

*Clarity from Complexity*



**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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

**June 30, 2016**

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
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FOR THE YEAR ENDED JUNE 30, 2016**

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SEVENTH JUDICIAL DISTRICT COURT  
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**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2016**

**Function of Entity**

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

Official Roster  
June 30, 2016

**Judges**

Honorable Matthew G. Reynolds  
Honorable Mercedes C. Murphy  
Honorable Kevin R. Sweazea

Chief Presiding Judge Division II  
District Judge Division I  
District Judge Division III

**Administrative Officials**

Jason E. Jones  
Lilia Romero

Court Executive Officer  
Financial Supervisor

**FINANCIAL SECTION**

## Independent Auditor's Report

Honorable Matthew G. Reynolds, Chief Judge  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico  
&  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Seventh Judicial District Court (District Court), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District Court's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District Court's fiduciary funds and the budgetary comparison for the major capital project fund, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

Honorable Matthew G. Reynolds, Chief Judge  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico  
&  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District Court as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the District Court as of June 30, 2016, and the respective changes in financial position where applicable, and the respective budgetary comparison for the major capital projects fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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

Honorable Matthew G. Reynolds, Chief Judge  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico  
&  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

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 District Court's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The "other supplementary information" as identified in the table of contents and required by Section 2.2.2 NMAC is presented is for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Schedule of Vendor Information for Purchases Exceeding \$60,000 listed as "other information" in the table of contents and required by Section 2.2.2 NMAC 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 28, 2016 on our consideration of the District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

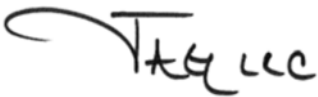


Honorable Matthew G. Reynolds, Chief Judge  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico

&

Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District Court's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
November 28, 2016

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

This section of The Seventh Judicial District Court's (District Court) annual financial report has been prepared by the management of the District Court and presents a discussion and analysis of the District Court's financial performance during the fiscal year that ended June 30, 2016. Please read it in conjunction with the District Court's financial statements, which follow this section.

**OVERVIEW**

The caseload for the District Court during the fiscal year 2016 was 2,000 cases. This is a decrease from the previous fiscal year 2015, of 2,141 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 three Adult Drug Court Programs, which are all included in the basic financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of Net Positions and the Statement of Activities provide information about the activities of the Court as a whole. The District Court has no business-type activities but rather solely supports governmental type activities. For government activities, these statements reflect how these services were financed in the current year and what remains for future spending. The fund financial statements report the District Court's operations in more detail than the government-wide statements by providing information about the District Court's most significant funds. The remaining statements provide financial information about activities for which the District Court acts solely in a fiduciary capacity for monies held in trust until litigation is completed. Pursuant to state statute, at the end of the fiscal year the District Court held in trust \$287,847 for litigants and \$1,207 to be distributed to other state agencies.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**REPORTING THE COURT AS A WHOLE**

These statements include all assets and liabilities of the District Court, except for the fiduciary funds, using an accrual basis of accounting, similar to the accounting used by most private-sector companies. All 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 District Court's net position for the fiscal year ended June 30, 2016 and June 30, 2015.

TABLE A

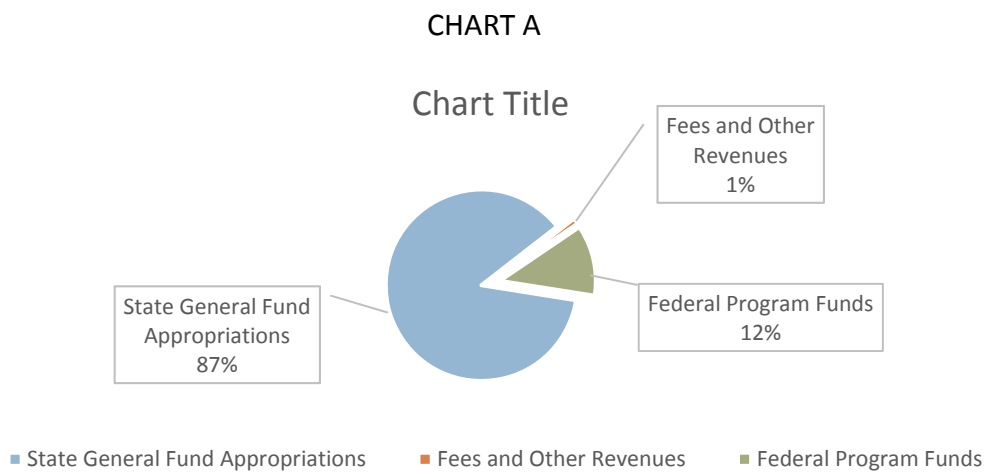
	June 30, 2016	June 30, 2015
Current Assets	\$ 401,790	\$ 330,499
Capital Assets	<u>180,798</u>	<u>222,174</u>
Total Assets	<u>582,588</u>	<u>552,673</u>
Current Liabilities	198,263	162,559
Compensated Absences	<u>79,562</u>	<u>68,628</u>
Total Liabilities	<u>277,825</u>	<u>231,187</u>
Net Investment in Capital Assets	180,798	222,174
Restricted for Mediation Fund	53,154	49,200
Unrestricted (deficit)	<u>(79,562)</u>	<u>(68,628)</u>
Total Net Position	<u>\$ 154,390</u>	<u>\$ 202,746</u>

