

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**INDEPENDENT AUDITORS' REPORT**  
**AND ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
FOR THE YEAR ENDED JUNE 30, 2015  
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**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
Annual Financial Report  
June 30, 2015**

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 Socorro, 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  
June 30, 2015

**Judges**

Honorable Matthew G. Reynolds

Chief Presiding Judge Division II

Honorable Edmund H. Kase, III

District Judge Division I

Honorable Kevin R. Sweazea

District Judge Division III

**Administrative Officials**

Jason E. Jones

Court Executive Officer

**FINANCIAL SECTION**



# Griego Professional Services, LLC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Honorable Matthew G. Reynolds  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico and  
Mr. Tim Keller, New Mexico State Auditor

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds of the Seventh Judicial District Court (the Court), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Court's fiduciary funds and budgetary comparisons for the major capital project fund, presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, 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 with 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 of 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 misstatements 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the Court as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the

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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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary funds and budgetary comparison for the major capital project 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 Fair are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, business-type activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that are attributable to the transactions of the Fair. They do not purport to, and do not, present fairly the financial position of the State of New Mexico and of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 three (3) through eight (8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Court's financial statements, and the combining and individual fund financial statements and budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

The Schedule of Vendors over \$60,000 (excluding GRT) 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 November 10, 2015 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the Court's internal control over financial reporting and compliance.



Albuquerque, New Mexico  
November 10, 2015

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT DISCUSSION AND ANALYSIS**

This section of The Seventh Judicial District Court's (Court) annual financial report has been prepared by the management of the Court and presents a discussion and analysis of the Court's financial performance during the fiscal year that ended June 30, 2015. Please read it in conjunction with the Court's financial statements, which follow this section.

**OVERVIEW**

The caseload for the Court during the fiscal year 2015 was 2,141 cases. This is an increase from the previous fiscal year 2014, of 1,990 cases. In addition to the general operations of the court, other programs include; a Child Support Hearing Officer Program, Domestic Violence Program, Domestic Relations Mediation Program, and Court Appointed Special Advocate Program, and an Adult Drug Court Program, 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 Assets and the Statement of Activities provide information about the activities of the Court as a whole. The 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 Court's operations in more detail than the government-wide statements by providing information about the court's most significant funds. The remaining statements provide financial information about activities for which the 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 Court held in trust \$269,603, for litigants and \$4,756 to be distributed to other state agencies.



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT DISCUSSION AND ANALYSIS**

*REPORTING THE COURT AS A WHOLE*

These statements include all assets and liabilities of the court, except for the fiduciary funds, using an accrual basis of accounting, similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Table A is a summary of the Financial Statements and provides an explanation of the Court's net assets for the fiscal year ended June 30, 2015 and June 30, 2014.

TABLE A

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current Assets	\$ 330,499	\$ 312,403
Capital Assets	<u>222,174</u>	<u>146,642</u>
 Total Assets	 <u>552,673</u>	 <u>459,045</u>
 Current Liabilities	 162,559	 63,975
Compensable Absences	<u>68,628</u>	<u>54,526</u>
 Total Liabilities	 <u>231,187</u>	 <u>118,501</u>
 Total Capital Assets	 222,174	 146,642
Unrestricted:		
Reserved for Mediation Fund	49,200	44,240
Unreserved	(68,628)	(54,526)
 Total Net Assets	 <u>\$ 202,746</u>	 <u>\$ 136,356</u>

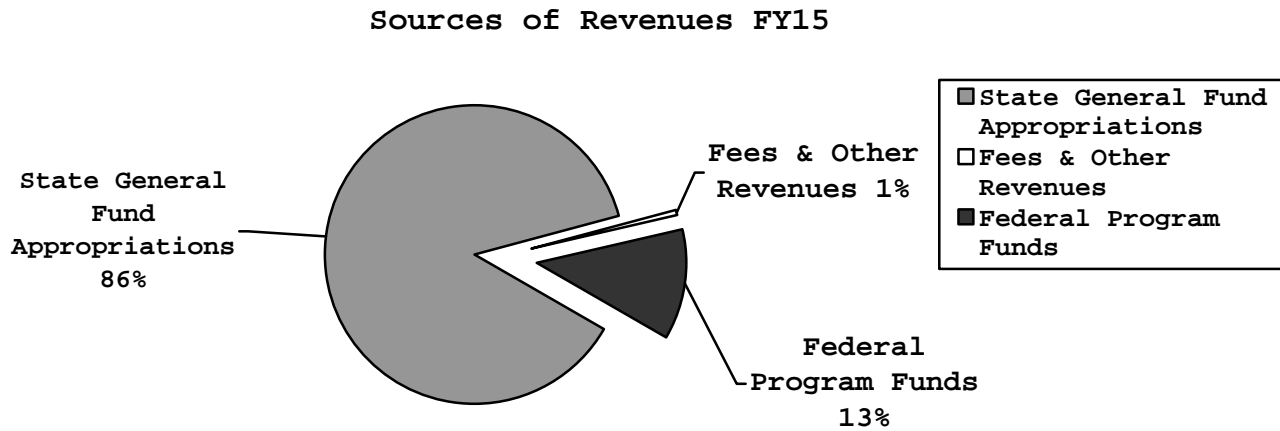
The Court does not maintain available funds for future payment of the accrued compensable absences. The Court relies on future State appropriations to pay the accrued compensable absences as they come due.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT DISCUSSION AND ANALYSIS**

**SOURCES OF REVENUES**

As previously stated, the District Court serves as an umbrella organization for the administration of several different activities. Viewed as a whole, the Court is one program. Sources of revenue for the program for FY15 are as follows: State general fund appropriations \$2,485,258, (adjusted for reversions) federal pass-through funds of \$332,036 and fees and other revenues \$16,170 for total revenue of \$2,833,464. Chart A, below, provides a graphic presentation of revenue sources.

