



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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
TABLE OF CONTENTS
JUNE 30, 2018**

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	I
Function of Entity and Official Roster	II
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget General Fund	16
Child Support Hearing Officer Fund	17
Mediation Fund	18
Alternative Dispute Resolution Fund	19
Statement of Fiduciary Net Assets and Liabilities - Agency Funds	20
Notes to the Financial Statements	21
SUPPLEMENTARY INFORMATION	
Combining Statement of Fiduciary Net Assets and Liabilities - Agency Funds	41
OTHER SUPPLEMENTARY INFORMATION	
Statement of Changes in Fiduciary Net Assets and Liabilities - Agency Funds	42
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Summary Schedule of Prior Audit Findings	47
Schedule of Findings and Responses	48
Exit Conference	49

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
FUNCTION OF ENTITY AND OFFICIAL ROSTER
JUNE 30, 2018**

Function of Entity

The Seventh Judicial District Court was established by New Mexico Statutes Annotated, 1978 Compilation and is comprised of the counties of Socorro, Torrance, Sierra, and Catron. The principal office of the District presiding judge is located in Truth or Consequences, New Mexico. The District Court has original jurisdiction in all matters and causes not excepted in the constitution, and such jurisdiction of special cases and proceedings as may be conferred by law, and appellate jurisdiction of all cases originating in inferior courts and tribunals in their respective districts, and supervisory control over the same. The District Courts, or any judge thereof, have power to issue writs of habeas corpus, mandamus, injunctions, quo warranto, certiorari, prohibition, and other writs remedial or otherwise in the exercise of their jurisdiction; provided that no such writs issued shall be directed to judges or courts of equal or superior jurisdiction. The District Courts also have the power of naturalization in accordance with the laws of the United States.

Official Roster

Judges

<u>Name</u>	<u>Title</u>
Honorable Matthew G. Reynolds	Chief Presiding Judge Division II
Honorable Mercedes C. Murphy	District Judge Division I
Honorable Shannon Murdock	District Judge Division III

Administrative Officials

Jason E. Jones	Court Executive Officer
Lilia Romero	Financial Supervisor

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Matthew G. Reynolds, Chief Judge
Seventh Judicial District Court
Socorro County Courthouse
Socorro, New Mexico and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Seventh Judicial District Court (District Court), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the 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.

Honorable Matthew G. Reynolds, Chief Judge
Seventh Judicial District Court
Socorro County Courthouse and
Mr. Wayne Johnson
New Mexico State Auditor

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the District Court are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the District Court. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2018, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 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.

Honorable Matthew G. Reynolds, Chief Judge
Seventh Judicial District Court
Socorro County Courthouse and
Mr. Wayne Johnson
New Mexico State Auditor

Other Information

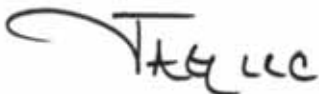
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District Court’s basis financial statements. The introductory section, combining and individual non-major fund financial statements, the other supplementary information, as identified in the Table of Contents and required by Section 2.2.2 NMAC, is presented is for purposes of additional analysis and is not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the 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 District Court’s internal control over financial reporting and compliance.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

This section of the Seventh Judicial District Court's (District Court) annual financial report has been prepared by the management of the District Court and presents a discussion and analysis of the District Court's financial performance during the fiscal year that ended June 30, 2018. Please read it in conjunction with the District Court's financial statements, which follow this section.

OVERVIEW

The caseload for the District Court during the fiscal year 2018 was 2,419 cases. This is an increase from the previous fiscal year 2017 of 2,230 cases. In addition to the general operations of the District Court, other programs include; a Child Support Hearing Officer Program, Domestic Violence Program, Domestic Relations Mediation Program, and Court Appointed Special Advocate Program, and three Adult Drug Court Programs, which are all included in the basic financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Court as a whole. The District Court has no business-type activities but rather solely supports governmental type activities. For government activities, these statements reflect how these services were financed in the current year and what remains for future spending. The fund financial statements report the District Court's operations in more detail than the government-wide statements by providing information about the District Court's most significant funds. The remaining statements provide financial information about activities for which the District Court acts solely in a fiduciary capacity for monies held in trust until litigation is completed. Pursuant to state statute, at the end of the fiscal year the District Court held in trust \$237,688 for litigants and \$1,797 to be distributed to other state agencies.

REPORTING THE COURT AS A WHOLE

These statements include all assets and liabilities of the District Court, except for the fiduciary funds, using an accrual basis of accounting, similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The following is a summary of the financial statements and provides an explanation of the District Court's net position for the fiscal years ended June 30, 2018 and 2017.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

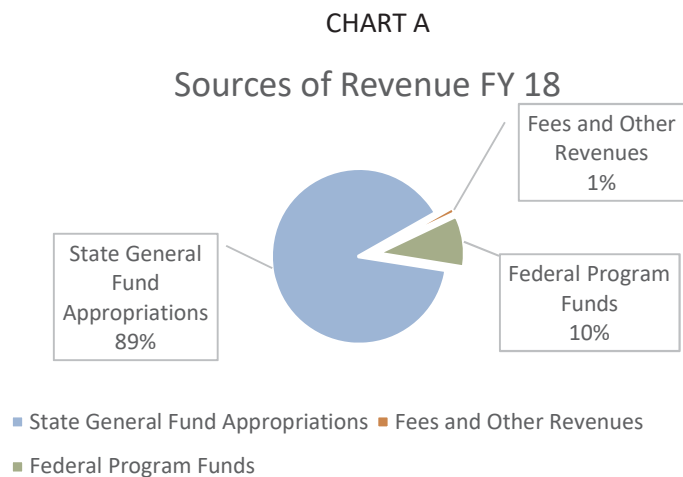
Condensed Statements of Net Position:

The District Court does not maintain available funds for future payment of the accrued compensated absences. The District Court relies on future State appropriations to pay the accrued compensated absences as they come due.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current Assets	\$ 397,106	\$ 405,313
Capital Assets	<u>200,400</u>	<u>230,149</u>
Total Assets	<u>597,506</u>	<u>635,462</u>
Current Liabilities	<u>171,474</u>	196,098
Compensated Absences	<u>77,687</u>	<u>86,079</u>
Total Liabilities	<u>249,161</u>	<u>282,177</u>
Net Position		
Net Investment in Capital Assets	<u>200,400</u>	230,149
Restricted	<u>225,632</u>	209,215
Unrestricted (Deficit)	<u>(77,687)</u>	<u>(86,079)</u>
Total Net Position	<u>\$ 348,345</u>	<u>\$ 353,285</u>

SOURCES OF REVENUE

As previously stated, the District Court serves as an umbrella organization for the administration of several different activities. Viewed as a whole, the District Court is one program. Sources of revenue for the program for FY 18 are as follows: State general fund appropriations \$2,455,010, (adjusted for reversions) federal pass-through funds of \$262,512 and fees and other revenues \$32,070 for total revenue of \$2,749,592. Chart A, below, provides a graphic presentation of revenue sources.