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

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

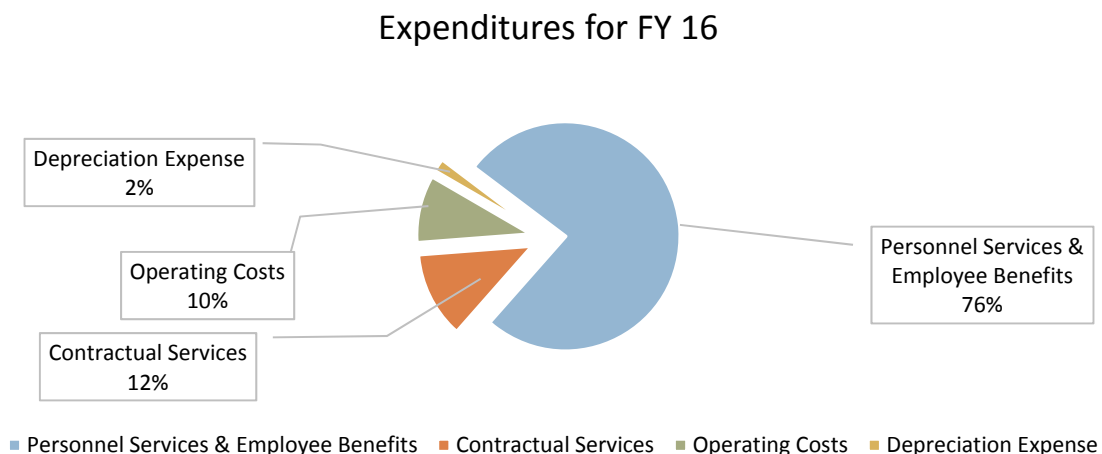
**SOURCES OF REVENUE**

As previously stated, the District Court serves as an umbrella organization for the administration of several different activities. Viewed as a whole, the District Court is one program. Sources of revenue for the program for FY16 are as follows: State general fund appropriations \$2,487,634, (adjusted for reversions) federal pass-through funds of \$307,183 and fees and other revenues \$29,016 for total revenue of \$2,823,833. Chart A, below, provides a graphic presentation of revenue sources.



**EXPENSES**

The District Court's total expenditures for FY16 were \$2,814,954 with the following components; Personnel Services and Benefits \$2,145,895 or 76% of the total; Contractual Services \$345,580 or 12% of the total; Operating costs \$270,104 or 10% of the total and Depreciation Expenses \$53,375 or 2% of the total. Chart B illustrates the expenditures for the fiscal year.



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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

	June 30 2016	June 30, 2015
<b>GENERAL REVENUE</b>		
State General Fund Appropriations	\$ 2,521,954	\$ 2,485,258
Federal Program Funds	281,584	332,036
Fees and Other Revenues	<u>17,766</u>	<u>16,170</u>
Total Revenues	<u>2,821,304</u>	<u>2,833,464</u>
<b>EXPENSES:</b>		
Court Regular	2,509,057	2,447,123
Child Support Hearing Officer	249,951	278,619
Mediation	<u>3,639</u>	<u>1,905</u>
Total Revenues	<u>2,762,647</u>	<u>2,727,647</u>
Change in Net Position	58,657	105,817
Net Position - Beginning	<u>310,478</u>	<u>204,661</u>
Net Position - Ending	<u>\$ 369,135</u>	<u>\$ 310,478</u>

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**BUDGETARY COMPARISONS OF GENERAL FUND**

Following is a summary of budget (GAAP Basis) to actual (Budgetary Basis) comparisons for the General Fund activity for FY16. An explanation of the major variances follows.

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
Revenues:	<u>\$ 2,534,664</u>	<u>\$ 2,520,264</u>	<u>\$ 2,521,954</u>	<u>\$ (1,690)</u>
Expenditures:				
Personal Services & Benefits	2,023,200	1,923,800	1,918,620	5,180
Contractual Services	363,764	343,764	340,440	3,324
Operating Costs	<u>147,700</u>	<u>252,700</u>	<u>249,997</u>	<u>2,703</u>
Total expenditures	<u>2,534,664</u>	<u>2,520,264</u>	<u>2,509,057</u>	<u>11,207</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,897</u>	<u>\$ 12,897</u>

The District Court uses 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 District Court attempts to fulfill all foreseeable expenses through annual budget requests and relies on the New Mexico Legislature to appropriate accordingly.

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

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**CAPITAL ASSET ACTIVITY FOR FY16**

The following provides a detailed analysis of the change in capital assets for FY16 and FY15.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Deletions:		
Asset Deletions	\$ -	\$ (45,589)
Associated Accumulated Depreciation	-	-
Additions:		
Asset Additions	12,000	124,510
Depreciation	<u>(53,376)</u>	<u>(46,244)</u>
Total Change in Capital Assets	<u>\$ (41,376)</u>	<u>\$ 78,266</u>
Additions for Fixed Assets included:		
Furniture and Fixtures	\$ 12,000	\$ 84,884
Automobiles	<u>-</u>	<u>39,626</u>
Total Additions	<u>\$ 12,000</u>	<u>\$ 124,510</u>

**LONG-TERM DEBT ACTIVITY**

The District Court's long-term debt consists of compensated absences that are payable to employees upon separation from service. The total liability accumulated through June 30, 2016 and 2015 was \$79,562 and \$68,628 respectively. Consequently, there was an increase of \$10,934 in FY16.

**CURRENTLY KNOWN FACTS**

The District Court's budget has subsequently been decreased by the NM State Legislature by approximately 3% (\$72,000) for the General Fund and 17% (\$8,000) for the Drug Court Fund.