CHART A

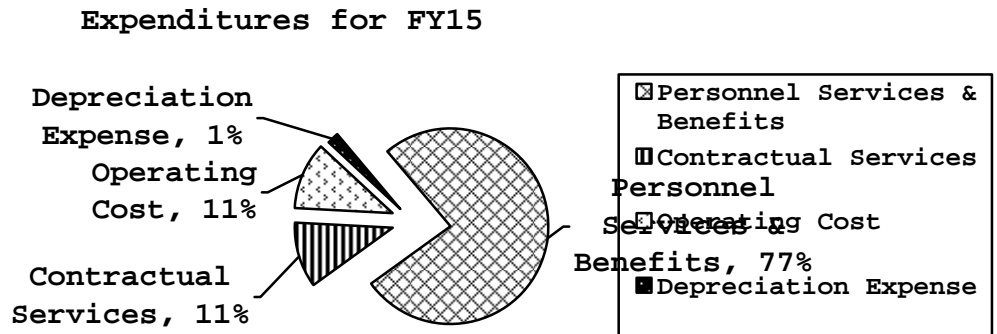


**EXPENSES**

The Court's total expenditures for FY15 were \$2,791,811 with the following components; Personnel Services and Benefits \$2,120,045 or 77% of the total; Contractual Services \$324,877 or 11% of the total; Operating costs \$346,889 or 11% of the total and Depreciation Expenses \$46,244 or 1% of the total. Chart B, on the next page, illustrates the expenditures for the fiscal year.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT DISCUSSION AND ANALYSIS**

CHART B



The change in Net Assets is derived from the variance between Total Revenues and Total Expenditures. The following summarizes the related information.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>GENERAL REVENUE:</b>		
State General Fund Appropriations	\$ 2,485,258	\$ 2,288,947
Federal Program Funds	332,036	273,383
Fees and Other Revenues	<u>16,170</u>	<u>20,801</u>
Total Revenues	<u>2,833,464</u>	<u>2,583,131</u>
<b>EXPENSES:</b>		
Court Regular	2,447,123	2,304,106
Child Support Hearing Officer	278,619	256,808
Capital Outlay Project	-	-
Mediation	<u>1,905</u>	<u>2,784</u>
Total Expenses	<u>2,727,647</u>	<u>2,563,698</u>
Change in Net Assets	(105,817)	(33,278)
Net Assets - Beginning	<u>204,661</u>	<u>171,383</u>
Net Assets - Ending	<u>\$ 310,478</u>	<u>\$ 204,661</u>

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT DISCUSSION AND ANALYSIS**

***BUDGETARY COMPARISONS OF GENERAL FUND***

Following is a summary of budget (GAAP Basis) to actual (Budgetary Basis) comparisons for the General Fund activity for FY15. An explanation of the major variances follows.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
Revenues:	\$ <u>2,365,700</u>	\$ <u>2,365,700</u>	\$ <u>2,506,769</u>	\$ <u>141,069</u>
Expenditures:				
Personnel Services And Benefits	2,006,200	2,006,200	1,883,491	122,709
Contractual Services	366,501	366,501	320,672	45,829
Other Operating Costs	<u>139,800</u>	<u>139,800</u>	<u>293,134</u>	<u>(153,334)</u>
Total Expenditures	<u>2,512,501</u>	<u>2,512,501</u>	<u>2,497,297</u>	<u>15,204</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>9,472</u>	\$ <u>125,865</u>

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

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT DISCUSSION AND ANALYSIS**

***CAPITAL ASSET ACTIVITY FOR FY15***

The following provide a detailed analysis of the change in capital assets for FY15 and FY14.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Deletions:		
Asset Deletions	\$( 45,589 )	\$( 49,896 )
Associated Accumulated Depreciation	0	0
Additions:		
Asset Additions	124,510	66,996
Depreciation	( <u>46,244</u> )	( <u>47,616</u> )
Total Change in Capital Assets	\$ <u><u>32,677</u></u>	\$ ( <u><u>30,516</u></u> )
Additions to Fixed Assets included:		
Furniture and Fixtures	\$ 84,884	\$ 21,376
Automobiles	<u>39,626</u>	<u>45,621</u>
Total Additions	\$ <u><u>124,510</u></u>	\$ <u><u>66,996</u></u>

***LONG-TERM Debt Activity***

The Court's long-term debt consists of compensable absences that are payable to employees upon separation from service. The total liability accumulated through June 30, 2015 and 2014 was \$68,628 and \$54,526 respectively. Consequently there was a increase of \$14,102 in FY15.

***CURRENTLY KNOWN FACTS***

To the best of our knowledge the Court will continue to operate without any significant changes.

***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 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  
P.O. Drawer 1129  
Socorro, NM 87801***

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Exhibit A-1

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Investment in the General Fund Investment Pool	\$ 330,499
Intergovernmental accounts receivable	-
Capital assets, net (Note 11)	222,174
<i>Total assets</i>	552,673
 <b>LIABILITIES</b>	
Accounts payable	\$ 65,685
Accrued payroll	58,483
Due to State General Fund	9,117
Due to other State Agency - HSD	29,274
Compensated absences due within one year (Note 12)	68,628
<i>Total liabilities</i>	231,187
 <b>NET POSITION</b>	
Net investment in capital assets	222,174
Unrestricted	99,312
<i>Total net position</i>	\$ 321,486

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net Expenses and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
Public safety:					
Court regular	\$ 2,447,123	\$ 9,305	\$ -	\$ -	\$ (2,437,818)
Child support hearing officer	278,619	-	307,183	-	28,564
Mediation	1,905	6,865	-	-	4,960
Capital outlay project	-	-	-	-	-
Total Primary Government	<u>\$ 2,727,647</u>	<u>\$ 16,170</u>	<u>\$ 307,183</u>	<u>\$ -</u>	<u>(2,404,294)</u>
<b>General Revenues:</b>					
Gain (loss) on disposal of assets					(2,734)
Transfer from the State General Fund Appropriation					2,497,464
Transfer out reversion due to the State					(9,472)
Total general revenues and transfers					<u>2,485,258</u>
Change in net position					80,964
Net position, beginning of year					<u>240,522</u>
Net position, end of year					<u>\$ 321,486</u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