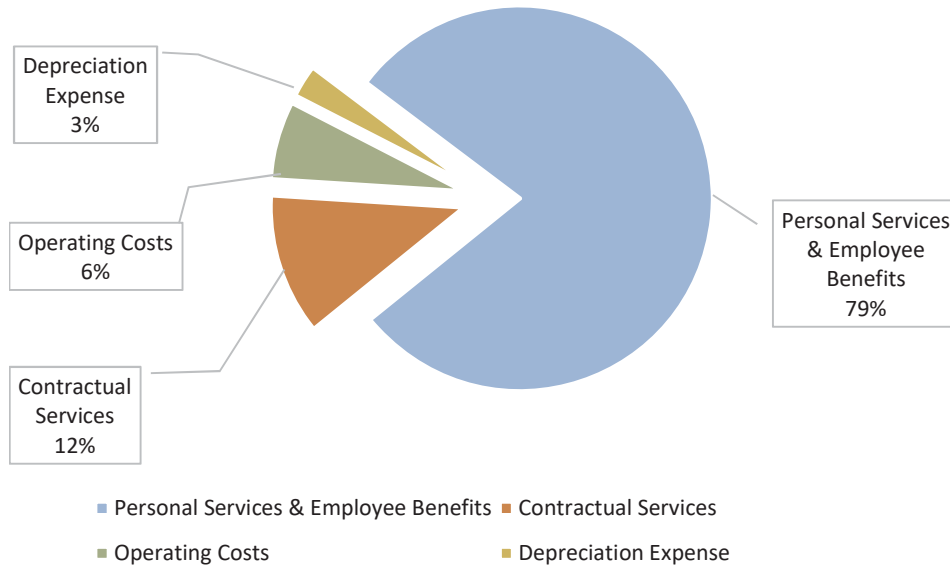


**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

EXPENSES

The District Court's total expenses for FY 18 were \$2,754,532 with the following components; Personal Services and Benefits \$2,173,163 or 79% of the total; Contractual Services \$325,858 or 12% of the total; Operating Costs \$180,732 or 6% of the total and Depreciation Expenses \$74,779 or 3% of the total. Chart B illustrates the expenses for the fiscal year.

CHART B
Expenses for FY 18



**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

The change in net position is derived from the variance between total revenues and total expenditures. The following summarizes the related information.

Condensed Statements of Activities:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
General Revenue		
State General Fund Appropriations	\$ 2,347,600	\$ 2,317,200
Federal Program Funds	262,512	255,614
Fees and Other Revenues	32,070	49,263
Transfer in From Other State Agency	119,342	89,143
Reversion	<u>(12,277)</u>	<u>(16,305)</u>
Total General Revenue	<u>2,749,247</u>	<u>2,694,915</u>
Expenses		
Court Regular	2,484,854	2,442,229
Child Support Hearing Officer	265,673	265,967
Mediation	<u>3,660</u>	<u>1,707</u>
Total Expenses	<u>2,754,187</u>	<u>2,709,903</u>
Change in Net Position	<u>(4,940)</u>	<u>(14,988)</u>
Net Position - Beginning	353,285	304,763
Restatement	<u>-</u>	<u>63,510</u>
Net Position - Beginning (as restated)	<u>353,285</u>	<u>368,273</u>
Net Position - Ending	<u>\$ 348,345</u>	<u>\$ 353,285</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

BUDGETARY COMPARISONS OF GENERAL FUND

Following is a summary of budget (GAAP Basis) to actual (Budgetary Basis) comparisons for the General Fund activity for FY 18. An explanation of the major variances follows.

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance
Revenue	<u>\$ 2,479,500</u>	<u>\$ 2,479,500</u>	<u>\$ 2,466,658</u>	<u>\$ (12,842)</u>
Expenditures				
Personal Services & Benefits	1,989,100	1,934,100	1,928,542	5,558
Contractual Services	348,600	328,600	322,198	6,402
Operating Costs	<u>141,800</u>	<u>216,800</u>	<u>215,918</u>	<u>882</u>
Total expenditures	<u>2,479,500</u>	<u>2,479,500</u>	<u>2,466,658</u>	<u>12,842</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The District Court uses the "budget adjustment request" system to better utilize the budget. A budget increase and a budget adjustment from personal services and contractual categories to other operating costs were necessary to assist our district with purchasing furniture and equipment. The District Court attempts to fulfill all foreseeable expenses through annual budget requests and relies on the New Mexico Legislature to appropriate accordingly.

There were no major variances between the original budget and final budget and actual results.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

CAPITAL ASSET ACTIVITY FOR FY 18

The following provides a detailed analysis of the change in capital assets for FY 18 and FY 17.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Deletions		
Asset Deletions	\$ (27,621)	\$ -
Associated Accumulated Depreciation	27,621	-
Additions		
Asset Additions	45,030	24,500
Depreciation	<u>(74,779)</u>	<u>(38,659)</u>
Total Change in Capital Assets	<u>\$ (29,749)</u>	<u>\$ (14,159)</u>
Additions for Capital Assets included		
Furniture and Fixtures	\$ 10,755	\$ 24,500
Automobiles	<u>34,275</u>	<u>-</u>
Total Additions	<u>\$ 45,030</u>	<u>\$ 24,500</u>

LONG-TERM DEBT ACTIVITY

The District Court's long-term debt consists of compensated absences that are payable to employees upon separation from service. The total liability accumulated at June 30, 2018 and 2017 was \$77,687 and \$86,079, respectively. Consequently, there was a decrease of \$8,392 in FY 18.

CURRENTLY KNOWN FACTS

The District Court's General Fund appropriation has increased by the NM Legislature by roughly 1.3% (\$30,400).