**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  
(575) 835-0500**

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Interest in State Treasurer General Fund Investment Pool	\$ 401,790
Noncurrent Assets	
Capital assets	775,674
Accumulated depreciation	<u>(594,876)</u>
Total capital assets	<u>180,798</u>
<b>Total assets</b>	<u>582,588</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	84,071
Accrued payroll	72,285
Due to State General Fund	12,633
Due to other state agency - HSD	29,274
Accrued compensated absences	<u>79,562</u>
<b>Total liabilities</b>	<u>277,825</u>
<b>NET POSITION</b>	
Net investment in capital assets	180,798
Restricted	203,527
Unrestricted	<u>(79,562)</u>
<b>Total net position</b>	<u><u>\$ 304,763</u></u>

*See Notes to Financial Statements.*



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Functions / Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenues</u>
		<u>Services</u>	<u>Grants</u>	<u>(Expenses)</u>
Governmental activities:				
Judicial				
Court Regular	\$ 2,555,543	\$ 21,423	\$ -	\$ (2,534,120)
Child Support Hearing Officer	255,775	-	281,584	25,809
Mediation	<u>3,639</u>	<u>7,593</u>	<u>-</u>	<u>3,954</u>
Total governmental activities	<u>\$ 2,814,957</u>	<u>\$ 29,016</u>	<u>\$ 281,584</u>	<u>(2,504,357)</u>
<b>Transfers</b>				
Transfer - State General Fund appropriation				2,386,900
Transfer - From Other State Agency				113,631
Transfer - Reversion to State General Fund				<u>(12,897)</u>
Total transfers				<u>2,487,634</u>
Change in net position				(16,723)
Net position, beginning of year				<u>321,486</u>
<b>Net position, end of year</b>				<u>\$ 304,763</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General Fund (Fund 14700)	Child Support Hearing Office Fund (Fund 52200)	Mediation Fund (Fund 29400)	Capital Outlay Project Fund (Fund 03500)	Total
<b>ASSETS</b>					
<i>Current:</i>					
Interest in State Treasurer General Fund Investment Pool	\$ 164,576	\$ 183,988	\$ 53,226	\$ -	\$ 401,790
<b>LIABILITIES AND FUND BALANCE</b>					
<i>Current Liabilities:</i>					
Accounts payable	81,703	2,296	72	-	84,071
Accrued payroll	70,241	2,044	-	-	72,285
Due to State General Fund	12,633	-	-	-	12,633
Due to Other State Agency - HSD	-	29,274	-	-	29,274
<i>Total liabilities</i>	<u>164,577</u>	<u>33,614</u>	<u>72</u>	<u>-</u>	<u>198,263</u>
<i>Fund Balance:</i>					
Fund Balance					
Nonspendable	-	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue	-	150,373	53,154	-	203,527
Capital projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Assigned for designated cash	-	-	-	-	-
Unassigned	-	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>150,373</u>	<u>53,154</u>	<u>-</u>	<u>203,527</u>
<i>Total liabilities and fund balance</i>	<u>\$ 164,577</u>	<u>\$ 183,988</u>	<u>\$ 53,226</u>	<u>\$ -</u>	<u>\$ 401,791</u>

See Notes to 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, 2016**

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

<b>Fund Balances - Total Governmental Funds</b>	\$ <u>203,527</u>
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Capital assets	775,674
Accumulated depreciation	<u>(594,876)</u>
Total Capital Assets	<u>180,798</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Compensated absences	<u>(79,562)</u>
<b>Total Net Position</b>	<u>\$ <u>304,763</u></u>

*See Notes to 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, 2016**

	General Fund (Fund 14700)	Child Support Hearing Office Fund (Fund 52200)	Mediation Fund (Fund 29400)	Capital Outlay Project Fund (Fund 03500)	Total
<b>Revenues</b>					
Federal Pass-Through Funds	\$ -	\$ 281,584	\$ -	\$ -	\$ 281,584
Fees	21,423	-	7,593	-	29,016
Total revenues	<u>21,423</u>	<u>281,584</u>	<u>7,593</u>	<u>-</u>	<u>310,600</u>
<b>Expenditures</b>					
Current					
Personal Services and Benefits	1,918,620	216,342	-	-	2,134,962
Contractual Services	340,440	1,500	3,639	-	345,579
Operating Costs	249,997	32,109	-	-	282,106
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,509,057</u>	<u>249,951</u>	<u>3,639</u>	<u>-</u>	<u>2,762,647</u>
Excess (deficiency) of revenues over expenditures	<u>(2,487,634)</u>	<u>31,633</u>	<u>3,954</u>	<u>-</u>	<u>(2,452,047)</u>
<b>Other financing sources (uses):</b>					
Transfers in from other state agency	113,631	-	-	-	113,631
State General Fund appropriations	2,386,900	-	-	-	2,386,900
Reversions - fiscal year 2016	<u>(12,897)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,897)</u>
Total other financing sources (uses)	<u>2,487,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,487,634</u>
Net change in fund balance	-	31,633	3,954	-	35,587
Fund balances - beginning of year	<u>-</u>	<u>118,740</u>	<u>49,200</u>	<u>-</u>	<u>167,940</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 150,373</u>	<u>\$ 53,154</u>	<u>\$ -</u>	<u>\$ 203,527</u>

See Notes to 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, 2016**

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>\$ 35,587</u>
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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.

