

STATE OF NEW MEXICO

EIGHTH JUDICIAL DISTRICT COURT



**Financial Statements and Schedules
With Independent Auditors Report Thereon
For the Fiscal Year Ended June 30, 2019**

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OFFICIAL ROSTER

June 30, 2019

JUDGES

Division 1 Honorable Emilio Chavez, elected Chief Judge effective 10/1/19

Division 2 Honorable Mellissa A. Kennelly

Division 3 Honorable Jeff McElroy, Chief Judge through 09/30/19

ADMINISTRATIVE OFFICIALS

Kasey R. Daniel Court Executive Officer

Pamela S. Nay Deputy Court Executive Officer/CFO

Independent Auditor's Report

Brian Colón
New Mexico State Auditor
and
Honorable Jeff McElroy, Chief Judge
Eighth Judicial District Court
Taos, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Eighth Judicial District Court (Court), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Court's fiduciary funds in the accompanying fund financial statements as of and for the year ended June 30, 2019, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Court'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 Court'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.

Opinion

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 Court, as of June 30, 2019, 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 funds of the Court as of June 30, 2019, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Office are intended to present the financial position and changes in financial position, of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State of New Mexico that is attributed to the transactions of the Ninth Judicial District Attorney. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019 and the changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 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 procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

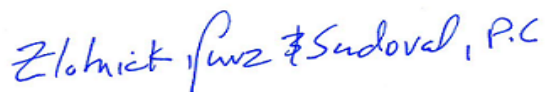
Other Information

Our audit was conducted for the purpose of forming opinions on the Court's financial statements, the individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2019 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Court's internal control over financial reporting and compliance.



Zlotnick, Laws & Sandoval, PC

October 18, 2019

**EIGHTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Management's Discussion and Analysis (MD&A) for the Eighth Judicial District Court will provide an overview of the Court's activities and programs by (1) evaluating the operating results for the year; (2) assessing its financial position and condition; (3) helping to understand its sources and uses of financial resources; (4) helping to determine if budgets were met; and (5) identifying budget issues or concerns. Finally, the MD&A will provide comparative data from fiscal year 2019 and 2018.

This section provides an analysis of the Court's financial activities based on currently known facts, decisions, or conditions. It also provides an analysis of the Court's overall financial position and results of operations to assist users in assessing whether the financial position has improved or if changes have occurred as a result of the year's activities.

The Court has only one activity, that of Judicial Services which is a governmental activity. The Court does not have any business-type activity or any component units.

AGENCY HIGHLIGHTS

The Eighth Judicial District Court operates under Sections 34-6-1, 34-6-11, and 34-6-17 to 34-6-46, NMSA 1978 Compilation. The district covers Taos, Colfax, and Union Counties and is comprised of three divisions. Currently, the Division I Judge is the Chief Judge and is largely responsible for operations for the entire District and Magistrate courts. The Division III Judge is also located in Taos County and handles the criminal and civil caseload there. Our Division II Judge is responsible for cases in the Colfax and Union Counties. The Eighth Judicial District Court funds a variety of support programs to the community. The Domestic Relations Mediation Program offers a formal conflict resolution setting rather than litigation. It is a process which culminates in a written agreement which is later processed via attorneys through the court system. The Alternative Dispute Resolution (ADR) Program is another way the Court serves the community in resolving disputes in a more cost-effective and informal setting. Taos and Colfax Counties also have Adult Drug Court Programs. These programs offer treatment and supervision to felony offenders whose substance abuse issues impact their criminal activity and who could benefit from drug education and treatment. The Domestic Violence Program offers assistance with restraining orders, crisis intervention, and victim advocacy and has improved the process in Domestic Relations cases by providing parenting classes and mediation services. The Court Appointed Special Advocate (CASA) Program is another support program providing support in cases involving children in the abuse and neglect system.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The two government-wide financial statements report information about the Court as a whole using accounting methods similar to those used by private sector businesses. The statement of net position includes all of the Court's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the Court's net position and how it has changed. Net position equals the difference between the Court's assets and liabilities and is one way to measure the Court's financial health or position. Over time, increases or decreases in the Court's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide a more detailed look at the Court's significant funds. Funds are accounting devices that the Court uses to keep track of specific sources of funding and spending for a particular purpose. The Court operates on its General Fund Appropriations received from the State Legislature each year. The funds also present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. The Court also reports on its agency funds. These funds represent trust responsibilities to litigants and the assets are restricted for that purpose and are not part of the Court's assets. These assets are not presented in any part of the Government-Wide Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements can be found on pages 20 through 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position: Below is a summary of the Court's net position for the fiscal year ending June 30, 2019. The Court's reports show balances in the following three categories of net position: (1) invested in capital assets, (2) restricted, and (3) unrestricted. Restricted net position is created by state statute and is required to be used for the Alternative Dispute Resolution and Domestic Relations Mediation Programs. Unrestricted net position are negative because it is the government's policy to fund compensated absences payable out of current resources as they become due. See page 11 of this report for a more detailed look at the Statement of Net Position.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$415,767	\$487,710
Capital assets	<u>197,709</u>	<u>153,411</u>
Total Assets	613,476	641,121
Current liabilities	305,418	359,465
Other liabilities	<u>13,574</u>	<u>10,872</u>
Total Liabilities	318,992	370,337
Net assets:		
Invested in capital assets	197,709	153,411
Restricted	183,565	201,397
Unrestricted	<u>(86,790)</u>	<u>(87,024)</u>
Total Net Assets	\$294,484	\$270,784