Exhibit B-1

	General Fund 147	Child Support Hearing Officer Fund 522	Mediation Fund 294	Capital Outlay Project Fund 35	Total
<b>ASSETS</b>					
<i>Current assets:</i>					
Investment in the General Fund					
Investment Pool	\$ 123,019	\$ 158,280	\$ 49,200	\$ -	\$ 330,499
Intergovernmental receivables	-	-	-	-	-
<i>Total assets</i>	\$ 123,019	\$ 158,280	\$ 49,200	\$ -	\$ 330,499
<b>LIABILITIES AND FUND BALANCE</b>					
<i>Current liabilities:</i>					
Accounts payable	\$ 60,591	\$ 5,094	\$ -	\$ -	\$ 65,685
Accrued payroll	53,311	5,172	-	-	58,483
Due to outside agencies:					
State General Fund: Reversio	9,117	-	-	-	9,117
State Agency - HSD	-	29,274	-	-	29,274
<i>Total liabilities</i>	123,019	39,540	-	-	162,559
<i>Fund balances:</i>					
Nonspendable	-	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special revenue	-	118,740	49,200	-	167,940
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<i>Total fund balances</i>	-	118,740	49,200	-	167,940
<i>Total liabilities and fund balances</i>	\$ 123,019	\$ 158,280	\$ 49,200	\$ -	\$ 330,499

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$	167,940
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		222,174
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		<u>(68,628)</u>
Total Net Position	\$	<u><u>321,486</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B-2

	General Fund 147	Child Support Hearing Officer Fund 522	Mediation Fund 294	Capital Outlay Project Fund 35	Total
<i>Revenues:</i>					
Federal Pass-Through Funds	\$ 146,764	\$ 307,183	\$ -	\$ -	\$ 453,947
Fees	9,305	-	6,865	-	16,170
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>156,069</u>	<u>307,183</u>	<u>6,865</u>	<u>-</u>	<u>470,117</u>
<i>Expenditures:</i>					
<i>Current:</i>					
<i>Public safety:</i>					
Personnel services	1,883,491	236,554	-	-	2,120,045
Contractual services	320,672	2,300	1,905	-	324,877
Capital Outlay	101,741	22,769	-	-	124,510
Operating costs	191,393	30,986	-	-	222,379
<i>Total expenditures</i>	<u>2,497,297</u>	<u>292,609</u>	<u>1,905</u>	<u>-</u>	<u>2,791,811</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,341,228)</u>	<u>14,574</u>	<u>4,960</u>	<u>-</u>	<u>(2,321,694)</u>
<i>Other financing sources (uses):</i>					
Intra-state Services	-	-	-	-	-
From the State General Fund	2,350,700	-	-	-	2,350,700
Current year reversion	(9,472)	-	-	-	(9,472)
<i>Total other financing sources</i>	<u>2,341,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,341,228</u>
<i>Net change in fund balances</i>	-	14,574	4,960	-	19,534
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>104,166</u>	<u>44,240</u>	<u>-</u>	<u>148,406</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 118,740</u>	<u>\$ 49,200</u>	<u>\$ -</u>	<u>\$ 167,940</u>

The accompanying notes are an integral part of these financial statements.

**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, 2015**

Exhibit B-2

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

Net change in fund balances - total governmental funds	\$	19,534
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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.

Gain/loss on disposal of assets		(2,734)
Capital asset purchases		78,266

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore not reported as expenditures in governmental funds.

Decrease in accrued compensated absences		<u>(14,102)</u>
--	--	-----------------

Change in net position	\$	<u><u>80,964</u></u>
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The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Exhibit C-1

SEVENTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
State General Fund Appropriations	\$ 2,350,700	\$ 2,350,700	2,350,700	\$ -
Federal Pass-Through Funds	-	-	146,764	146,764
Miscellaneous revenue	15,000	15,000	9,305	(5,695)
<i>Total revenues</i>	2,365,700	2,365,700	2,506,769	141,069
<i>Expenditures:</i>				
<i>Public safety:</i>				
Personnel services	2,006,200	2,006,200	1,883,491	122,709
Contractual services	366,501	366,501	320,672	45,829
Operating costs	139,800	139,800	293,134	(153,334)
<i>Total expenditures</i>	2,512,501	2,512,501	2,497,297	15,204
<i>Excess (deficiency) of revenues over expenditures</i>	(146,801)	(146,801)	9,472	125,865
<i>Other financing sources (uses):</i>				
Prior year A/P not encumbered	146,800	146,800	-	293,600
Current year reversion to State General Fund	-	-	-	-
<i>Total other financing sources (uses)</i>	146,800	146,800	-	293,600
<i>Net change in fund balances</i>	\$ (146,801)	\$ (146,801)	\$ 9,472	\$ 156,273
<b><i>Reconciliation to GAAP Basis:</i></b>				
Net change in fund balances			\$ 9,472	
Adjustments to revenues			-	
Adjustments to expenditures			(9,472)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

The accompanying notes are an integral part of these financial statements.