Depreciation expense	(53,376)
Capital outlay	12,000

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

Increase in accrued compensated absences	<u>(10,934)</u>
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<b>Change in Net Position</b>	<u><u>\$ (16,723)</u></u>
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*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
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, 2016**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Variance Favorable
	Original	Final		(Unfavorable)
Revenues				
State General Fund Appropriations	\$ 2,401,300	\$ 2,386,900	\$ 2,386,900	\$ -
Federal Pass-Through Funds	-	-	-	-
Miscellaneous Revenue	<u>14,500</u>	<u>14,500</u>	<u>21,423</u>	<u>6,923</u>
Total revenues	<u>2,415,800</u>	<u>2,401,400</u>	<u>2,408,323</u>	<u>6,923</u>
Expenditures				
Personal Services & Benefits	2,023,200	1,923,800	1,918,620	5,180
Contractual Services	363,764	343,764	340,440	3,324
Operating Costs	<u>147,700</u>	<u>252,700</u>	<u>249,997</u>	<u>2,703</u>
Total expenditures	<u>2,534,664</u>	<u>2,520,264</u>	<u>2,509,057</u>	<u>11,207</u>
Other Financing Sources (Uses)				
Prior Year A/P not Encumbered	-	-	-	-
Transfer in from other State Agency	118,864	118,864	113,631	(5,233)
2016 FY Reversion to State General Fund	<u>-</u>	<u>-</u>	<u>(12,897)</u>	<u>(12,897)</u>
Total Other Financing Sources (Uses)	<u>118,864</u>	<u>118,864</u>	<u>100,734</u>	<u>(18,130)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			<u>-</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Pass-Through Funds via HSD transfer	307,200	307,200	281,584	(25,616)
Miscellaneous revenue	-	-	-	-
Total revenues	307,200	307,200	281,584	(25,616)
Expenditures				
Personal Services & Benefits	281,300	246,300	216,342	29,958
Contractual Services	1,500	1,500	1,500	-
Operating Costs	24,400	59,400	32,109	27,291
Total expenditures	307,200	307,200	249,951	57,249
Excess (deficiency) of revenues over expenditures	-	-	31,633	31,633
Other Financing Sources (Uses):				
Prior Year A/P not Encumbered	-	-	-	-
2016 FY Due to Other State Fund - HSD	-	-	-	-
Total Other Financing Sources	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	31,633	31,633
Net change in fund balance	\$ -	\$ -	31,633	31,633
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 31,633	

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
State General Fund	\$ -	\$ -	\$ -	\$ -
Fees	17,000	17,000	7,593	(9,407)
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>7,593</u>	<u>(9,407)</u>
Expenditures				
Personal Services & Benefits	-	-	-	-
Contractual Services	16,000	16,000	3,639	12,361
Operating Costs	1,000	1,000	-	1,000
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>3,639</u>	<u>13,361</u>
Other Financing Sources (Uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	3,954	3,954
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,954</u>	<u>3,954</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 3,954</u>	

See Notes to Financial Statements.



**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	Agency Funds
<b>ASSETS</b>	
Cash in Banks	\$ 192,506
State Treasurer Local Government Investment Pool	96,575
Total assets	\$ 289,081
 <b>LIABILITIES</b>	
Due to State General Fund	\$ 1,207
Due to State Treasurer	27
Due to Litigants	287,847
Total liabilities	\$ 289,081

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

In evaluating how to define the District Court for financial reporting purposes, management has considered all potential component units by applying GASB Statement No. 14, *The Financial Reporting Entity*. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including a potential component unit within the reporting entity. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District Court, or whether the activity is conducted within the geographic boundaries of the District Court. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District Court is able to exercise oversight responsibilities. Based upon the application of these criteria, included within the reporting entity are all funds and functions under the District Court's control and responsibility, which are included in the District Court's reports to the New Mexico Department of Finance and Administration. Based on the application of the above criteria, no other activities meet the criteria for inclusion in the reporting entity; therefore, there are no component units included in these financial statements.

The District Court is 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 District Court is not included in any other government "reporting entity" as described in Section 2100, "Codification of Governmental Accounting and Financial Reporting Standards."

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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*.

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 District Court are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The following fund types and account groups are used by the District Court.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

GOVERNMENTAL FUND

General Fund (14700) – 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 (52200) – The District Court has entered into an agreement with the State of New Mexico Human Services Department (HSD) operating through its Child Support Enforcement Division (CSED) which administers a statewide plan for child support enforcement in compliance with Title IV-D of the federal Social Security Act. HSD provides funding to the District Court for implementing measures for the use of child support hearing officers in the adjudication of legal 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 (29400) – 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 PROJECT FUND

The Capital Project Fund (03500) 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 Project Fund is reported as a major fund. The Court maintains the fund for future capital projects, though have not utilized the fund since the year ended June 30, 2012.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

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:

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

Court Clerk’s Fund – These monies are collected from individuals filing with the District Court. These monies are remitted intact to the New Mexico State Treasurer.

**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 in the financial reporting model.

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

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

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.

Appropriation request hearings are scheduled by the AOC. Recommendations are made by the AOC to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court’s recommended appropriation request for the District Court.

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

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

The District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of DFA – Budget Division and LFC. The budget was amended in a legal manner for the current year.

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

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

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

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.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 Pay Period</u>
1 month - 3 yrs	4.62
3 yrs - 7 yrs	5.54
7 yrs - 14 yrs	6.46
Over 14 yrs	7.39

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination up to a maximum of 240 hours. Accrued compensated absences payable for accumulated annual leave totaled \$79,562 at June 30, 2016 and \$66,650 at June 30, 2015. Accrued annual leave is recorded as a liability and net changes are recorded as an expenditure in the government-wide financial statements. The fund financial statements and budgetary comparison reports only recognize the compensated absences when payments are made to employees.

**H. Accrued Sick Leave**

Chapter 150, Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours in a fiscal year. However, the sick leave will be paid at 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



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
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JUNE 30, 2016**

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 District Court had two employees with accumulated sick leave in excess of 600 hours. Accrued sick leave in excess of 600 hours amounted to \$2,156 at June 30, 2016 and \$1,979 at June 30, 2015.

**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.

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SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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.