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of the District Court's finances and to demonstrate the agency's accountability for the funds it receives. If you have any questions or need additional information, contact:

The Seventh Judicial District Court
PO Drawer 1129
Socorro, NM 87801
(575) 835-0500

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Interest in State Treasurer General Fund Investment Pool	\$ 397,106
Due from other state agencies	<u>-</u>
Total current assets	<u>397,106</u>
Non-current Assets	
Capital assets	817,583
Accumulated depreciation	<u>(617,183)</u>
Total non-current assets	<u>200,400</u>
Total assets	<u>597,506</u>
LIABILITIES	
Current Liabilities	
Accounts payable	60,325
Accrued payroll	81,516
Due to State General Fund	359
Due to other state agency - HSD	29,274
Accrued compensated absences	<u>77,687</u>
Total liabilities	<u>249,161</u>
NET POSITION	
Net investment in capital assets	200,400
Restricted	225,632
Unrestricted	<u>(77,687)</u>
Total net position	<u><u>\$ 348,345</u></u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues</u>
Functions / Programs		<u>Services</u>	<u>Grants</u>	<u>(Expenses)</u>
Governmental activities				
Judicial				
Court Regular	\$ 2,484,854	\$ 11,993	\$ -	\$ (2,472,861)
Child Support Hearing Officer	265,673	-	262,512	(3,161)
Mediation	3,660	8,242	-	4,582
Alternative Dispute Resolution	-	11,835	-	11,835
Capital Outlay Project	-	-	-	-
Total governmental activities	<u>\$ 2,754,187</u>	<u>\$ 32,070</u>	<u>\$ 262,512</u>	<u>\$ (2,459,605)</u>
Transfers				
Transfer - State General Fund appropriation				2,347,600
Transfer - From Other State Agency				119,342
Transfer - Reversion to State General Fund				<u>(12,277)</u>
Total transfers				<u>2,454,665</u>
Change in net position				(4,940)
Net position, beginning of year				<u>353,285</u>
Net position, end of year				<u>\$ 348,345</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund (14700)	Mediation Fund (29400)	Alternative Dispute Resolution Fund (50470)	Child Support Hearing Officer Fund (52200)	Capital Outlay Project Fund (03500)	Total
ASSETS						
Current Assets						
Interest in State Treasurer General Fund Investment Pool	\$ 135,750	\$ 63,424	\$ 11,835	\$ 186,097	\$ -	\$ 397,106
Due from other state agencies	-	-	-	-	-	-
Total assets	<u>\$ 135,750</u>	<u>\$ 63,424</u>	<u>\$ 11,835</u>	<u>\$ 186,097</u>	<u>\$ -</u>	<u>\$ 397,106</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 60,040	\$ -	\$ -	\$ 285	\$ -	\$ 60,325
Accrued payroll	75,351	-	-	6,165	-	81,516
Due to State General Fund for Reversion	359	-	-	-	-	359
Due to other state agency - HSD	-	-	-	29,274	-	29,274
Total liabilities	<u>135,750</u>	<u>-</u>	<u>-</u>	<u>35,724</u>	<u>-</u>	<u>171,474</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted for						
General Fund	-	-	-	-	-	-
Special Revenue	-	63,424	11,835	150,373	-	225,632
Capital projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Assigned for designated cash	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>63,424</u>	<u>11,835</u>	<u>150,373</u>	<u>-</u>	<u>225,632</u>
Total liabilities and fund balances	<u>\$ 135,750</u>	<u>\$ 63,424</u>	<u>\$ 11,835</u>	<u>\$ 186,097</u>	<u>\$ -</u>	<u>\$ 397,106</u>

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances - Total Governmental Funds	<u>\$ 225,632</u>
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Capital assets	817,583
Accumulated depreciation	<u>(617,183)</u>
Total capital assets	<u>200,400</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p>	
Compensated absences	<u>(77,687)</u>
Total Net Position	<u><u>\$ 348,345</u></u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund (14700)	Mediation Fund (29400)	Alternative Dispute Resolution Fund (50470)	Child Support Hearing Officer Fund (52200)	Capital Outlay Project Fund (03500)	Total
REVENUE						
Federal pass-through funds	\$ -	\$ -	\$ -	\$ 262,512	\$ -	\$ 262,512
Fees	<u>11,993</u>	<u>8,242</u>	<u>11,835</u>	<u>-</u>	<u>-</u>	<u>32,070</u>
Total revenue	<u>11,993</u>	<u>8,242</u>	<u>11,835</u>	<u>262,512</u>	<u>-</u>	<u>294,582</u>
EXPENDITURES						
Current						
Personal services and employee benefits	1,928,542	-	-	253,013	-	2,181,555
Contractual services	322,198	3,660	-	-	-	325,858
Operating costs	170,888	-	-	9,499	-	180,387
Capital outlay	<u>45,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,030</u>
Total expenditures	<u>2,466,658</u>	<u>3,660</u>	<u>-</u>	<u>262,512</u>	<u>-</u>	<u>2,732,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,454,665)</u>	<u>4,582</u>	<u>11,835</u>	<u>-</u>	<u>-</u>	<u>(2,438,248)</u>
Other financing sources (uses)						
Transfers in from other state agency	119,342	-	-	-	-	119,342
State General Fund appropriations	2,347,600	-	-	-	-	2,347,600
Reversions - fiscal year 2018	<u>(12,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,277)</u>
Total other financing sources	<u>2,454,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,454,665</u>
Net change in fund balances	-	4,582	11,835	-	-	16,417
Fund balances - beginning of year	<u>-</u>	<u>58,842</u>	<u>-</u>	<u>150,373</u>	<u>-</u>	<u>209,215</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 63,424</u>	<u>\$ 11,835</u>	<u>\$ 150,373</u>	<u>\$ -</u>	<u>\$ 225,632</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 16,417</u>
---	------------------

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 and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay for the period.

Depreciation expense	(74,779)
Capital outlay	45,030

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Increase in accrued compensated absences	<u>8,392</u>
--	--------------

Change in Net Position	<u><u>\$ (4,940)</u></u>
-------------------------------	--------------------------

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
REVENUE				
Federal pass-through funds	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	13,000	13,000	11,993	(1,007)
Total revenue	<u>13,000</u>	<u>13,000</u>	<u>11,993</u>	<u>(1,007)</u>
EXPENDITURES				
Personal services and employee benefits	1,989,100	1,934,100	1,928,542	5,558
Contractual services	348,600	328,600	322,198	6,402
Other costs	141,800	216,800	215,918	882
Total expenditures	<u>2,479,500</u>	<u>2,479,500</u>	<u>2,466,658</u>	<u>12,842</u>
Other financing sources (uses)				
Transfer in from other state agency	118,900	118,900	119,342	442
2018 FY Reversion to State General Fund	-	-	(12,277)	(12,277)
State General Fund appropriations	2,347,600	2,347,600	2,347,600	-
Total other financing sources (uses)	<u>2,466,500</u>	<u>2,466,500</u>	<u>2,454,665</u>	<u>(11,835)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess of revenues and other sources over expenditures (GAAP Basis)			<u>\$ -</u>	

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CHILD SUPPORT HEARING OFFICER FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
REVENUE				
Federal pass-through funds via HSD transfer	\$ 281,300	\$ 281,300	\$ 262,512	\$ (18,788)
Miscellaneous revenue	-	-	-	-
Total revenue	<u>281,300</u>	<u>281,300</u>	<u>262,512</u>	<u>(18,788)</u>
EXPENDITURES				
Personal services and employee benefits	271,300	271,300	253,013	18,287
Contractual services	-	-	-	-
Other costs	10,000	10,000	9,499	501
Total expenditures	<u>281,300</u>	<u>281,300</u>	<u>262,512</u>	<u>18,788</u>
Other financing sources	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess of revenues and other sources over expenditures (GAAP Basis)			<u>\$ -</u>	