## STATE OF NEW MEXICO

Exhibit C-2

SEVENTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
CHILD SUPPORT HEARING OFFICER SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
Federal Pass-Through Funds	\$ 298,200	\$ 298,200	\$ 332,036	\$ 33,836
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	<u>298,200</u>	<u>298,200</u>	<u>332,036</u>	<u>33,836</u>
<i>Expenditures:</i>				
Public safety:				
Personnel services	272,700	272,700	236,554	36,146
Contractual services	1,500	1,500	2,300	(800)
Operating costs	24,000	24,000	53,755	(29,755)
<i>Total expenditures</i>	<u>298,200</u>	<u>298,200</u>	<u>292,609</u>	<u>5,591</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>39,427</u>	<u>28,245</u>
<i>Other financing sources (uses):</i>				
Prior year A/P not encumbered	-	-	-	-
Current year reversion to State General Fund	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,427</u>	<u>\$ 28,245</u>
<b><i>Reconciliation to GAAP Basis:</i></b>				
Net change in fund balances			\$ 39,427	
Adjustments to revenues			(24,853)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 14,574</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Exhibit C-3

SEVENTH JUDICIAL DISTRICT COURT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 MEDIATION SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
State General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Fees	12,000	12,000	6,865	(5,135)
<i>Total revenues</i>	<u>12,000</u>	<u>12,000</u>	<u>6,865</u>	<u>(5,135)</u>
<i>Expenditures:</i>				
Public safety:				
Personnel services	-	-	-	-
Contractual services	16,000	16,000	1,905	14,095
Operating costs	1,000	1,000	-	1,000
<i>Total expenditures</i>	<u>17,000</u>	<u>17,000</u>	<u>1,905</u>	<u>15,095</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,000)</u>	<u>(5,000)</u>	<u>4,960</u>	<u>(20,230)</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,000	5,000	-	5,000
Prior year A/P not encumbered	-	-	-	-
Current year reversion to State General Fund	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,960</u>	<u>\$ (15,230)</u>
<b><i>Reconciliation to GAAP Basis:</i></b>				
Net change in fund balances			\$ 4,960	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 4,960</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

Exhibit D-1

	Agency Funds
<b>ASSETS</b>	
Cash	173,463
Investments	
Local Government Investment Pool	100,913
<i>Total assets</i>	\$ 274,376
<b>LIABILITIES</b>	
Due to State General Fund	\$ 4,756
Due to State Treasurer	17
Due to litigants	269,603
<i>Total liabilities</i>	\$ 274,376

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1. Summary of Significant Accounting Policies**

The financial statements of the Seventh Judicial District Court (the 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 Seventh Judicial 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 Seventh Judicial District Court is a part of the Judicial Branch of the State of New Mexico. These financial statements include only those funds and activities over which the Seventh Judicial District Court has oversight responsibility. The Seventh Judicial District Court is not included in any other government "reporting entity" as described in Section 2100, "Codification of Governmental Accounting and Financial Reporting Standards."

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the primary government. 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.

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*.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

**B. *Government-wide and fund financial statements (Continued)***

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.

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 Seventh Judicial 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 Seventh Judicial District Court.

**GOVERNMENTAL FUNDS**

General Fund (147) – The General Fund 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 (522) – 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 actions 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.

Mediation Fund (294) – The District Court has established 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.

**CAPITAL OUTLAY CAPITAL PROJECT FUND**

The Capital Project Fund (035) accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The District Court has one Capital Project Fund. The Capital Projects Fund is reported as a major fund. The Court maintains the fund for future capital projects, however, has not utilized the fund since the year ended June 30, 2012.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

B. *Government-wide and fund financial statements (Continued)*

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.

Agency funds for the District Court are as follows:

1. Litigant’s Fund – these monies are amounts collected from persons involved in pending litigation. The Court has custody and may invest these monies until refunded and, if not stated, the interest earned is transferred to the State General Fund.
2. Court Clerk’s Fund – These monies are collected from individuals filing with the Court. These monies are remitted intact to the New Mexico State Treasurer.

C. *Measurement focus, basis of accounting, and financial statement presentation*

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District Court, the primary government, as a whole without displaying individual funds or fund types. Generally these statements distinguish between activities that are governmental and those that are considered business-type activities. The 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.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

***Deferred outflows of resources*** – 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*** – 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*** – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

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.

D. *Budgets and Budgetary Accounting*

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

1. No later than September 1, the Seventh Judicial 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.
2. Appropriation request hearings are scheduled by the JBO. 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 Seventh Judicial District Court
3. Budget hearings are scheduled before the New Mexico House Appropriations and the Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Seventh Judicial 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.
6. Budget control for expenditures is by category of expenditures and to meet legal compliance cannot exceed the total budget for the fund.
7. 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.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

D. *Budgets and Budgetary Accounting*

8. Appropriations lapse at the end of the fiscal year except for those amounts properly encumbered for accounts payable. All unused annual appropriation within the General Fund revert to the State General Fund. 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.

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 are 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 Month</u>
1 month - 3 yrs	10
3 yrs - 7 yrs	12
7 yrs - 14 yrs	14
Over 14 yrs	16

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. Accrued compensable absences payable for accumulated annual leave totaled \$66,650 at June 30, 2015 and \$52,375 at June 30, 2014. Accrued annual leave is recorded as a liability and net changes are recorded as 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.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

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 fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at 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 government-wide financial statements. For fund financial statements and budgetary reporting the expenditure is only recognized when payments are made to employees. The Court had one employee with accumulated sick leave in excess of 600 hours. Accrued sick leave in excess of 600 hours amounted to \$1,979 at June 30, 2015 and \$2,151 at June 30, 2014.

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. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. The legislature enacted HB 1074 during a recent Legislative Session, changing the "Audit Act" capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000.

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 FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 Assets or Fund Equity*

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. The detail of these classifications is presented in Note 18.

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

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District Court has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net asset 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 assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net or related debt”.

O. *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.

**NOTE 2. PENSION PLAN - Public Employees Retirement Association**

***GASB 68 - Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pensions Plans by Employers***

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. 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 Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3. Retirement Plan - Judicial Branch**

All of the Seventh Judicial District Court Judges participate in defined benefit contributory retirement plans through the Judicial Retirement Act (JRA). Information pertaining to the actuarially computed present value of vested accumulated plan benefits and non-vested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting JRA's progress in accumulating sufficient assets to pay benefits when due, is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately issued audit report of the JRA.