**L. Cost of Operations Not Included in Statements**

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

**M. Use of Estimates**

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

**N. Net Position or Fund Equity**

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

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

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

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

**STATE OF NEW MEXICO  
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JUNE 30, 2016**

**NOTE 2. RETIREMENT PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting of Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016. 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 the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**NOTE 3. RETIREMENT PLAN - JUDICIAL BRANCH**

All of the 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 the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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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-four 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 10.5% of their gross salary to the member contribution fund. The District Court contributes 15.0% of the member's gross salary and remits \$38.00 of each civil case docket fee paid into the Judge's Retirement Fund. The District Court contributed \$53,545 and remitted \$27,556 in filing fees to the plan during the year ended June 30, 2016 and the judges contributed \$37,482 for a total contribution of \$118,583.

The payroll covered by JRA for the year ended June 30, 2016 was \$356,970.

**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.

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**NOTE 5. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The District Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit 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 (Chapter 10, Article 7C, NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premiums to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](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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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. 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; each participating employee was required to contribute 1.250% of their salary. 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 plans 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rate is During the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.000% of each participating employee's annual salary; each participating employee was required to contribute 1.000% of their salary.

The District Court's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$30,860, \$29,488, and \$25,898, respectively, which equal the required contribution for each year.

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

	<u>General Fund Fund # 14700</u>	<u>Child Support Hearing Officer Fund # 52200</u>	<u>Mediation Fund # 29400</u>
<b>Revenues:</b>			
Government-wide	\$ 2,521,954	\$ 281,584	\$ 7,593
Less A/R not received within 60 days	-	-	-
Fund Revenues and Sources	<u>2,521,954</u>	<u>281,584</u>	<u>7,593</u>
Deferred Revenue	-	-	-
Budgetary Revenues	<u><u>\$ 2,521,954</u></u>	<u><u>281,584</u></u>	<u><u>\$ 7,593</u></u>
<b>Expenses:</b>			
Government-wide	\$ 2,554,950	\$ 256,099	\$ 3,639
Plus: Capital Asset Additions	12,000	-	-
Less: Capital Asset Deletions	-	-	-
Less: Depreciation Expense	(46,637)	(5,825)	-
Changes in Accrued Compensated Absences	<u>(11,256)</u>	<u>(323)</u>	<u>-</u>
Fund Expenditures	<u>2,509,057</u>	<u>249,951</u>	<u>3,639</u>
Non-Budgeted Expenditures	-	-	-
Budgetary Expenses	<u><u>\$ 2,509,057</u></u>	<u><u>\$ 249,951</u></u>	<u><u>\$ 3,639</u></u>

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**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 Interest in the State Treasurer General Fund Investment Pool. The District Court deposits the Court Clerk’s funds directly into an interest bearing bank account in the name of the State Treasurer’s Office. The District Court’s 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.

A schedule of cash and investments accounts for General Fund and Special Revenue Fund are as follows:

Interest in the State Treasurer General Fund Investment Pool	Agency	SHARE Fund	Fair Value	Investment Maturities Less than 1 Yr.
General Fund	23700	14700	\$ 164,576	\$ 164,576
Capital Projects Fund	23700	03500	-	-
Child Support Hearing Officer Fund	23700	52200	183,988	183,988
Mediation Fund	23700	29400	53,226	53,226
Total Governmental Funds			<u>\$ 401,790</u>	<u>\$ 401,790</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, 2016. The State of New Mexico is 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, 2016, the District Court’s investment of New MexiGROW LGIP had a credit risk rating of AAAM. Rated \$5,484,850 WAM (R) is 48.6 days and the WAM (F) is 116.2 days

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Agency Funds:

Accounts in the name of Seventh Judicial District Court:

		<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Reconciled Balance</u>
First State Bank	Checking	\$ 16,380	\$ -	\$ -	\$ 16,380
First State Bank	Checking	56,577	-	1,275	55,302
Wells Fargo Bank	Checking	52,669	-	-	52,669
Bank of the Southwest	Checking	<u>66,948</u>	<u>-</u>	<u>-</u>	<u>66,948</u>
Total District Court Accounts		<u>\$ 192,574</u>	<u>\$ -</u>	<u>\$ 1,275</u>	<u>\$ 191,299</u>
		<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Reconciled Balance</u>
State Treasurer	LGIP	\$ 695	\$ -	\$ -	\$ 695
State Treasurer	LGIP	712	-	-	712
State Treasurer	LGIP	27	-	-	27
State Treasurer	LGIP	15,104	-	-	15,104
State Treasurer	LGIP	8	-	-	8
State Treasurer	LGIP	889	-	-	889
State Treasurer	LGIP	78,936	-	-	78,936
State Treasurer	LGIP	204	-	-	204
Bank of the Southwest	Checking	<u>1,207</u>	<u>-</u>	<u>-</u>	<u>1,207</u>
Total State Treasurer Accounts		<u>\$ 97,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,782</u>
Total Agency Funds		<u>\$ 290,356</u>	<u>\$ -</u>	<u>\$ 1,275</u>	<u>\$ 289,081</u>

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 credit risk.



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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.

At June 30, 2016 the Seventh Judicial District Court's agency funds had the following bank accounts:

	<u>First State Bank</u>	<u>Wells Fargo Bank</u>	<u>Bank of the Southwest</u>
		\$	
Total amounts of deposits	\$ 2,957	52,669	\$ 68,155
FDIC coverage	<u>(72,957)</u>	<u>(52,669)</u>	<u>(68,155)</u>
Total uninsured public funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pledged collateral held by pledging bank's trust department or agent but no 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 event of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, the carrying amount of these deposits was \$192,575.

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**State General Fund Investment Pool**

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

As communicated last year, the Financial Control Division (FCD) in collaboration with the State Treasurer's Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For FY 2016 the following assertions are provided:

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (<\$200K standard deviation) over the last twelve months.
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP.
3. All claims will be honored at face value.