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
MEDIATION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
REVENUE				
State General Fund	\$ -	\$ -	\$ -	\$ -
Fees	12,000	12,000	8,242	(3,758)
Total revenue	<u>12,000</u>	<u>12,000</u>	<u>8,242</u>	<u>(3,758)</u>
EXPENDITURES				
Personal services and employee benefits	-	-	-	-
Contractual services	16,000	16,000	3,660	12,340
Other costs	1,000	1,000	-	1,000
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>3,660</u>	<u>13,340</u>
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>4,582</u>	<u>9,582</u>
Net change in fund balances	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>4,582</u>	<u>\$ 9,582</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess of revenues and other sources over expenditures (GAAP Basis)			<u>\$ 4,582</u>	

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
ALTERNATIVE DISPUTE RESOLUTION FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
REVENUE				
State General Fund	\$ -	\$ -	\$ -	\$ -
Fees	-	-	11,835	11,835
Total revenue	-	-	11,835	11,835
EXPENDITURES				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Other financing sources	-	-	-	-
Excess of revenues over expenditures	-	-	11,835	11,835
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>11,835</u>	<u>\$ 11,835</u>
Reconciliation to GAAP Basis				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess of revenues and other sources over expenditures (GAAP Basis)			<u>\$ 11,835</u>	

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash in banks	\$ 232,490
State Treasurer Local Government Investment Pool	<u>6,993</u>
Total assets	<u><u>\$ 239,483</u></u>
LIABILITIES	
Due to Litigants	<u>\$ 239,483</u>
Total liabilities	<u><u>\$ 239,483</u></u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Seventh Judicial District Court (District Court) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard 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 District Court's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District Court for financial reporting purposes, management has considered all potential component units by applying GASB Statement No. 14, *The Financial Reporting Entity*. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including a potential component unit within the reporting entity. The first 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 operation, 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 District Court, or whether the activity is conducted within the geographic boundaries of the District Court. 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 District Court is able to exercise oversight responsibilities. Based upon the application of these criteria, included within the reporting entity are all funds and functions under the District Court's control and responsibility, which are included in the District Court's reports to the New Mexico Department of Finance and Administration. Based on the application of the above criteria, no other activities meet the criteria for inclusion in the reporting entity; therefore, there are no component units included in these financial statements.

The District Court is an agency of the judicial division of the State of New Mexico and is included in the statewide Comprehensive Annual Financial Report. These financial statements include only those funds and activities over which the District Court has oversight responsibility.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the District Court. For the most part, 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.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Management has determined that all their funds should be presented as Major Funds for consistent and clear presentation to users of their financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District Court has elected not to follow subsequent private-sector guidance.

The accounts of the District Court are organized on a fund basis, 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 assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The following fund types and account groups are used by the District Court:

GOVERNMENTAL FUNDS

General Fund. The General Fund (SHARE Fund 14700) is the general operating fund of the District Court and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily by an appropriation from the State General Fund and any unused funds at the end of the fiscal year revert back to the State General Fund. The General Fund is always reported as a major fund.

Special Revenue Funds. The Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the Special Revenue Funds for general operations of the District Court. The District Court has two Special Revenue Funds.

Child Support Hearing Officer Fund (SHARE Fund 52200). The District Court has entered into an agreement with the State of New Mexico Human Services Department (HSD) operating through its Child Support Enforcement Division (CSED) which administers a statewide plan for child support enforcement in compliance with Title IV-D of the federal Social Security Act. HSD provides funding to the District Court for implementing measures for the use of child support hearing officers in the adjudication of legal accounts for child support pursuant to NMSA 1978 Sec. 40-4B-1. The Child Support Hearing Officer Fund is a non-reverting fund. The Child Support Hearing Officer Fund is reported as a major fund.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Mediation Fund (SHARE Fund 29400). The Mediation Fund accounts for a domestic relations mediation program pursuant to section 5 [40-12-5, NMSA, 1978 Compilation] 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 Compilation] of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 [40-12-6, NMSA 1978 Compilation] of that act. The Mediation Fund is a non-reverting fund. The Mediation Fund is reported as a major fund.

Alternative Dispute Resolution Fund (50470) – The District Court has established an alternative dispute resolution program by court rule approved by the supreme court. In addition to fees collected pursuant to, and subject to exceptions set forth in, Section 34-6-40 NMSA 1978 for docketing of civil cases, the district court clerk shall collect a fee of fifteen dollars (\$15.00) on all new and reopened civil cases except domestic relations cases. The fee shall be deposited for credit to the district court alternative dispute resolution fund pursuant to the provisions of Section 34-6-44 NMSA 1978. Parties shall pay the cost of the alternative dispute resolution program pursuant to a sliding fee scale approved by the New Mexico Supreme Court. The sliding fee scale shall be based on ability to pay. The fee shall be paid to the district court to be credited to the fund. The ADR Fund is a non-reverting fund. The ADR Fund is reported as a major fund.

Capital Project Fund. The Capital Project Fund (SHARE Fund 03500) accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds. The District Court has one Capital Project Fund. The Capital Project Fund is reported as a major fund. The District Court maintains the fund for future capital projects, though have not utilized the fund since the year ended June 30, 2012.

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 measurements of results of operations. The following two funds are agency funds of the District Court:

Litigants Fund. These monies are amounts collected from persons involved in pending litigation. The District Court has custody and may invest these monies until refunded and, if not stated, the interest earned is transferred to the State General Fund.

Court Clerk'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
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District Court (an agency of the judicial division of the State of New Mexico) as a whole without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The District Court has no business-type activities; therefore, these statements only reflect governmental activities.

Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurements focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Deferred outflows of resources. Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources. Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position. Net position is the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

FUND FINANCIAL STATEMENTS

The governmental fund financial statements are prepared using only a “current financial resources” measurement focus and the modified accrual basis of accounting. Under this focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. Governmental funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the District Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. A reconciliation is provided with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

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

No later than September 1, the District Court submits to the Administrative Offices of the Courts Budget Committee (AOC), the Legislative Finance Committee (LFC), and the Department of Finance and Administration, State Budget Division (DFA-SBD) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.

Appropriation request hearings are scheduled by the AOC. Recommendations are made by the AOC 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 District Court.

Budget hearings are scheduled before the New Mexico House Appropriations and the Senate Finance Committees. Certain outcomes of these hearings are incorporated into the General Appropriations Act.

The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit with changes authorized by veto power.

The District Court submits, no later than May 1, 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 1. All subsequent budget adjustments must be approved by the director of DFA – Budget Division and LFC. The budget was amended in a legal manner for the current year.

Budget control for expenditures is by category of expenditures and to meet legal compliance cannot exceed the appropriation at the program level (A-Code, P-Code, R-Code and Z-Code).