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

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

Retirement Eligibility

Any person who attains the age of sixty-four years while occupying the office of judge or justice, and who, upon retirement there from, has served as a judge or justice in any combination for net less than five years, continuously or otherwise, and has ceased to hold office by reason of expiration of his term or voluntary resignation shall receive his vested retirement allowance, payable in monthly installment from the judicial retirement fund during the remainder of his life.

Any person who attains the age of sixty years while in one of such offices and who, upon retirement there from, has served as a judge or justice in any combination for not less than fifteen years, continuously or otherwise, and has ceased to hold office by reason of expiration of his term or voluntary resignation, shall receive his vested retirement allowance during the remainder of his life, payable in monthly installments from the judicial retirement fund.

Funding Policy

Judges, while in office, contribute 10.50% of their gross salary to the member contribution fund. The District Court contributes 15.00% of the member's gross salary and remits \$38.00 of each civil case docket fee paid into the Judge's Retirement Fund. The Court contributed \$49,992 and remitted \$27,040 in filing fees to the plan during the year ended June 30, 2015 and the judges contributed \$34,877 for a total contribution of \$111,909.

The payroll covered by JRA for the year ended June 30, 2015 was \$324,512.



**STATE OF NEW MEXICO**  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 4. 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 Seventh Judicial 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 Seventh Judicial District Court have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

**NOTE 5. Post-Employment Benefits – State Retiree Health Care Plan**

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

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the 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.

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**NOTE 5. Post-Employment Benefits – State Retiree Health Care Plan**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement), during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.500% of each participating employee’s annual salary; and each participating employee was required to contribute 1.250% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Seventh Judicial District Court’s contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$29,488, \$25,898, and \$28,342 respectively, which equal the required contributions for each year.

**NOTE 6. Reconciliation between Government-Wide, Fund and Budgetary**

	General Fund #147	Child Support Hearing Officer Fund #522	Mediation Fund #294
Revenues:			
Government-Wide	\$ 2,506,769	\$ 307,183	\$ 6,865
Plus Loss on Disposal of Assets	—	—	—
Fund Revenues and Sources	2,506,769	307,183	6,865
Accounts Receivable	—	—	—
Budgetary Revenues	<u>\$ 2,506,769</u>	<u>\$ 307,183</u>	<u>\$ 6,865</u>
Expenses:			
Government-Wide	\$ 2,447,123	\$ 281,353	\$ 1,905
Less: Depreciation Expense	41,799	5,727	—
Plus: Capital Asset Additions	(101,741)	(22,769)	—
Less: Capital Asset Deletions	—	2,734	—
Change in Accrued Compensable Absences	9,768	3,052	—
Fund Expenditures	2,497,297	292,609	1,905
Non-Budgeted Expenditures	—	—	—
Budgetary Expenses	<u>\$ 2,497,297</u>	<u>\$ 292,609</u>	<u>\$ 1,905</u>

**NOTE 7. Cash and Investments**

The appropriations from the State General Fund and other general fund monies are held by the State Treasurer as an Investment 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 litigant’s 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 Seventh Judicial District Court.

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**NOTE 7. Cash and Investments - (Continued)**

A schedule of cash and investments accounts is as follows:

Investments in the State Treasurer General <u>Fund Investment Pool</u>	<u>Agency</u>	<u>SHARE Fund</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Yr</u>
General Fund	237	14700	\$ 123,020	\$ 123,020
Capital Projects Fund	237	03500	--	--
Child Support Hearing Officer Fund	237	52200	158,279	158,279
Mediation Fund	237	29400	49,200	49,200
Total Governmental Funds			<u>\$ 330,499</u>	<u>\$ 330,499</u>

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, 2015. The State of New Mexico is the regulatory oversight entity and participation in the pool is voluntary.

*Interest rate risk* is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2015, the District Court's investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 36-day WAM.

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**NOE 7. Cash and Investments (Continued)**

**Agency Funds:**

Accounts in the name of Seventh Judicial District Court:

		Bank Balance	Deposits in Transit	Outstanding Checks	Reconciled Balance
First State Bank	Checking	\$ 14,126	\$ —	\$ —	\$ 14,126
First State Bank	Checking	36,493	—	—	36,493
Wells Fargo Bank	Checking	84,287	—	—	84,287
Bank of the Southwest	Checking	34,938	—	—	34,938
Total District Court Accounts		<u>\$ 169,844</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 169,844</u>

Accounts in the name of the State Treasurer

		Bank Balance	Deposits in Transit	Outstanding Checks	Reconciled Balance
State Treasurer	LGIP	\$ 78,750	\$ —	\$ —	\$ 78,750
State Treasurer	LGIP	694	—	—	694
State Treasurer	LGIP	27	—	—	27
State Treasurer	LGIP	711	—	—	711
State Treasurer	LGIP	—	—	—	—
State Treasurer	LGIP	15,068	—	—	15,068
State Treasurer	LGIP	2,772	—	—	2,772
State Treasurer	LGIP	1,104	—	—	1,104
State Treasurer	LGIP	887	—	—	887
State Treasurer	LGIP	901	—	—	901
Wells Fargo Bank	Checking	2,173	—	—	2,173
Wells Fargo Bank	Checking	1,440	—	—	1,440
Bank of the Southwest	Checking	1,142	—	—	1,142
Total State Treasurer Accounts		<u>\$ 105,669</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 105,669</u>

Total Agency Funds \$ 275,513 \$ — \$ — \$ 275,513

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 Seventh Judicial District Court's deposits were all fully insured by the FDIC and therefore did not have any custodial 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 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.