The District Court has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in the pool, in SHARE are correct and to mitigate the risk that the District Court's cash balances in the pool, would not be misstated as of June 30, 2016.

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**NOTE 8. DUE TO GENERAL FUND AND OTHER STATE AGENCIES**

Due to State General Fund for reversions as of June 30, 2016 are as follows:

Reversions for Fiscal Year Ended June 30, 2016	\$ 12,897
State Dated Warrants	<u>264</u>
Total Reversions Due to State General Fund	<u>\$ 12,633</u>

Agency Fund: Due to State General Fund for the collection of court costs held in trust to be remitted as of June 30, 2016 amounted to \$1,207. 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, 2016 amounted to \$27.

**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, 2016	<u>\$ 29,274</u>

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**NOTE 10. RECONCILIATION OF ENCUMBRANCES AND ACCOUNTS PAYABLE**

	Total Encumbrance & Accounts Payable	Amounts Not Paid Within DFA Time Limits	Budgetary Basis Encumbrance & Accounts Payable
General Fund (14700)			
Contractual Services	\$ 41,226	\$ -	\$ 41,226
Other Operating	40,477	-	40,477
Total	<u>81,703</u>	<u>-</u>	<u>81,703</u>
Child Support Hearing Officer Fund (52200)			
Other Operating	<u>\$ 2,296</u>	<u>\$ -</u>	<u>\$ 2,296</u>
Mediation Fund (29400)			
Contractual Services	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 72</u>
Total Encumbrances	<u><u>\$ 84,071</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 84,071</u></u>

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**NOTE 11. CAPITAL ASSETS**

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

Capital Assets:	June 30, 2015	Additions	Deletions	June 30, 2016
General Fund (Fund 14700) :				
Furniture, Fixtures, Equipment	\$ 497,080	\$ 12,000	\$ -	\$ 509,080
Automotive	177,735	-	-	177,735
Total General Fund	674,815	12,000	-	686,815
Child Support Hearing Officer Fund (Fund 52200):				
Furniture, Fixtures, Equipment	71,201	-	-	71,201
Automotive	17,658	-	-	17,658
Total CSHO Fund	88,859	-	-	88,859
Total Capital Assets	763,674	12,000	-	775,674
Less Accumulated Depreciation:				
General Fund (Fund 14700):				
Furniture, Fixtures, Equipment	360,397	24,472	-	384,869
Automotive	126,027	23,079	-	149,106
Total General Fund	486,424	47,551	-	533,975
Child Support Hearing Officer Fund (Fund 52200):				
Furniture, Fixtures, Equipment	54,869	3,302	-	58,171
Automotive	207	2,523	-	2,730
Total CSHO Fund	55,076	5,825	-	60,901
Total Accumulated Depreciation	541,500	53,376	-	594,876
Net Capital Assets	\$ 222,174	\$ (41,376)	\$ -	\$ 180,798

Depreciation Expense was charged to functions as follows:

General Fund	\$ 47,551
CSHO Fund	5,825
Total Depreciation Expense	<u>\$ 53,376</u>

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**NOTE 12. CHANGES IN COMPENSATED ABSENCES**

A summary of changes in compensated absences is as follows:

	<u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>2016</u>	<u>Amount due within one year</u>
Accrued Sick Leave	\$ 1,978	\$ 53,883	\$ (53,705)	\$ 2,156	\$ 2,156
Annual Leave	66,650	82,957	(72,201)	77,406	77,406
Total Compensated Absences	<u>\$ 68,628</u>	<u>\$ 136,840</u>	<u>\$ (125,906)</u>	<u>\$ 79,562</u>	<u>\$ 79,562</u>

Accrued compensated absences are maintained on a first earned, first used method; therefore, it is expected that all of the accrued compensated absences as of the end of the fiscal year will be used and due within one year. It is also anticipated that all compensated absences will not all be used within the same year as they were earned. The District Court does not maintain available funds in the General Fund for future payment of these accrued compensated absences. The District Court relies on future State Appropriations to fund the accrued compensated absences as they come due.

**NOTE 13. INTERAGENCY TRANSFERS**

	SHARE Fund #	Title	Transfer In	Transfer Out
1.	85300	NM Department of Finance and Administration	\$ 2,386,900	\$ -
2.	52000	NM Human Services Department	285,584	-
3.	13900	NM Administrative Office of the Courts-CASA	85,164	-
4.	13900	NM Administrative Office of the Courts	39,717	-
		Total Interagency Transfers	<u>\$ 2,797,365</u>	<u>\$ -</u>

1. General Fund Appropriation, Laws of 2015, First Session, Chapter 101, Section 4
2. Child Support Hearing Officer Appropriation, Laws of 2015, First Session, Chapter 101, Section 4
3. CASA Program Appropriation, Laws of 2015, First Session, Chapter 101, Section 4
4. MOU Sierra & Torrance Drug Court Program – LETF, Laws of 2015, First Session, Chapter 101, Section 4

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**NOTE 14. 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 15. 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.

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*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 <u>Fund</u>	Child Support Hearing Officer <u>Fund</u>	Mediation <u>Fund</u>	<u>Total</u>
\$ -	\$ 150,373	\$ 53,154	\$ 203,527

**NOTE 16. RISK MANAGEMENT**

The District Court is insured through Risk Management Division of the State of New Mexico General Services Department. The District Court pays annual premiums to the Risk Management Division for coverage provided in the following areas:

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

The District Courts’ exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, there are no known or threatened legal proceedings involving material matters to which the District Court is a party and/or believes that the outcome of pending litigation would have a materially adverse effect on the financial position or operations of the District Court. In addition, for the years ended June 30, 2016, 2015, and 2014, the District Court had no claims for which the Risk Management Division has returned as “not covered” that would become the responsibility of the District Court.



## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
MAJOR CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable
	Original	Final		(Unfavorable)
Revenues				
State General Fund Appropriations	\$ -	\$ -	\$ -	\$ -
Federal Pass-Through Funds	-	-	-	-
Miscellaneous Revenue	-	-	-	-
	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Personal Services & Benefits	-	-	-	-
Contractual Services	-	-	-	-
Operating Costs	-	-	-	-
	-	-	-	-
Total expenditures	-	-	-	-
Other Financing Sources (Uses)				
Prior Year A/P not Encumbered	-	-	-	-
Transfer in from other State Agency	-	-	-	-
2016 FY Reversion to State General Fund	-	-	-	-
	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

See Notes to Financial Statements.

## **OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
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STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
<b><u>SOCORRO - CATRON COUNTIES LITIGANT'S FUND</u></b>				
Assets				
Cash in Banks	\$ 49,344	\$ 47,147	\$ 24,808	\$ 71,683
Cash on Deposit - State Treasurer	1,404	3	-	1,407
	<u>\$ 50,748</u>	<u>\$ 47,150</u>	<u>\$ 24,808</u>	<u>\$ 73,090</u>
Liabilities				
Interest Due to State Treasurer	\$ 9	\$ 41	\$ 34	\$ 16
Deposits held for Litigants	50,739	47,109	24,774	73,074
	<u>\$ 50,748</u>	<u>\$ 47,150</u>	<u>\$ 24,808</u>	<u>\$ 73,090</u>
 <b><u>TORRANCE COUNTY LITIGANT'S FUND</u></b>				
Assets				
Cash in Banks	\$ 34,938	\$ 35,082	\$ 17,352	\$ 52,668
Cash on Deposit - State Treasurer	79,678	187	901	78,964
	<u>\$ 114,616</u>	<u>\$ 35,269</u>	<u>\$ 18,253</u>	<u>\$ 131,632</u>
Liabilities				
Interest Due to State Treasurer	\$ -	\$ 4	\$ 4	\$ -
Deposits held for Litigants	114,616	35,265	18,249	131,632
	<u>\$ 114,616</u>	<u>\$ 35,269</u>	<u>\$ 18,253</u>	<u>\$ 131,632</u>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS (CONTINUED)  
JUNE 30, 2016**

	June 30, 2015	Additions	Deductions	June 30, 2016
<b><u>SIERRA COUNTY LITIGANT'S FUND</u></b>				
Assets				
Cash in Banks	\$ 84,287	\$ 50,708	\$ 68,048	\$ 66,947
Cash on Deposit - State Treasurer	19,969	105	3,869	16,205
	\$ 104,256	\$ 50,813	\$ 71,917	\$ 83,152
Liabilities				
Interest Due to State Treasurer	\$ 8	\$ 39	\$ 37	\$ 10
Deposits held for Litigants	104,248	50,774	71,880	83,142
	\$ 104,256	\$ 50,813	\$ 71,917	\$ 83,152
<b><u>TOTAL LITIGANT'S FUND</u></b>				
Assets				
Cash in Banks	\$ 168,569	\$ 132,937	\$ 110,207	\$ 191,299
Cash on Deposit - State Treasurer	101,051	295	4,770	96,575
	\$ 269,620	\$ 133,232	\$ 114,978	\$ 287,874
Liabilities				
Interest Due to State Treasurer	\$ 17	\$ 84	\$ 75	\$ 27
Deposits held for Litigants	269,603	133,148	114,903	287,847
Total Liabilities	\$ 269,620	\$ 133,232	\$ 114,978	\$ 287,874

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS (CONTINUED)  
JUNE 30, 2016**

	June 30, 2015	Additions	Deductions	June 30, 2016
<b><u>COURT CLERK'S FUND</u></b>				
Assets				
Cash on Deposit With State Treasurer				
Socorro & Catron Counties	\$ 2,173	\$ 39,211	\$ 41,384	\$ -
Torrance County	1,440	41,063	42,503	-
Sierra County	1,142	33,960	33,895	1,207
	\$ 4,755	\$ 114,234	\$ 117,782	\$ 1,207
Liabilities				
Due to State General Fund	\$ 4,755	\$ 114,234	\$ 117,782	\$ 1,207
<b><u>TOTAL AGENCY FUNDS</u></b>				
Assets				
Cash in Banks	\$ 168,569	\$ 132,937	\$ 110,207	\$ 191,299
Cash on Deposit With State Treasurer	105,806	114,529	122,552	97,782
	\$ 274,375	\$ 247,466	\$ 232,760	\$ 289,081
Liabilities				
Deposits held for Litigants	\$ 269,603	\$ 133,148	\$ 114,903	\$ 287,847
Due to State General Fund	4,755	114,234	117,782	1,207
Due to State Treasurer	17	84	75	27
	\$ 274,375	\$ 247,466	\$ 232,760	\$ 289,081

*See Notes to Financial Statements.*

**OTHER INFORMATION (UNAUDITED)**

STATE OF NEW MEXICO  
 SEVENTH JUDICIAL DISTRICT COURT  
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
 EXCEEDING \$60,000 (EXCLUDING GROSS RECEIPTS TAX) (UNAUDITED)  
 For the year ended June 30, 2016

RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
N/A	Sole Source	Rio Grande Valley Court Appointed Special Advocates	Yes	\$ 85,164	\$ -	Procurement provided by Administrative Office of the Courts	Y	N	Provide Court appointed Special Advocate services to children involved in Children's Court proceedings.	N/A

See accompanying notes to the Schedule of Vendor Information for Purchases Exceeding \$60,000.