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

Appropriations lapse at the end of the fiscal year except for those amounts properly encumbered for accounts payable. All unused annual appropriations within the General Fund revert to the State. The Child Support Hearing Officer Fund and Mediation Fund are Special Revenue Funds and are non-reverting funds.

During fiscal year 2005, the General Appropriation Act of 2004 established the modified accrual basis of accounting as the budgetary basis of accounting for the encumbrances at the end of the fiscal year 2005. However, only valid encumbrances (those paid within the deadline set by DFA) are included in the budgetary statements. In addition, the budgetary financial statements include the purchase of capital assets as budgetary expenditures and omit expenditures that are not expected to be paid out of available financial resources. Budgetary financial statements omit revenue included in accounts receivable that is not expected to be received within 60 days following the end of the fiscal year. Thus, budgetary comparisons presented in the report for the fiscal year are on the modified accrual basis of accounting. For comparison to the legally adopted budget, revenues and expenditures were adjusted to the budgetary basis.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Encumbrances

Encumbrances follow the modified accrual basis of accounting. Outstanding valid encumbrances are classified as accounts payable if they are normally paid before 30 days after the end of the fiscal year. After this deadline, the agency may still make the expenditure for a prior year accounts payable; however, they must first obtain DFA's permission to pay prior year bills. "Permission to pay prior year bills" is a penalty under law for not paying bills timely. It penalizes an agency by mandating that they charge an expenditure of one fiscal year to the subsequent fiscal year's budget.

F. Inventory

The cost of office supply inventory items is recorded as expenditures at the time they are purchased.

G. Accrued Annual Leave

Qualified employees accumulate annual leave to a maximum of 240 hours as follows:

<u>Years of Service</u>	<u>Hours Earned per Pay Period</u>
1 month - 3 yrs	4.62
3 yrs - 7 yrs	5.54
7 yrs - 14 yrs	6.46
Over 14 yrs	7.39

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 a maximum of 240 hours.

Accrued compensated absences payable for accumulated annual leave totaled \$77,687 and \$86,079 at June 30, 2018 and 2017, respectively. Accrued annual leave is recorded as a liability and net changes are recorded as an expenditure in the government-wide financial statements. The fund financial statements and budgetary comparison reports only recognize the compensated absences when payments are made to employees.

H. 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 in a fiscal year. However, the sick leave will be paid at 50% of the employee's regular hourly wage. At retirement, employees can receive 50% 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 the end of the fiscal year over 600 hours. 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 and net changes are recorded as an expenditure in the

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Accrued Sick Leave (Continued)

government-wide financial statements. For fund financial statements and budgetary reporting, the expenditure is only recognized when payments are made to employees. The District Court had two employees with accumulated sick leave in excess of 600 hours. Accrued sick leave in excess of 600 hours amounted to \$4,164 and \$2,785 at June 30, 2018 and 2017, respectively.

I. Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets are recorded at their estimated fair value at the date of donation. In accordance with Section 12-6-10 NMSA 1978, capital assets with a value exceeding \$5,000 are capitalized and depreciated.

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

Automotive	7 years
Equipment and Machinery	7 years
Furniture and Fixtures	7 years
Software	7 years

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

The District Court's library is held for education and research, protected, kept unencumbered, preserved, and consists of all individual items with a value less than the capitalization threshold. Therefore, the library is not reported as a capital asset.

J. Intergovernmental Receivables and Unearned Revenue

Intergovernmental Receivables include amounts due from grantors for grants for specific programs and capital projects. Program grants and capital grants are recorded as receivables and revenues at the time reimbursable projects costs are incurred. Revenues received in advance of project costs being incurred would be Unearned Revenue.

K. Due to State General Fund for Reversions

State General Fund appropriations are reverting appropriations and special revenue funds revenues are non-reverting. State General Fund appropriations that are not encumbered at year end and are not spent by August 31 following the year-end are considered reverting. Reverting amounts are recorded as a payable to the State General Fund and as an "other financing use" at year-end.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Cost of Operations Not Included in Statements

The local Counties provide the cost of building space and related expenses to the District Court.

M. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Net Position or Fund Equity

Governmental Funds. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the governmental financial statements, fund balance is classified and is displayed in five components:

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

Restricted: Consists of amounts that are restricted to specific purposes as a result of (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Government-Wide. In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Position or Fund Equity (Continued)

1. *Net investment in capital assets.* Consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District Court has no outstanding debt relating to capital assets.
2. *Restricted net positions.* Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net position.* Includes all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net or related debt”.

Use of Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for use, it is the District Court’s policy to use the restricted resources first. Then unrestricted resources are used as needed.

O. Post-Employment Benefits – State Retiree Health Care Plan

As required by Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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

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

P. Retirement Plan - Public Employees Retirement Association

As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting of Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2018.

The 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

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Retirement Plan - Public Employees Retirement Association (Continued)

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 the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

NOTE 2. CASH AND INVESTMENTS

Appropriations from the State General Fund and other general fund monies are held by the State Treasurer as an Interest in the State Treasurer General Fund Investment Pool. The District Court deposits the Court Clerk's funds directly into an interest-bearing bank account in the name of the State Treasurer's Office. The District Court's litigants fund accounts are held by private financial institutions and in the State of New Mexico Local Government Investment Pool (LGIP) in the name of the State Treasurer and the name of the District Court.

State General Fund Investment Pool

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amount are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced. The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

1. As of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

The District Court has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in the pool, in SHARE are correct and to mitigate the risk that the District Court's cash balances in the pool, would not be misstated as of June 30, 2018.

The following is a schedule of the District Court's governmental funds interest in the State Treasurer General Fund Investment Pool:

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Interest in the State Treasurer General Fund Investment Pool	Agency	SHARE Fund	Fair Value	Investment Maturities Less than 1 Year
General Fund	23700	14700	\$ 135,750	\$ 135,750
Mediation Fund	23700	29400	63,424	63,424
Alternative Dispute Resolution Fund	23700	50470	11,835	11,835
Child Support Hearing Officer Fund	23700	52200	186,097	186,097
Capital Projects Fund	23700	03500	-	-
Total governmental funds			<u>\$ 397,106</u>	<u>\$ 397,106</u>

Agency Funds

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2018. The State of New Mexico is regulatory oversight entity and participation in the pool in voluntary.

GASB Statement No. 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of government entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk.

The State Treasurer's Office provides the following information regarding the LGIP:

Credit Risk - With respect to credit risk, the LGIP is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration Risk - GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Foreign Currency Risk - GASB Statement No. 40 defines foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

Interest Rate Risk - GASB Statement No. 40 defines interest rate risk as the potential that interest rate changes may adversely affect the fair value of an investment.