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**NOTE 7. Cash and Investments (Continued)**

At June 30, 2015 the Seventh Judicial District Court's agency funds had the following bank accounts:

	First <u>State Bank</u>	Wells <u>Fargo Bank</u>	Bank of <u>the Southwest</u>
Total amounts of deposits	\$ 50,619	\$ 84,287	\$ 34,938
FDIC coverage	(50,619)	(84,287)	(34,938)
Total uninsured public funds	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>—</u>	<u>—</u>	<u>—</u>
Collateral requirement: 50% uninsured public funds	\$ —	\$ —	\$ —
Pledged security	<u>—</u>	<u>—</u>	<u>—</u>
Total under (over) collateralized	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the vent 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, 2015, the carrying amount of these deposits was \$169,844.

**General Fund Investment Pool Not Reconciled**

In June 2013 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and Management Reporting system (SHARE) system in July of 2006 through January 2013. A late 2014 effort to reconcile transactions which occurred during this period, also referred to as the Historical Cash Reconciliation Project, was unsuccessful in part due to incomplete data sets.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2015, the General Fund Investment Pool rollover balances have not been reconciled at the business unit/fund level since the implementation of the SHARE system. Essentially, independent, third-party verification/confirmation of the Seventh Judicial District Court balances at the business unit/fund level is not possible.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The DFA/FCD was able to begin reconciling activity reported by the State's fiscal agent bank to the SHARE general ledger on a *point-forward basis* beginning February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

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**NOTE 7. Cash and Investments (Continued)**

**General Fund Investment Pool Not Reconciled (Continued)**

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

Section 6-5-2.1 (J) NMSA 1978 requires DFA to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rule regarding reconciliation for state agencies. The Seventh Judicial District Court adheres to the standards established in the Cash Management Function of the Manual of Model Accounting Practices which was issued by the New Mexico Department of Finance and Administration – Financial Control Division. The Commission has taken every reasonable measure within its control to ensure that its cash balances in SHARE are correct.

The Financial Control Division represents the following:

1. The established allowance recorded within the General Operating Reserve Fund is sufficient to accommodate the current calculated difference between resources held in the SGFIP and agency claims;
2. The calculated difference between resources maintained by STO and the agency claims has remained stable during the past seven months in which the process has been employed;
3. The entirety of any adjustment will be applied against the allowance established in the General Operating Reserve Fund. No portion of the adjustment shall be allocated to any specific business unit that participates in the SGFIP.

**NOTE 8. Due to General Fund and Other State Agencies**

Due to State General Fund for reversions as of June 30, 2015 are as follows

Reversions for Fiscal Year Ended June 30, 2015	\$	9,472
Stale Dated Warrants		355
Total Reversion Due to State General Fund	\$	<u>9,117</u>

Agency Fund: Due to State General Fund for the collection of court costs held in trust to be remitted as of June 30, 2015 amounted to \$4,756. Due to State Treasurer for the interest earned on litigant funds not designated by statute on court order therefore, to be remitted to the State Treasurer as of June 30, 2015 amounted to \$17.

**NOTE 9. Due to Other State Agency – HSD**

The Seventh Judicial 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.

Unused Program Funds due back to HSD for Fiscal Year 2006	\$	7,026
Unused Program Funds due back to HSD for Fiscal Year 2007		14,401
Unused Program Funds due back to HSD for Fiscal Year 2008		1,693
Unused Program Funds due back to HSD for Fiscal Year 2009		(1,272)
Unused Program Funds due back to HSD for Fiscal Year 2010		3,355
Unused Program Funds due back to HSD for Fiscal Year 2011		4,201
Unused Program Funds due back to HSD for Fiscal Year 2012		(11,989)
Unused Program Funds due back to HSD for Fiscal Year 2013		<u>11,859</u>

Total Unused Program Funds due back to HSD as of June 30, 2015	\$	<u>29,274</u>
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**NOTE 10. Reconciliation of Encumbrances and Accounts Payable**

	Total Encumbrances & Accounts Payable	Amounts Not Paid Within DFA Time Limits	Budgetary Basis Encumbrances & Accounts Payable
General Fund (Fund 14700)			
Contractual Services	\$ -	\$ -	\$ -
Other Operating	<u>60,591</u>	<u>-</u>	<u>60,591</u>
Total	<u>60,591</u>	<u>-</u>	<u>60,591</u>
Child Support Hearing Officer Fund (Fund 52200)			
Other Operating	<u>5,094</u>	<u>-</u>	<u>5,094</u>
Total	<u>5,094</u>	<u>-</u>	<u>5,094</u>
Mediation Fund (Fund 29400)			
Contractual Services	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total Encumbrances	<u>\$ 65,685</u>	<u>\$ -</u>	<u>\$ 65,685</u>

**NOTE 11. Capital Assets**

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets:				
General Fund:				
Furniture, Fixtures, Equipment	\$ 417,307	\$ 79,773	\$ -	\$ 497,080
Automotive	<u>180,722</u>	<u>21,968</u>	<u>(24,955)</u>	<u>177,735</u>
Total General Fund	<u>598,029</u>	<u>101,741</u>	<u>(24,955)</u>	<u>674,815</u>
Child Support Hearing Officer Fund:				
Furniture, Fixtures, Equipment	66,090	5,111	-	71,201
Automotive	<u>20,634</u>	<u>17,658</u>	<u>(20,634)</u>	<u>17,658</u>
Total CSHO Fund	<u>86,724</u>	<u>22,769</u>	<u>(20,634)</u>	<u>88,859</u>
Total Capital Assets	<u>\$ 684,753</u>	<u>\$ 124,510</u>	<u>\$ (45,589)</u>	<u>\$ 763,674</u>
Less Accumulated Depreciation:				
General Fund:				
Furniture, Fixtures, Equipment	\$ 342,115	\$ 18,282	\$ -	\$ 360,397
Automotive	<u>128,747</u>	<u>22,235</u>	<u>(24,955)</u>	<u>126,027</u>
Total General Fund	<u>470,862</u>	<u>40,517</u>	<u>(24,955)</u>	<u>486,424</u>
Child Support Hearing Officer Fund:				
Furniture, Fixtures, Equipment	52,297	2,572	-	54,869
Automotive	<u>14,952</u>	<u>3,155</u>	<u>(17,900)</u>	<u>207</u>
Total CSHO Fund	<u>67,249</u>	<u>5,727</u>	<u>(17,900)</u>	<u>55,076</u>
Total Accumulated Depreciation	<u>538,111</u>	<u>46,244</u>	<u>(42,855)</u>	<u>541,500</u>
Net Capital Assets	<u>\$ 146,642</u>	<u>\$ 78,266</u>	<u>\$ (2,734)</u>	<u>\$ 222,174</u>

