 ten 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.

Reporting Entity

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
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. All assets, all liabilities and deferred outflows and inflows of resources are included on the statement of net position. At June 30, 2019, the Court did not have any deferred outflows or inflows of resources. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District Court does not have any business-type activities.

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 a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the judiciary and (2) grants and contributions that are restricted to meeting the operational or capital requirements of the judiciary. Taxes and other items not properly included among *program revenues* are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary funds financial statements are reported 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 related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the District Court considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for certain compensated absences that are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and unrestricted resources are available for use, it is the Court's policy to use restricted resources first and then unrestricted resources as they are recorded.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District Court reports the following major governmental funds:

General Fund

The *general fund* is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unreserved fund balance from state appropriations remaining at the end of the fiscal year reverts to the general fund of the state of New Mexico. The SHARE fund number and description for the general fund of the District Court is 14600 - Sixth Judicial District Court.

The Court receives special appropriations to operate certain special programs including the CASA program, Juvenile Drug Court and Adult Drug Court.

Mediation Fund

The Court provides on a fee basis, a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The authority for creation and maintenance of this fund is given under New Mexico State Statutes 34-6-44 and 40-12-4 and, as such, the fund balance will not revert to the State of New Mexico's general fund. The SHARE fund number is 52100.

Other Funds:

Alternative Dispute Resolution Fund

The Court has also established the Alternative Dispute Resolution fund for the fiscal year ended June 30, 2019. This program is meant to create cost-effective means of enhancing efficiency in the Court by increasing the rate of case resolution, as well as the litigant's satisfaction with the Court system. The authority for creation and maintenance of this fund is given per New Mexico State Statute 34-6-45, which also establishes that the fund is non-reverting. The SHARE fund number is 68370.

Fiduciary Funds

Agency Funds

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

The District Court has two agency funds:

1. Litigant's Fund – These monies are amounts collected from persons involved in pending lawsuits. The District Court has custody and, if directed by the District 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's Fund – These monies are collected from individuals filing with the District Court. These monies are remitted intact to the New Mexico State Treasurer.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

1. Prior to September 1st, the District Court submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1st. The appropriation request includes proposed expenditures and the means of financing those expenditures.
2. 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.
3. The governor of the state of New Mexico signs the Act into law, within the legally prescribed time limit.
4. The District Court submits, no later than May 1st to DFA, an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective on July 1st. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal budget control for expenditures is by the appropriation program level.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The General Appropriation Act, Laws of 2008, Section 3, Subsection F establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the state of New Mexico. So long as the appropriation period has not lapsed and a budget has been approved by the DFA, an encumbrance can be charged against that budget. However, when the appropriation period lapses, so does the authority for the budget. The result is the encumbrance can no longer be charged to that budget. If the Legislature has provided a new appropriation, the encumbrance is carried forward to a new appropriation period to be charged against the new budget. If the Legislature has not provided a new appropriation, the encumbrance is no longer authorized and the amount of the encumbrance must be restored to unreserved fund balance. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of the appropriation period.
8. There is one statutory exception to the modified accrual basis for budget. That exception addresses accounts payable accrued at the end of the fiscal year that are not paid by the statutory deadline, per Section 6-10-4 NMSA 1978. Accounts payable that are not paid timely must be paid out of the following year's budget.
9. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year that the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Liabilities and Net Position or Equity

Cash

The District Court has defined cash to include cash on hand and demand deposits.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable or not available, expendable financial resources.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Prior to June 17, 2005, the District Court defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with Section 12-6-10 NMSA 1978, the District Court changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All fully depreciated capital assets with original cost of less than \$5,000 have been removed from capital assets.

Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded at estimated fair market value at the date of the donation. Costs other than personnel expenses for computer software developed internally, are capitalized and depreciated over the useful life of the software. Purchased computer software is recorded at historical cost.

Depreciation is provided over assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture and fixtures	7 years
Equipment and machinery	7 years
Automobiles	7 years
Data processing	5 years

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

District Court employees may accumulate limited amounts of vacation pay, which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements. District Court employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

Net Position

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as follows:

1. *Net investment in capital assets* - This category reflects the portion of net position that is associated with capital assets less outstanding capital asset-related debt.
2. *Restricted* - This category reflects the portion of net position that has third party limitations on their use.
3. *Unrestricted* - This category reflects net position of the District Court not restricted for any project or other purpose.

Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – i.e., prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Court - the entity's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Court Executive Officer removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balance - This classification reflects the amounts constrained by the District Court's "intent" to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Court, or through the Court delegating this responsibility to the Court Executive Officer through the budgetary process. Assigned fund balances include any remaining amounts (except negative balances) that are reported in governmental funds other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District Court's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order, as needed.

Use of Estimates

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

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

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District Court. Deposits may be made to the extent that they are insured by an agency of the United States of America, by collateral deposited as security, or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Idle cash may be invested in a wide variety of instruments including money market accounts, certificates of deposit, the New Mexico State Treasurers investment pool, or in securities which are issued by the state or by the United States government or their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments. Cash includes cash on hand and cash deposits in financial institutions. The District Court's deposits are carried at cost.

As of June 30, 2019, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

<u>Type of Account</u>	<u>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Agency Funds:			
<u>Silver City Trust Account:</u>			
Wells Fargo Bank 1201 N. Pope St. Silver City, New Mexico 88061	Checking \$58,772	(\$30,700)	\$28,072
 <u>Deming Trust Account:</u>			
Wells Fargo Bank 223 N. Gold Ave. Deming, New Mexico 88030	Checking 13,723	0	13,723
 <u>Lordsburg Trust Account:</u>			
Western Bank 140 E. Motel Dr. Lordsburg, New Mexico 88045	Checking 6,900	0	6,900
 <u>Lordsburg:</u>			
Acct 6th JDC (23600) Hidalgo County	Checking 446	0	446
	\$79,841	(\$30,700)	\$49,141

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

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of net position - cash equivalents	\$300,957
Statement of fiduciary net position	49,141
	\$350,098

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the District Court. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Court's carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes, is held in each respective depository bank's collateral pool at a Federal Reserve Bank or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Wells Fargo Bank	Western Bank
Demand deposits (interest bearing)	\$72,495	\$7,346
FDIC coverage	(72,495)	(7,346)
Total uninsured public funds	\$0	\$0

According to the Federal Deposit Insurance Corporation, a public unit is insured through its official custodian. All demand deposits owned by the public unit and held by the public unit's official custodian in an insured depository institution within the state at which the public unit is located are added together and insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit time and savings deposits at the same institution.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the District Court's agency fund demand deposits of \$79,841 were exposed to custodial credit risk as follows:

	Wells Fargo Bank	Western Bank
Uninsured and collateral held by agent, not in the District Court's name.	\$0	\$0

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

NOTE 3. INVESTMENTS

New Mexico State statutes require that the New Mexico State Treasurer hold and manage all operating funds on behalf of the District Court. Such funds are held in the State’s General Fund Investment Pool. The District Court’s interest in the pool is considered to be a cash equivalent. At June 30, 2019, the balance is as follows:

	Share Fund	Fund	Maturities	Fair Value
State General Fund Investment Pool	14600	General	1 day to 3 years	\$208,584
State General Fund Investment Pool	52100	Mediation	1 day to 3 years	59,723
State General Fund Investment Pool	68370	ADR	2 day to 3 years	32,650
				<u>\$300,957</u>

Interest Rate Risk – The District Court does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The State’s General Fund Investment Pool is not rated.

For additional GASB 40 disclosure information related to the State’s General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer for the fiscal year ended June 30, 2019.

The Court’s general operating bank account is under the oversight of the State Treasurer’s Office. Since SHARE was implemented, the Court has performed 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 addressed with the Financial Control Division at DFA and corrected. Monthly reconciliation procedures throughout the Fiscal Year include, but are not limited to, validation of deposits, expenditures, all general entries, operating transfers, and payroll expenditures/liabilities by fund. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court’s share of the state general fund investment pool provides court management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other assets and liability accounts on the Balance Sheet of each fund. This process also provides additional assurance that transactions affecting the Court’s share in the State General Fund Investment Pool account are accurate.