According to the Statement, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov. As of June 30, 2018, the LGIP WAM (R) was 50 days and the WAM (F) was 100 days. The value of the investment in the LGIP as of June 30, 2018, is the ending balance on the LGIP statements. The District Court's balance is as follows:

June 30, 2018

New Mexico LGIP AAAM Rated \$6,993 [50] day WAM (R); [100] day WAM (F)

STO's investment portfolio is posted on the State Treasurer's Office website, www.nmsto.gov, and available for review by participants at any time.

The following is a schedule of the District Court's Agency Funds cash and investment balances:

		Bank Balance	Deposits in Transit	Outstanding Checks	Reconciled Balance
First State Bank	Checking	\$ 68,565	\$ -	\$ -	\$ 68,565
Wells Fargo Bank	Checking	130,584	-	-	130,584
Bank of the Southwest	Checking	33,341	-	-	33,341
Total cash in banks		<u>232,490</u>	<u>-</u>	<u>-</u>	<u>232,490</u>
State Treasurer	LGIP	707	-	-	707
State Treasurer	LGIP	724	-	-	724
State Treasurer	LGIP	203	-	-	203
State Treasurer	LGIP	28	-	-	28
State Treasurer	LGIP	12	-	-	12
State Treasurer	LGIP	8	-	-	8
State Treasurer	LGIP	609	-	-	609
State Treasurer	LGIP	1,421	-	-	1,421
State Treasurer	LGIP	1,226	-	-	1,226
State Treasurer	LGIP	280	-	-	280
Bank of the Southwest	Checking	1,775	-	-	1,775
Total State Treasurer accounts		<u>6,993</u>	<u>-</u>	<u>-</u>	<u>6,993</u>
Total agency funds		<u>\$ 239,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,483</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Section 6-10-16, NMSA 1978 Compilation states that no security is required for the deposit of public money that is insured by the FDIC. One half of public money in excess of the FDIC coverage must have pledged collateral. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or, (c) collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor - government's name. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the government. The District Court's deposits were all fully insured by the FDIC and, therefore, did not have any custodial credit risk.

The District Court may invest in the following type of investments: (1) Securities of the United States Government; (2) Obligations of the State of New Mexico or any county, municipality, or school district within the State of New Mexico. The District Court did not make any investments during the fiscal year.

The collateral categories below represent only those deposits held by the District Court, in trust for other parties, and do not include deposits of the District Court's funds held by the State Treasurer. The collateralization of the District Court's funds held by the State Treasurer is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure those deposits.

At June 30, 2018, the District Court's agency funds had the following bank accounts:

	<u>First State Bank</u>	<u>Wells Fargo Bank</u>	<u>Bank of the Southwest</u>	<u>Total</u>
Total amounts of deposits	\$ 68,565	\$ 130,584	\$ 33,341	\$ 232,490
FDIC coverage	<u>(68,565)</u>	<u>(130,584)</u>	<u>(33,341)</u>	<u>(232,490)</u>
Total uninsured public funds	-	-	-	-
Pledged collateral held by pledging bank's trusty department or agent but not in agency's name	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Collateral requirement: 50% uninsured public funds Pledged Security	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total under (over) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, the carrying amount of these deposits was \$232,490.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 3. DUE TO STATE GENERAL FUND

General Fund. Due to State General Fund for reversions as of June 30, 2018 are as follows:

Reversions for fiscal year ended June 30, 2018	\$ 12,277
Stale dated warrants	15
Amounts reverted during the year	<u>(11,933)</u>
Total reversions due to State General Fund	<u><u>\$ 359</u></u>

NOTE 4. DUE TO OTHER STATE AGENCY – HSD

The District Court entered into an agreement with the State of New Mexico Human Services Department (HSD, SHARE Fund #63000) operating through its Child Support Enforcement Division (CSED), which administers a program for child support enforcement in compliance with Title IV-D of the federal Social Security Act. Program funds are recorded as receivables and revenue at the time reimbursable program costs are incurred. Unused program funds are due back to HSD and are recorded as a payable.

2006	\$ 7,026
2007	14,401
2008	1,693
2009	(1,272)
2010	3,355
2011	4,201
2012	(11,989)
2013	<u>11,859</u>
Total Unused Program Funds due back to HSD as of June 30, 2018	<u><u>\$ 29,274</u></u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 5. RECONCILIATION OF ENCUMBRANCES AND ACCOUNTS PAYABLE

	Total Encumbrance & Accounts Payable	Amounts Not Paid Within DFA Time Limits	Budgetary Basis Encumbrance & Accounts Payable
General Fund (14700)			
Contractual Services	\$ 53,785	\$ -	\$ 53,785
Other Operating	<u>6,255</u>	<u>-</u>	<u>6,255</u>
Total	60,040	-	60,040
Child Support Hearing Officer Fund (52200)			
Other Operating	<u>285</u>	<u>-</u>	<u>285</u>
Total encumbrances	<u>\$ 60,325</u>	<u>\$ -</u>	<u>\$ 60,325</u>

NOTE 6. RECONCILIATION BETWEEN GOVERNMENT-WIDE, FUND, AND BUDGETARY

	General Fund	Mediation	ADR	Child Support	Total
REVENUE					
Government-wide	\$ 2,466,658	\$ 8,242	\$ 11,835	\$ 262,512	\$ 2,749,247
Less A/R not received within 60 days	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund revenues and sources	2,466,658	8,242	11,835	262,512	2,749,247
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary revenue	<u>\$ 2,466,658</u>	<u>\$ 8,242</u>	<u>\$ 11,835</u>	<u>\$ 262,512</u>	<u>\$ 2,749,247</u>
EXPENSES					
Government-wide	\$ 2,484,854	\$ 3,660	\$ -	\$ 265,673	\$ 2,754,187
Plus: Capital Asset Additions	45,030	-	-	-	45,030
Less: Capital Asset Deletions	-	-	-	-	-
Less: Depreciation Expense	(68,954)	-	-	(5,825)	(74,779)
Changes in Accrued Compensated Absences	<u>5,728</u>	<u>-</u>	<u>-</u>	<u>2,664</u>	<u>8,392</u>
Fund expenditures	2,466,658	3,660	-	262,512	2,732,830
Non-budgeted expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary expenses	<u>\$ 2,466,658</u>	<u>\$ 3,660</u>	<u>\$ -</u>	<u>\$ 262,512</u>	<u>\$ 2,732,830</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 7. CAPITAL ASSETS