The current assets of \$415,767 are comprised of the following: Interest in the State General Fund Investment Pool for the Court's three funds (Court Regular, Alternative Dispute Resolution (ADR), and the Mediation Fund) total a combined amount of \$415,529, \$50 in Petty Cash, and Due from State General Fund for Fines and Fees collected in June and not deposited until July \$188. A comparison of current assets shows a decrease of \$71,943 from the previous year with the decrease resulting from the following items. The General Fund decreased by \$85,046, ADR increased by \$10,985, the Domestic Relations Mediation increased by \$1,930, and Due from State General Fund was recorded in the amount of \$188. The increase to capital assets of \$44,298 results from the total capital assets net of accumulated depreciation. Total assets decreased by \$27,644 resulting from the net decrease in current assets and increase to capital assets.

The total liabilities decreased by \$51,345 from last fiscal year as follows. Accounts payable decreased by \$66,213, payroll payables increased by \$12,152, and compensated absences increased by \$2,716. The total net position for FY19 increased by \$23,699 from FY18's end of year balance or total net changes in liabilities minus total net changes in assets (\$51,345-\$27,645).

Statement of Activities: The following represents the revenues and expenses for fiscal year 2019. See page 12 for a more detailed look at the Statement of Activities.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues		
Charges for services and court fees	130,962	134,177
General revenues		
State General Fund Appropriation (net of reversions)	<u>3,217,666</u>	<u>3,059,718</u>
Total Revenues	<u>3,348,628</u>	<u>3,193,895</u>
Expenses:		
Judicial	<u>3,324,928</u>	<u>3,137,165</u>
Change in net position	23,700	56,730
Net assets - Beginning	<u>270,784</u>	<u>214,054</u>
Net assets - Ending	<u>\$ 294,484</u>	<u>\$270,784</u>

In FY19, total revenues increased by \$154,733 from the previous year. The increase is a result of the following changes. The State General Fund Appropriation increased \$148,100, Other Financing Sources increased by \$5,082 for the Court Appointed Special Advocate, Capital Asset Transfers increase by a net \$7,955, offset by program revenues or charges for services and court fees decrease of \$3,215 and an increase to this year’s reversion by \$3,189.

Expenditures for FY19 increased by \$187,763 due to an increase in Personal Services and Benefits that included legislated and appropriated judiciary compensation increases and benefit costs increases, cost associated with bringing the Drug Court Program “in-house” offset by related Contractual cost savings, an increase in Other expenditures for courtroom technology equipment maintenance, and the purchase of a court vehicle with prior year restricted fund balance. The change in net position of \$23,700 is the result of the collective results of revenues received, expenditures made, and liabilities recorded in FY19.

FUND FINANCIAL ANALYSIS

Government Funds. The focus of the Court’s governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. For the current year the Court had three governmental funds, the General Fund, the Alternative Dispute Resolution Fund, and the Domestic Relations Mediation Fund. As of year-end, the General Fund reported a fund balance of \$50 due to the petty cash account. The General Fund is a reverting fund and any remaining balances excluding the petty cash account are to be reverted back to the State General Fund. The Alternative Dispute Resolution (ADR) and the Domestic Relations Mediation (Med) Funds reported fund balances of \$107,648 and \$75,867, respectively as reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balances. The Alternative Dispute Resolution Fund Balance increased from the previous year by \$1,133 because fees collected exceeded expenditures made. The Mediation Program Fund Balance saw an increase of \$10,985 from the previous year because revenues exceeded expenditures, thus increasing the available fund balance. The revenues generated for the ADR and Mediation Funds come from fees collected from civil and domestic filing fees at \$15 and \$30, respectively. In FY19 ADR fees are required to be

collected on every civil filing fee. These funds are reserved for expenditures for their respective programs in future years and are not revertible.