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

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Removal of fully depreciated under \$5,000	Additions	Deletions	Balance June 30, 2019
Capital assets, being depreciated:					
Furniture and fixtures	\$52,874	(\$12,898)	\$355,216	\$0	\$395,192
Equipment	303,245	(31,622)	76,035	0	347,658
Vehicles	113,246	0	40,408	(19,230)	134,424
<i>Total capital assets, being depreciated</i>	469,365	(44,520)	471,659	(19,230)	877,274
Less accumulated depreciation for:					
Furniture and fixtures	(52,874)	12,898	(355,216)	0	(395,192)
Equipment	(244,812)	31,622	(85,093)	0	(298,283)
Vehicles	(92,183)	0	(11,313)	19,230	(84,266)
<i>Total accumulated depreciated</i>	(389,869)	44,520	(451,622)	19,230	(777,741)
<i>Total capital assets, net</i>	\$79,496	\$0	\$20,037	\$0	\$99,533

The District Court recorded depreciation expense of \$50,839 for the year ended June 30, 2019. The depreciation expense is a direct expense of the judicial administration function. The District Court does not have any debt related to capital assets.

Current year additions include the net book value of assets (previously recorded on the supreme court) contributed to the court of \$23,456 and current year depreciation expense of \$23,456 for those same assets.

NOTE 5. REVERSION TO STATE OF NEW MEXICO GENERAL FUND

For the year ending June 30, 2019, the reversion to the State of New Mexico general fund is as follows:

	General Fund	Other Programs Fund	Total
Fiscal year 2019 reversion	\$8,008	\$0	\$8,008

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

NOTE 6. COMPENSATED ABSENCES

Accrued Annual Leave

Qualified employees accumulate annual leave at a rate of:

Year of Service	Hours Earned Per Pay Period	Hours of Maximum Accrual
Pay 1 – 3 years	4.62	240
Over 3 – 7 years	5.54	240
Over 7 – 14 years	6.46	240
Over 14 years and beyond	7.39	240

A maximum of 240 hours of 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.

Accrued Sick Leave

Under provisions of NMSA 1978, Section 10-7-10, employees who accumulate more than 600 hours of sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to 50% of the employee’s hourly rate of pay for up to 120 hours of sick leave. Payments may be made only once per fiscal year in either July or January. 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 that has been accrued represents the hours earned at June 30, 2019, over 600 hours. Expenditures for accumulated sick leave pay for less than 600 hours will be recognized as employees take such absences.

The amount recorded as a long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Amounts Due Within One Year
Accrued compensated absences	\$101,999	\$114,148	\$111,804	\$104,343	\$0

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

NOTE 7. OPERATING LEASES

The District Court has operating leases for three postage machines for Grant, Luna, and Hidalgo counties. The leases have 4-year terms and are payable on a quarterly basis. Each individual lease can be terminated due to lack of funding from the legislature with no penalty to the District Court. None of the operating leases had terms in excess of one year as of June 30, 2019.

The District Court recorded rental of equipment expense of \$3,676 for the year ending June 30, 2019.

NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2019.

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

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Sixth Judicial District Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Sixth Judicial District Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Sixth Judicial District Court's contributions to PERA for the fiscal years ending June 30, 2019, 2018 and 2017 were \$240,970, \$232,542, and \$220,977, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9. PENSION PLAN – JUDICIAL RETIREMENT ACT (JRA)

Plan Description. Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2019.

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

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

NOTE 9. PENSION PLAN – JUDICIAL RETIREMENT ACT (JRA) (CONTINUED)

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

Funding Policy. Plan members are required to contribute 10.5% of their gross salary. The District Court is required to contribute 15.0% of the gross covered salary. The District Court's contributions to JRA for the years ending June 30, 2019, 2018, and 2017 were \$68,524, \$71,305, and \$64,950, respectively, which equal to the amount of the required contributions for each fiscal year.

NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

The Sixth Judicial District Court's contributions to the RHCA for the years ended June 30, 2019, 2018 and 2017 were \$39,786, \$39,258, and \$36,679, respectively, which equal the required contributions for each year.

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

NOTE 11. RISK OF LOSS

The District Court’s Office 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, workman’s compensation, 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 are not included in this report. However, the District Court is not liable for more than the premiums paid.