A summary of changes in capital assets and accumulated depreciation is as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
General Fund (Fund 14700)				
Capital Assets				
Furniture, fixtures, equipment	\$ 533,580	\$ 10,755	\$ -	\$ 544,335
Automotive	177,735	34,275	(27,621)	184,389
	<u>711,315</u>	<u>45,030</u>	<u>(27,621)</u>	<u>728,724</u>
Accumulated Depreciation				
Furniture, fixtures, equipment	(388,982)	(50,197)	-	(439,179)
Automotive	(115,923)	(18,757)	27,621	(107,059)
	<u>(504,905)</u>	<u>(68,954)</u>	<u>27,621</u>	<u>(546,238)</u>
Total capital assets, net	<u>206,410</u>	<u>(23,924)</u>	<u>-</u>	<u>182,486</u>
CSHO Fund (Fund 52200)				
Capital Assets				
Furniture, fixtures, equipment	71,201	-	-	71,201
Automotive	17,658	-	-	17,658
	<u>88,859</u>	<u>-</u>	<u>-</u>	<u>88,859</u>
Accumulated Depreciation				
Furniture, fixtures, equipment	(59,865)	(3,302)	-	(63,167)
Automotive	(5,255)	(2,523)	-	(7,778)
	<u>(65,120)</u>	<u>(5,825)</u>	<u>-</u>	<u>(70,945)</u>
Total capital assets, net	<u>23,739</u>	<u>(5,825)</u>	<u>-</u>	<u>17,914</u>
All Funds				
Capital Assets				
Furniture, fixtures, equipment	604,781	10,755	-	615,536
Automotive	195,393	34,275	(27,621)	202,047
	<u>800,174</u>	<u>45,030</u>	<u>(27,621)</u>	<u>817,583</u>
Accumulated Depreciation				
Furniture, fixtures, equipment	(448,847)	(53,499)	-	(502,346)
Automotive	(121,178)	(21,280)	27,621	(114,837)
	<u>(570,025)</u>	<u>(74,779)</u>	<u>27,621</u>	<u>(617,183)</u>
Grand total, capital assets, net	<u>\$ 230,149</u>	<u>\$ (29,749)</u>	<u>\$ -</u>	<u>\$ 200,400</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 7. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

General Fund	\$ 68,954
CSHO Fund	<u>5,825</u>
Total depreciation expense	<u><u>\$ 74,779</u></u>

NOTE 8. CHANGES IN COMPENSATED ABSENCES

A summary of changes in compensated absences is as follows:

	Balance, June 30, 2017	Additions	Deletions	Balance, June 30, 2018	Amount due within one year
Accrued compensated absences					
Annual leave	\$ 83,295	\$ 99,207	\$ (108,979)	\$ 73,523	\$ 73,523
Accrued sick leave	<u>2,784</u>	<u>61,815</u>	<u>(60,435)</u>	<u>4,164</u>	<u>4,164</u>
Total accrued compensated absences	<u><u>\$ 86,079</u></u>	<u><u>\$ 161,022</u></u>	<u><u>\$ (169,414)</u></u>	<u><u>\$ 77,687</u></u>	<u><u>\$ 77,687</u></u>

Accrued compensated absences are maintained on a first earned, first used method; therefore, it is expected that all the accrued compensated absences as of the end of the fiscal year will be used within one year. It is also anticipated that all compensated absences will not all be used within the same year as they were earned.

A summary of total compensated absences by fund is as follows:

	Balance, June 30, 2017	Additions	Deletions	Balance, June 30, 2018
General Fund	\$ 71,704	\$ 136,321	\$ (142,049)	\$ 65,976
CSHO Fund	<u>14,375</u>	<u>24,701</u>	<u>(27,365)</u>	<u>11,711</u>
Total compensated absences	<u><u>\$ 86,079</u></u>	<u><u>\$ 161,022</u></u>	<u><u>\$ (169,414)</u></u>	<u><u>\$ 77,687</u></u>

NOTE 9. INTERAGENCY TRANSFERS

SHARE Fund #	Title	Transfer In	Transfer Out
(1) 85300	NM Department of Finance and Administration	\$ 2,347,600	\$ -
(2) 13900	Administrative Office of the Courts	83,496	-
(3) 13900	Administrative Office of the Courts	35,846	-
(4) 85300	NM Department of Finance and Administration	-	12,277
Total interagency transfers		<u><u>\$ 2,466,942</u></u>	<u><u>\$ 12,277</u></u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 9. INTERAGENCY TRANSFERS (CONTINUED)

- (1) General Fund Appropriation, Laws of 2017, 53rd Legislation, First Session, Chapter 135, Section 4
- (2) CASA Program Appropriation, Laws of 2017, 53rd Legislation, First Session, Chapter 135, Section 4
- (3) MOU Sierra & Torrance Drug Court Program – LETF, Laws of 2017, 53rd Legislation, First Session, Chapter 135
- (4) General Fund Reversion – FY 2018

NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the District 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, New Mexico 87504-2123. The report is also available on PERA’s website at <http://www.pera.state.nm.us>.

Funding Policy. The contribution requirements of plan members and the District Court are established in State statute under Chapter 10, Article 11 NMSA 1978. Judges, while in office, contribute 10.5% of their gross salary to the member contribution fund. The District Court contributes 15.0% of the member’s gross salary and remits \$38 of each civil case docket fee paid into the Judge’s Retirement Fund. The requirements may be amended by acts of the legislature. The District Court’s contributions to PERA for the years ended June 30, 2018, 2017, and 2016 were \$238,964, \$240,818, and \$239,725, respectively, equal to the amount of the required contributions for each fiscal year.

NOTE 11. DEFERRED COMPENSATION

The State of New Mexico offers state and 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.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in Trust by the State of New Mexico for the benefit of the participants. The District Court and the State of New Mexico do not make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the District Court have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The District Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment 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 (Chapter 10, Article 7C, 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 premiums 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 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 member cover plans 3, 4, or 5; municipal fire member cover 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, 2018, the statutes required each participating employer to contribute 2.50% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; and each participating employee was required to contribute 1.00% of their salary.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The District Court's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$30,734, \$30,838, and \$30,860, respectively, which equal the required contribution for each year.

NOTE 13. RISK MANAGEMENT

The District Court is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; or acts of God. The District Court is insured through 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 fund to provide unemployment compensation, tort liability insurance, workman's 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 are not included in this report. However, the District Court would not be liable for more than the annual premiums. The District Court pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the state of New Mexico.
2. Coverage to protect the state of New Mexico's property and assets.
3. Fringe benefit coverages for State of New Mexico employees.