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
NOTES TO SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
EXCEEDING \$60,000 (EXCLUDING GROSS RECEIPTS TAX) (UNAUDITED)  
For the year ended June 30, 2016**

**This Schedule includes:**

Competitive procurements in fiscal year (FY) 2016 that result in one or more contracts with a maximum contract price of over \$60,000 or more, excluding gross receipts tax, regardless of whether expenditures under that contract were over \$60,000 in FY 2016;

Sole-source procurements in FY 2016 that result in one or more contracts with a maximum contract price of over \$60,000 or more, excluding gross receipts tax, regardless of whether expenditures under that contract were over \$60,000 in FY 2016; and

Emergency procurements in FY 2016 that result in one or more contracts with a maximum contract price of over \$60,000 or more, excluding gross receipts tax, regardless of whether expenditures under that contract were over \$60,000 in FY 2016.

**This Schedule does not include:**

Information on a multi-year procurement that occurred in a prior year, even if it resulted in expenditures of \$60,000 or more in FY 2016, unless there was a contract amendment that occurred in the current fiscal year (i) of a contract with a maximum contract price of \$60,000 or more, or (ii) that increased the maximum contract price of an existing contract to equal or exceed \$60,000; and Procurements based on statewide pricing agreements in FY 2016.

## **COMPLIANCE SECTION**

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

Honorable Matthew G. Reynolds, Chief Judge  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico  
&  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Seventh Judicial District Court (District Court), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District Court's basic financial statements and the combining and individual funds and the major capital projects fund budgetary comparison of the District Court presented as supplementary information and have issued our report thereon dated November 28, 2016.

**Internal Control over Financial Reporting**

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

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

Honorable Matthew G. Reynolds, Chief Judge  
Seventh Judicial District Court  
Socorro County Courthouse, Socorro, New Mexico  
&  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we considered to be a significant deficiency as item 2016-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, item 2016-001.

### **The District Court's Response to Finding**

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

### **Purpose of this Report**

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

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
November 28, 2016

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NONE**

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**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2016-001 ANNUAL PHYSICAL INVENTORY OF CAPITAL ASSETS**

**TYPE OF FINDING:** Non-Compliance

**CONDITION:** State agencies are required to perform a physical count of all capital assets to assure that capital assets are adequately safeguarded and accurately reported. The District Court did not perform a physical count at year-end and reconcile it to the accounting records. There was one vehicle with a cost of \$25,857 remaining on the capital assets listing that was removed as a result of audit testing.

**CRITERIA:** NMSA 1978, §6-5-2(B-C) states that the division shall issue a manual of model accounting practices containing the procedures and policies prescribed pursuant to Subsection A of this section and shall annually review and, if necessary, revise and reissue the manual. State agencies shall comply with the model accounting practices established by the division, and the administrative head of each state agency shall ensure that the model accounting practices are followed. And state agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.

§12-6-10(A) states that the governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section 15-3B-16 NMSA 1978, which are assigned to the agency designated by the director of the facilities management division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall ascertain the correctness of the inventory by generally accepted auditing procedures.

Per NM Department of Finance and Administration MAP Policies and Procedures FIN 6.6:

1. State agencies shall perform a physical inventory of capital assets at the end of each fiscal year in compliance with the annual inventory statutory requirement for property and equipment. They must:
  - a. Verify the accuracy of the data on the capital asset inventory list maintained by each state agency,
  - b. Physically verify the existence and location of all movable property and equipment costing more than five thousand dollars (\$5,000),
  - c. Correct the inventory list based upon the physical inventory; and

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016**

**2016-01 ANNUAL PHYSICAL INVENTORY OF CAPITAL ASSETS (CONTINUED)**

- d. Provide certification from the person to whom the inventory is assigned and the governing authority of each state agency that the inventory list is correct.
2. State agencies shall perform a physical inventory of capital assets at the end of each fiscal year and must reconcile the physical inventory results with the physical inventory list. Any adjustments that result from the physical inventory should be recorded in the state agency accounting records. These adjustments should be made immediately after the count is taken.
3. When any capital asset is found to be missing and cannot be accounted for, the state agencies shall determine the cause(s) and augment internal controls, as necessary, to minimize any future occurrences.
4. Any capital assets determined to be missing should be documented in writing for reporting to the Office of the State Auditor.

**EFFECT**

Without an annual physical inventory and reconciliation, the District Court may have inaccurate account balances for capital assets, accumulated depreciation and depreciation expense. The District Court is more exposed to the risk of loss or theft of assets without proper monitoring

**CAUSE**

The District Court did not have internal controls in place to ensure compliance with the requirements.

**RECOMMENDATION**

We recommend that the District Court implement policies and procedures and monitor their effectiveness to ensure that the District Court remains in compliance with all elements of the capital asset requirements.

**MANAGEMENT RESPONSE**

*Corrective Action:* In the future, the District Court will ensure that capital assets are counted, tracked and reconciled in accordance with all applicable statutes, regulations, and policies and procedures.

*Timeline / Due date of Completion:* The reconciliations have already been corrected; the annual physical count will be performed at or close to June 30, 2017.

*Responsible Party:* Court Executive Officer

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT COURT  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2016**

The contents of this report were discussed on November 8, 2016. The following individuals were in attendance.

**Seventh Judicial District Court**

Honorable Matthew G. Reynolds, Chief Presiding Judge Division II

Jason E. Jones, Court Executive Officer

Lilia Romero, Financial Supervisor

**Jaramillo Accounting Group (JAG)**

Audrey J. Jaramillo, CPA, CFE, Managing Partner

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