NOTE 12. UNRESTRICTED DEFICIT NET POSITION

GASB 34 requires recording of capitalized assets, net of accumulated depreciation and long term liabilities, which results in an unrestricted net position deficit of \$104,343. The deficit is created by compensated absence liabilities which are expected to be paid from subsequent years state general fund appropriations.

NOTE 13. STATEMENT OF INTER-AGENCY TRANSFERS

	From/To Fund No.	Transfer In	Transfer Out
General Fund – 15200			
Department of Finance and Administration			
State General Fund Appropriation			
Laws of 2010, 2nd SS, Chap 6, Sec. 14	85300	\$3,266,400	\$0
Administrative Office of the Courts			
Compensation Package	62000	98,100	0
Administrative Office of the Courts			
Court Appointed Special Advocates (CASA) for Children Grant	13900	99,751	0
Department of Finance and Administration			
Fiscal year 2019 reversion	85300	0	8,008
		\$3,464,251	\$8,008

NOTE 14. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 28, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

AGENCY FUND

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2019

	June 30, 2018	Additions	Deletions	June 30, 2019
LITIGANTS FUND:				
ASSETS				
Cash - Litigant Accounts	\$94,435	\$125,811	(\$171,551)	\$48,695
Cash - State Treasurer Accounts	294	249,497	(249,345)	446
Total assets	\$94,729	\$375,308	(\$420,896)	\$49,141
LIABILITIES				
Deposits held in custody of others	\$94,435	\$125,811	(\$171,551)	\$48,695
Due to others	294	249,497	(249,345)	446
Total liabilities	\$94,729	\$375,308	(\$420,896)	\$49,141

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SCHEDULE OF CASH / INVESTMENT ACCOUNTS
JUNE 30, 2019

	Type of Account	Per Bank Balance June 30, 2019	Reconciling Items	Reconciled Balance June 30, 2019
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$208,584	\$0	\$208,584
OTHER FUNDS				
New Mexico State Treasurer	Checking	92,373	0	92,373
<i>Balance per statement of net position</i>		\$300,957	\$0	\$300,957
AGENCY FUNDS				
Litigant's Fund:				
State Treasurer - Wells Fargo - Silver City	Checking	\$0	\$0	\$0
State Treasurer - Wells Fargo - Deming	Checking	0	0	0
State Treasurer - Wells Fargo - Lordsburg	Checking	446	0	446
Wells Fargo Bank - Silver City	Checking	58,772	(30,700)	28,072
Wells Fargo Bank - Deming	Checking	13,723	0	13,723
Western Bank - Lordsburg	Checking	6,900	0	6,900
<i>Total Litigant's Fund</i>		\$79,841	(\$30,700)	\$49,141

The Notes to Financial Statements are an integral part of these statements.

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

Independent Auditor's Report

Mr. Brian S. Colón, State Auditor and
Honorable Jennifer E. DeLaney, Chief Judge
State of New Mexico
Sixth Judicial District Court
Silver City, 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 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Sixth Judicial District Court's basic financial statements and have issued our report thereon dated September 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Sixth Judicial District 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 Sixth Judicial District Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sixth Judicial District 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.

Mr. Brian S. Colón, State Auditor and
Honorable Jennifer E. DeLaney, Chief Judge
State of New Mexico
Sixth Judicial District Court
Silver City, New Mexico
Page Two

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sixth Judicial District 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

September 28, 2019

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SUMMARY OF AUDIT RESULTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

TYPE OF AUDIT REPORT ISSUED

Unmodified

AUDIT FINDINGS

TYPE

Current Year:

None.

Prior Year:

None.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS:

None.

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:

None.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2019**

EXIT CONFERENCE:

The exit conference was held September 30, 2019 and was attended by the following:

Representing Sixth Judicial District Court:

Honorable Jennifer E. DeLaney, Chief Judge
Melissa Frost, Court Executive Officer/CFO

Representing Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Jesus Cortez, Staff Auditor
Miguel Cortez, Staff Auditor

FINANCIAL STATEMENT PREPARATION

The auditing firm of Kriegel/Gray/Shaw & Co., P.C., with the aid of responsible Sixth Judicial District Court personnel, prepared the financial statements of the Sixth Judicial District Court as of and for the year ended June 30, 2019.