**STATE OF NEW MEXICO**  
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**NOTE 11. Capital Assets (Continued)**

Depreciation Expense was charged to functions as follows:

General Fund	\$ 40,517
CSHO Fund	<u>5,727</u>
Total Depreciation Expense	<u>\$ 46,244</u>

**NOTE 12. Changes in Compensable Absences**

A summary of changes in compensable absences is as follows:

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015	Amount Due Within One Year
Accrued Compensable Absences:					
Accrued Annual Leave	\$ 52,375	\$ 90,145	\$ 75,870	\$ 66,650	\$ 66,650
Accrued Sick Leave	<u>2,151</u>	<u>69,195</u>	<u>69,368</u>	<u>1,978</u>	<u>1,978</u>
Total Accrued					
Compensable Absences	<u>\$ 54,526</u>	<u>\$ 159,340</u>	<u>\$ 145,238</u>	<u>\$ 68,628</u>	<u>\$ 68,628</u>

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

A schedule by activity of Compensable Absences is as follows:

	Balance June 30, 2014	Increase	Decrease	Balance June 30, 2015
General Fund	\$ 47,311	\$ 146,942	\$ 135,892	\$ 58,361
CSHO Fund	<u>7,215</u>	<u>12,399</u>	<u>9,347</u>	<u>10,267</u>
Total Compensable Absences	<u>\$ 54,526</u>	<u>\$ 159,341</u>	<u>\$ 145,239</u>	<u>\$ 68,628</u>

**NOTE 13. Net Assets and Fund Balance**

Net Assets for Investment in Capital Assets consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The court has no outstanding debt relating to capital assets.

Net Position Unrestricted consists of the following:

	General Fund	CSHO Fund	Mediation Fund	Total
Unreserved:				
Undesignated	\$ —	\$ 118,740	\$ 49,200	\$ 167,940
Assigned	—	—	—	—
Less Accrued Compensable Absences	* <u>(58,361)</u>	<u>(10,267)</u>	<u>—</u>	<u>(68,628)</u>
Net Position Unrestricted	<u>\$ (58,361)</u>	<u>\$ 108,473</u>	<u>\$ 49,200</u>	<u>\$ 99,312</u>

\* The District Court does not maintain available funds in the General Fund for future payment of these accrued compensable absences. The District Court relies on future State Appropriations to fund the accrued compensable absences as they come due.



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**NOTE 14. Interagency Transfers**

SHARE Fund #	TITLE	TRANSFER	
		IN	OUT
(1) 85300	Department of Finance and Administration	\$ 2,350,700	\$ 9,472
(2) 05200	Human Services Department	307,183	-
(3) 13900	Administrative Office of the Courts	85,200	-
(4) 13900	Administrative Office of the Courts	33,700	-
(5) 13900	Administrative Office of the Courts	27,864	-
Total		<u>\$ 3,804,647</u>	<u>\$ 9,472</u>

- (1) General Fund Appropriation, Laws of 2013, Chapter 227, Section 4
- (2) Child Support Hearing Officer Appropriation Laws
- (3) CASA Program Appropriation Laws
- (4) MOU Torrance Drug Court Program – LETF
- (5) Compensation Appropriation, Laws 2013, Chapter 227, Sect. 8

**NOTE 15. Contingent Liabilities**

There are no known contingent liabilities involving the Seventh Judicial District Court.

Risk of Loss

The Seventh Judicial 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.

**NOTE 16. Subsequent Accounting Standard Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*, which is effective for financial statement for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*, which is effective for financial statement for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for financial statement for periods beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for financial statement for periods beginning after June 15, 2015.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for financial statement for periods beginning after December 15, 2015.

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**NOTE 17. Governmental Fund Balance**

**Fund Balance:** In the fund financial statements, governmental funds are reported in 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. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

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.

Detail relating to the fund balance classifications is displayed below:

Fund Balance consists of the following:

	General Fund	Child Support Hearing Officer	Mediation Fund	Total
Restricted	\$ —	\$ 118,740	\$ 49,200	\$ 167,940

**NOTE 18. Risk Management**

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, workers' compensation, law enforcement liability, civil rights, property and vehicle.