BUDGETARY COMPARISONS

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government's budgetary basis. As required by the Office of the State Auditor under 2.2.2 NMAC, the budgetary comparison statement is included herein. The information is provided at the approved budget level to demonstrate compliance with legal requirements. As reflected on the Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) Schedule, the revenue side of Fund 14800's overall variance was (\$3,387). This was the result of \$3,381 of unearned revenue from the tape and copy revenue budget and a rounding difference of \$6 in unearned Other funding sources. On the expenditure side a variance of \$14,755 adjusted to (\$15,245) after spending restricted fund balance for a special appropriation funded in the prior year of \$30,000. After the general fund reversions of (\$11,368), the Other funding source decrease of (\$6,) and the unearned revenue of (\$3,381) are subtracted, the variance will zero out. Revenues collected in the Alternative Dispute Resolution Fund were \$11,830 with a variance of (\$61,170) with only \$845 in expenditures made against this fund. Revenues collected in the Court Mediation Fund were \$9,415 with a variance of (\$31,285) with only \$8,282 in expenditures made against this fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Statement of Net Position shows the Court's investment in capital assets net of depreciation as of 30 June 2019, with an amount of \$197,708. This investment in capital assets consists of a collection of library books, office furniture, IT and other equipment, and vehicles. The expenditures of capital asset transactions during the current year include two vehicles, one for District Court special appropriation and one to help with Magistrate Court transportation needs, a metal storage container for storage needs and to facilitate the Raton District and Magistrate collocation to take place in FY20, and building improvements transferred to the County of Taos for the addition of a witness stand in the Taos County Courthouse hearing room A. There were also additions to capital assets for a transfer from the Administrative Office of the Court for Raton Courthouse furniture purchased on behalf of the Eighth Judicial District court back in 2011. Additional information on the Court's capital assets can be found in on Pages 23, 24, and 28 of this report.

Long-Term Debt. At the end of the current fiscal and prior year, the Court had no long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As reflected in the Statement of Activities, total general revenues and transfers to operate the Court and its programs were \$3,217,666 higher than net program expenses of \$3,193,966 for a positive change in net position of \$23,700. Fiscal year 2019 showed a 6% funding increase. Our expenditure rate for FY19 was 102.35% because the Court received funding in FY18 for FY19 Special Appropriation for the purchase of a court vehicle that was purchased in FY19. On June 1, 2019 the Court consolidated the management of the District Court and the Magistrate Courts in the three county district. On July 1, 2019 FY20 appropriations increased by 46.5% to reflect the

administrative consolidation of the Magistrate Courts in Taos, Colfax, and Union counties. In FY20 the Court continues to restructure the organization to better serve the needs of the Court with the goal to coordinate and consolidate functions. The FY21 Appropriation Request was submitted for \$5,000,000 (General Fund) which equates to a 8.9% increase or \$411,500 over the FY20 General Fund Base. The additional request covers an increase of \$120,000 to transfer the three Magistrate Warrant Enforcement funded FTEs to general fund, \$100,000 for security at the Springer and Clayton Magistrate Courts, \$68,600 for a Domestic Relations Hearing Officer at 50% FTE and \$56,000 for related Domestic Relations staff FTE, \$36,600 for employee medical insurance and GSD premiums, \$14,500 for a three year revolving computer refresh plan, \$7,200 for court hearing recording equipment maintenance contract, \$5,200 related to results regarding the Magistrate consolidation classification audit of the District CEO position, and \$3,400 for Magistrate high density filing system maintenance. We believe the costs are essential to maintain services and provide efficiencies in both the core mission of the courts and administrative workload. Aside from these changes the Court does not expect any other significant changes in next year's operations and budget.

PERFORMANCE MEASURES

All targets were successfully met in FY18.

REQUESTS FOR INFORMATION

The purpose of this financial report is to provide the general public and other interested parties with a general overview of this Court's finances and accountability of funds. Questions concerning this report or requests for additional information should be addressed to the Eighth Judicial District Court, 105 Albright Street, Suite N, Taos, NM 87571.

STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
ASSETS	
Current Assets:	
Petty Cash	\$ 50
Interest in the SGFIP	415,529
Due From State General Fund	188
Total Current Assets	415,767
Non Current Assets:	
Capital Assets	749,448
Less Accumulated Depreciation	(551,739)
Total Noncurrent Assets	197,709
Total ASSETS	\$ 613,476
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 120,247
Accrued Payroll	52,049
Payroll Benefits Payable	37,969
Payroll Taxes Payable	21,937
Compensated Absences - current	73,216
Total Current Liabilities	305,418
Noncurrent Liabilities	
Compensated Absences	13,574
TOTAL LIABILITIES	\$ 318,992
NET POSITION	
Net Investment in Capital Assets	197,709
Restricted for:	
Alternative Dispute Resolution	107,648
Domestic Relations Mediation	75,867
Petty Cash	50
Unrestricted (deficit)	(86,790)
TOTAL NET POSITION	294,484
TOTAL LIABILITIES AND NET POSITION	\$ 613,476

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Governmental Activities
Expenses:	
Judicial:	
Administrative Expense	\$ 3,277,142
Depreciation Expense	47,786
Total Expenses	3,324,928
Program Revenues:	
Charges for Services	109,717
Court Fees	21,245
Total Program Revenues	130,962
Net Program Expenses	(3,193,966)
General Revenues and Transfers	
State General Fund Appropriations	3,132,500
Other State Funds	88,578
State General Fund Reversion - FY19	(11,367)
Transfer of Capital Assets from AOC	32,352
Transfer of Capital Asset purchases to Taos County	(24,397)
Total General Revenues and Transfers	3,217,666
Changes in Net Position	23,700
Net Position, beginning of year	270,784
Net Position, end of year	\$ 294,484

See Notes to Financial Statements.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	General Fund 14800	ADR Fund 08400	DR Mediation Fund 92600	Total
ASSETS				
Current Assets:				
Non-Spendable	\$ 50			\$ 50
Investment in the SGFIP	230,342	107,648	77,539	415,529
Due From Other State Agencies	188			188
TOTAL ASSETS	\$ 230,580	\$ 107,648	\$ 77,539	\$ 415,767
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts Payable	\$ 118,575	\$ -	\$ 1,672	\$ 120,247
Accrued Payroll	52,049			52,049
Payroll Taxes Payable	21,937			21,937
Payroll Benefits Payable	37,969			37,969
Due to State General Fund	-			-
TOTAL LIABILITIES	230,530	-	1,672	232,202
FUND BALANCES				
Non-Spendable	50			50
Restricted For:				
Alternative Dispute Resolution		107,648		107,648
Domestic Relation Mediation			75,867	75,867
TOTAL FUND BALANCE	50	107,648	75,867	183,565
TOTAL LIABILITIES AND FUND BALANCE	\$ 230,580	\$ 107,648	\$ 77,539	\$ 415,767

See Notes to Financial Statements.

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances for governmental funds \$ 183,565

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. These assets consist of the following:

Capital assets, net 197,709

Some liabilities are not due and payable in the current period, and therefore are not reported in the funds. Those liabilities consist of the following:

Compensated absences (86,790)

Net Position of Governmental Activities \$ 294,484

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2019

	General Fund 14800	ADR Fund 08400	DR Mediation Fund 92600	Total
REVENUES				
Charges for Services	\$ 109,717	\$ -	\$ -	\$ 109,717
Court Fees		11,830	9,415	21,245
Total Revenues	109,717	11,830	9,415	130,962
EXPENDITURES				
Current:				
Judicial:				
Administrative Services:				
Personal Services and Benefits	2,672,280	-		2,672,280
Contractual Services	330,337	845	8,282	339,464
Other Costs	346,811	-		346,811
Total Expenditures	3,349,428	845	8,282	3,358,555
Excess (Deficiency) of Revenues Over Expenditures	(3,239,711)	10,985	1,133	(3,227,593)
OTHER FINANCING SOURCES (Uses)				
Transfers In:				
State Appropriations - Regular	3,132,500			3,132,500
Other Financing Sources	88,578			88,578
Transfers Out:				
2019 Reversions to the State General Fund	(11,367)			(11,367)
Total Other Financing Sources and (Uses)	3,209,711	-	-	3,209,711
Net Change in Fund Balances	(30,000)	10,985	1,133	(17,882)
Fund Balances, beginning	30,050	96,663	74,734	201,447
Fund Balances, ending	\$ 50	\$ 107,648	\$ 75,867	\$ 183,565

See Notes to Financial Statements.