The District Court's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, there are no known or threatened legal proceedings involving material matters to which the District Court is a party and/or believes that the outcome of pending litigation would have a materially adverse effect on the financial position or operations of the District Court. In addition, for the years ended June 30, 2018, 2017, and 2016, the District Court had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the District Court.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

	Socorro - Catron Litigants Fund	Torrance County Litigants Fund	Sierra County Litigants Fund	County Clerk's Fund	Total
ASSETS					
Cash in banks	\$ 68,566	\$ 130,584	\$ 33,340	\$ -	\$ 232,490
Cash on deposit - State Treasurer	4,968	27	223	1,775	6,993
Total assets	<u>\$ 73,534</u>	<u>\$ 130,611</u>	<u>\$ 33,563</u>	<u>\$ 1,775</u>	<u>\$ 239,483</u>
LIABILITIES					
Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Due to State Treasurer	-	-	-	-	-
Deposits held for Litigants	73,534	130,611	33,563	1,775	239,483
Total liabilities	<u>\$ 73,534</u>	<u>\$ 130,611</u>	<u>\$ 33,563</u>	<u>\$ 1,775</u>	<u>\$ 239,483</u>

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017	Additions	Deductions	June 30, 2018
SOCORRO - CATRON				
<u>LITIGANTS FUND</u>				
ASSETS				
Cash in banks	\$ 78,484	\$ 38,098	\$ (48,016)	\$ 68,566
Cash on deposit - State Treasurer	4,875	93	-	4,968
Total assets	<u>\$ 83,359</u>	<u>\$ 38,191</u>	<u>\$ (48,016)</u>	<u>\$ 73,534</u>
LIABILITIES				
Due to State Treasurer	\$ 25	\$ 47	\$ (72)	\$ -
Deposits held for Litigants	83,334	38,144	(47,944)	73,534
Total liabilities	<u>\$ 83,359</u>	<u>\$ 38,191</u>	<u>\$ (48,016)</u>	<u>\$ 73,534</u>
TORRANCE COUNTY				
<u>LITIGANTS FUND</u>				
ASSETS				
Cash in banks	\$ 97,318	\$ 81,398	\$ (48,132)	\$ 130,584
Cash on deposit - State Treasurer	55	-	(28)	27
Total assets	<u>\$ 97,373</u>	<u>\$ 81,398</u>	<u>\$ (48,160)</u>	<u>\$ 130,611</u>
LIABILITIES				
Due to State Treasurer	\$ 4	\$ 10	\$ (14)	\$ -
Deposits held for Litigants	97,369	81,388	(48,146)	130,611
Total liabilities	<u>\$ 97,373</u>	<u>\$ 81,398</u>	<u>\$ (48,160)</u>	<u>\$ 130,611</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
AND LIABILITIES (CONTINUED)
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017	Additions	Deductions	June 30, 2018
<u>SIERRA COUNTY LITIGANTS FUND</u>				
ASSETS				
Cash in banks	\$ 54,949	\$ 2,005	\$ (23,614)	\$ 33,340
Cash on deposit - State Treasurer	<u>1,112</u>	<u>3</u>	<u>(892)</u>	<u>223</u>
Total assets	<u>\$ 56,061</u>	<u>\$ 2,008</u>	<u>\$ (24,506)</u>	<u>\$ 33,563</u>
LIABILITIES				
Due to State Treasurer	\$ 12	\$ 20	\$ (32)	\$ -
Deposits held for Litigants	<u>56,049</u>	<u>1,988</u>	<u>(24,474)</u>	<u>33,563</u>
Total liabilities	<u>\$ 56,061</u>	<u>\$ 2,008</u>	<u>\$ (24,506)</u>	<u>\$ 33,563</u>
<u>TOTAL LITIGANTS FUND</u>				
ASSETS				
Cash in banks	\$ 230,751	\$ 121,504	\$ (119,765)	\$ 232,490
Cash on deposit - State Treasurer	<u>6,042</u>	<u>95</u>	<u>(918)</u>	<u>5,219</u>
Total assets	<u>\$ 236,793</u>	<u>\$ 121,599</u>	<u>\$ (120,683)</u>	<u>\$ 237,709</u>
LIABILITIES				
Due to State Treasurer	\$ 41	\$ 79	\$ (120)	\$ -
Deposits held for Litigants	<u>236,752</u>	<u>121,520</u>	<u>(120,563)</u>	<u>237,709</u>
Total liabilities	<u>\$ 236,793</u>	<u>\$ 121,599</u>	<u>\$ (120,683)</u>	<u>\$ 237,709</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
AND LIABILITIES (CONTINUED)
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2017	Additions	Deductions	June 30, 2018
<u>COURT CLERK'S FUND</u>				
ASSETS				
Cash on deposit - State Treasurer				
Socorro & Catron Counties	\$ -	\$ 60,178	\$ (60,178)	\$ -
Torrance County	-	65,918	(65,918)	-
Sierra County	547	50,060	(48,832)	1,775
Total assets	<u>\$ 547</u>	<u>\$ 176,156</u>	<u>\$ (174,928)</u>	<u>\$ 1,775</u>
LIABILITIES				
Due to State General Fund	\$ 547	\$ -	\$ (547)	\$ -
Deposits held for Litigants	-	176,703	(174,928)	1,775
Total liabilities	<u>\$ 547</u>	<u>\$ 176,156</u>	<u>\$ (174,928)</u>	<u>\$ 1,775</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash in banks	\$ 230,751	\$ 121,504	\$ (119,765)	\$ 232,490
Cash on deposit - State Treasurer	6,589	176,250	(175,845)	6,993
Total assets	<u>\$ 237,340</u>	<u>\$ 297,754</u>	<u>\$ (295,610)</u>	<u>\$ 239,483</u>
LIABILITIES				
Deposits held for Litigants	\$ 236,752	\$ 121,520	\$ (118,789)	\$ 239,483
Due to State General Fund	547	176,156	(176,703)	-
Due to State Treasurer	41	78	(118)	-
Total liabilities	<u>\$ 237,340</u>	<u>\$ 297,754</u>	<u>\$ (295,610)</u>	<u>\$ 239,483</u>

COMPLIANCE SECTION



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

Honorable Matthew G. Reynolds, Chief Judge
Seventh Judicial District Court
Socorro County Courthouse
Socorro, New Mexico and
Mr. Wayne Johnson
New Mexico 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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Seventh Judicial District Court (District Court), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District Court’s basic financial statements and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

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

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

Honorable Matthew G. Reynolds, Chief Judge
Seventh Judicial District Court
Socorro County Courthouse and
Mr. Wayne Johnson
New Mexico State Auditor

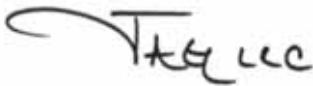
identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, non-compliance 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 non-compliance or other matter that is 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 District Court’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

2017-001	Controls Over Gas Card Transactions	Resolved
2017-002	Capital Assets – Restatement	Resolved

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

NONE

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed on October 25, 2018. The following individuals were in attendance.

Seventh Judicial District Court

Honorable Matthew G. Reynolds, Chief Presiding Judge Division II
Jason E. Jones, Court Executive Officer
Lilia Romero, Financial Supervisor

Jaramillo Accounting Group (JAG)

Audrey J. Jaramillo, CPA, CFE, Managing Partner

The District Court prepared these financial statements. JAG assisted in the preparation of the financial statements presented in this report. The District Court's management has reviewed and approved the financial statements and related notes and supplementary and other information and believe that their records adequately support them.