**SUPPLEMENTARY INFORMATION**

**CAPITAL PROJECT FUND**

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL**  
**CAPITAL OUTLAY CAPITAL PROJECT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
State General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Fees	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Public safety:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Operating costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Prior year A/P not encumbered	-	-	-	-
Current year reversion to State General Fund	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation to GAAP Basis:</b>				
Net change in fund balances			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2015**

Statement B-1  
Page (1 of 2)

	Balance 06/30/14	Additions	Deductions	Balance 06/30/15
<b><i>SOCORRO-CATRON COUNTIES LITIGANT'S FUND</i></b>				
<b>ASSETS</b>				
Cash in banks	\$ 62,156	\$ 192,647	\$ 205,460	\$ 49,343
Cash on deposit - State Treasurer	1,402	2	-	1,404
<i>Total assets</i>	\$ 63,558	\$ 192,649	\$ 205,460	\$ 50,747
<b>LIABILITIES</b>				
Interest due to State Treasurer	\$ 4	\$ 49	\$ 44	\$ 9
Deposits held for Litigants	63,554	192,600	205,416	50,738
<i>Total liabilities</i>	\$ 63,558	\$ 192,649	\$ 205,460	\$ 50,747
<b><i>TORRANCE COUNTY LITIGANT'S FUND</i></b>				
<b>ASSETS</b>				
Cash in banks	\$ 17,329	\$ 18,111	\$ 502	\$ 34,938
Cash on deposit - State Treasurer	251,930	139	172,391	79,678
<i>Total assets</i>	\$ 269,259	\$ 18,250	\$ 172,893	\$ 114,616
<b>LIABILITIES</b>				
Interest due to State Treasurer	\$ -	\$ 3	\$ 3	\$ -
Deposits held for Litigants	269,259	18,247	172,890	114,616
<i>Total liabilities</i> Total Liabilities	\$ 269,259	\$ 18,250	\$ 172,893	\$ 114,616
<b><i>SIERRA COUNTY LITIGANT'S FUND</i></b>				
<b>ASSETS</b>				
Cash in banks	\$ 64,134	\$ 61,739	\$ 41,585	\$ 84,289
Cash on deposit - State Treasurer	20,148	24	203	19,969
<i>Total assets</i>	\$ 84,282	\$ 61,764	\$ 41,788	\$ 104,258
<b>LIABILITIES</b>				
Interest due to State Treasurer	\$ 2	\$ 39	\$ 33	\$ 8
Deposits held for Litigants	84,279	61,724	41,754	104,249
<i>Total liabilities</i>	\$ 84,281	\$ 61,763	\$ 41,787	\$ 104,257
<b><i>TOTAL ALL LITIGANT'S FUNDS</i></b>				
<b>ASSETS</b>				
Cash in banks	\$ 143,619	\$ 272,497	\$ 247,547	\$ 168,569
Cash on deposit - State Treasurer	273,480	165	172,594	101,051
<i>Total assets</i>	\$ 417,099	\$ 272,662	\$ 420,141	\$ 269,620
<b>LIABILITIES</b>				
Interest due to State Treasurer	\$ 6	\$ 91	\$ 80	\$ 17
Deposits held for Litigants	417,092	272,571	420,060	269,603
<i>Total liabilities</i>	\$ 417,098	\$ 272,662	\$ 420,140	\$ 269,620

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2015**

	Balance 06/30/14	Additions	Deductions	Balance 06/30/15
<b>COUNTY CLERK'S FUND</b>				
<b>ASSETS</b>				
Cash on deposit - State Treasurer				
Socorro and Catron Counties	\$ 25,756	\$ 71,009	\$ 94,592	\$ 2,173
Torrance County	409	42,082	41,051	1,440
Sierra County	1,107	33,552	33,517	1,142
<i>Total assets</i>	\$ 27,272	\$ 146,643	\$ 169,160	\$ 4,755
<b>LIABILITIES</b>				
Due to State General Fund	\$ 27,272	\$ 146,643	\$ 169,160	\$ 4,755
<i>Total liabilities</i>	\$ 27,272	\$ 146,643	\$ 169,160	\$ 4,755
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash in banks	\$ 143,618	\$ 272,497	\$ 247,547	\$ 168,568
Cash on deposit - State Treasurer	300,753	146,809	341,754	\$ 105,808
<i>Total assets</i>	\$ 444,371	\$ 419,305	\$ 589,301	\$ 274,376
<b>LIABILITIES</b>				
Deposits held for litigants	\$ 417,092	\$ 272,571	\$ 420,060	\$ 269,603
Due to State General Fund	27,272	146,643	169,160	4,755
Due to State Treasurer	6	91	80	17
<i>Total liabilities</i>	\$ 444,370	\$ 419,305	\$ 589,300	\$ 274,376

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
7TH JUDICIAL DISTRICT COURT

SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (excluding GRT)  
JUNE 30, 2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>Amount of Awarded Contract</i>	<i>Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>
N/A	Sole Source	Rio Grande Valley Court Appointed Special Advocates	\$85,164.00	N/A	Procurement provided by Administrative Office of the Courts

***In-State/ Out-of-State***

<b><i>Vendor (Y or N) (Based on Statutory Definition)</i></b>	<b><i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i></b>	<b><i>Brief Description of the Scope of Work</i></b>
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Y

N

Provide Court appointed Special Advocate services to children involved in Children's Court proceedings.

**COMPLIANCE SECTION**



# Griego Professional Services, LLC

Certified Public Accountants

## **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  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico and  
Mr. Tim Keller, New Mexico State Auditor

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and the major special revenue funds, and the statement of assets and liabilities – fiduciary funds of the Seventh Judicial District Court (the Court), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Court’s basic financial statements and the combining and individual funds and related budgetary comparisons of the Court, presented as supplemental information and have issued our report thereon dated November 10, 2015.

### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Phone (505) 856-2741 - Fax (505) 856-7510

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
November 10, 2015

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2015**

**Section I – Summary of Audit Results**

*Financial Statements:*

- |   |            |
|---|------------|
| 1. Type of auditors' report issued  | Unmodified |
| 2. Internal control over financial reporting:                                   |            |
| a. Material weakness identified?  | No         |
| b. Significant deficiency identified not considered to be a material weakness?  | No         |
| c. Control deficiency identified not considered to be a significant deficiency? | No         |
| d. Noncompliance material to financial statements noted?                        | No         |

**Section II – Financial Statement Findings**

None

**Section III – Prior Year Audit Findings**

None

**Section IV – Other Disclosures**

Auditor Prepared Financials

The Court prepared the financial statements. Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Court's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on November 12, 2015. 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

Griego Professional Services, LLC

JJ Griego, CPA