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

Net change in fund balances-total governmental funds	\$ (17,882)
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Amounts reported for governmental activities in the Statement of Net Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, these costs are expensed as they are consumed or are allocated over the estimated useful lives. In the current period these amounts are:

Capital Outlay	84,130	
Transfer of Capital Asset from AOC	32,352	
Less: Purchase & Transfer of Asset to County of Taos	(24,397)	
Depreciation Expense	(47,786)	
Excess of capital outlay over depreciation expense and loss on disposition of capital assets		44,299

Expenses recognized in the Statement of Activities, not reported in governmental funds:

Change in Compensated Absences	(2,717)
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Change in Net Position of Governmental Activities	<u>\$ 23,700</u>
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See Notes to Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (BUDGETARY BASIS) - MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund - 14800			
	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
General Fund Appropriations	\$ 3,043,900	3,043,900	3,043,900	-
Other Financing Sources	259,200	264,282	264,276	(6)
Misc Revenue	26,000	26,000	22,619	(3,381)
Total Revenues	\$ 3,329,100	3,334,182	3,330,795	\$ (3,387)
EXPENDITURES				
Administrative Services:				
Personal Services & Employee Benefits	\$ 2,622,300	2,677,000	2,672,280	4,720
Contractual Services	540,400	332,482	330,337	2,145
Other Costs	166,400	268,769	262,681	6,088
Other Costs - Capital Outlay		55,931	54,129	1,802
Total Expenditures	\$ 3,329,100	3,334,182	3,319,427	\$ 14,755
Add: Special Appropriation Expenditure			30,000	
Adjusted Total Expenditures			3,349,427	

	Alternative Dispute Resolution Fund-08400			
	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Court Fees	\$ 45,000	45,000	11,830	(33,170)
Fund Balance	28,000	28,000	-	(28,000)
Total Revenues	\$ 73,000	73,000	11,830	(61,170)
EXPENDITURES				
Administrative Services:				
Contractual Services	72,000	72,000	845	71,155
Other	1,000	1,000	-	1,000
Total Expenditures	\$ 73,000	73,000	845	72,155

Excess of revenue and other financing sources over expenditures and other uses	10,985
Changes in fund balance per statement of revenues, expenditures and changes in fund balances (GAAP Basis)	<u>\$ 10,985</u>

See Notes to Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (BUDGETARY BASIS) - MAJOR GOVERNMENTAL FUNDS (Continued)
For the Year Ended June 30, 2019

Domestic Relations Mediation Fund-92600				
	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Court Fees/Payments for Care	\$ 35,000	35,000	9,415	(25,585)
Fund Balance	5,700	5,700		(5,700)
Total Revenues	\$ 40,700	40,700	9,415	(31,285)
EXPENDITURES				
Administrative Services:				
Contractual Services	\$ 40,700	40,700	8,282	32,418
Excess of revenue and other financing sources over expenditures and other uses			1,133	
Changes in fund balance per statement of revenues, expenditures and changes in fund balances (GAAP Basis)			\$ 1,133	

See Notes to Financial Statements.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
June 30, 2019

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>822,574</u>
LIABILITIES	
Deposits held for others (or due to external parties)	\$ <u>822,574</u>

See Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Eighth Judicial District Court operates under Section 34-6-1, 34-6-11 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Eighth Judicial District Court covers Taos, Colfax and Union Counties. The District Court is comprised of three divisions as authorized in the above sections. The District Court is a State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases which are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

These financial statements include all funds and activities over which the Court has oversight responsibility. The District Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. Additionally, the Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. However, New Mexico will issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The court has no component units that are required to be reported in its financial statements.

The Court applies Government Accounting Standards Board (GASB) pronouncements as well as relevant pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB) or any Accounting Research Bulletins (ARB) issued unless these pronouncements conflict or contradict GASB Pronouncements.

The accounting policies of the Eighth Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Court's significant accounting policies follows:

A. Basis of Accounting/Measurement Focus

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and the fund financial statements categorize primary activities as governmental activities.

Government-Wide Financial Statements

The Court's government wide financial statements include a statement of net position and a statement of activities that display information about the 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 Court has no business-type activities; therefore, these

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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" measurement focus and the accrual basis of accounting. 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, deferred outflows of resources and liabilities and deferred inflows of resources resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resource measurement focus and modified accrual basis of accounting. 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 within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Court's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The Court's fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Court first uses restricted resources then unrestricted resources.

The accounts of the Court are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled.

The following fund types are used by the Court:

Governmental Funds

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

General Fund: The General Fund is the general operating fund of the Court and is considered a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The revenues and expenditures of the Court are regularly accounted for in this fund. The SHARE number and description of the General Fund of the Court is #14800 - Court Regular.

Special Revenue Funds: These funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for the operations of the Court.

Court Mediation – The Court has established a Domestic Relations Mediation Fund pursuant to Sections (40-12-4, NMSA 1978 Comp.) of the Domestic Relations Mediations Act. The Court collects a fee from general docket cases as required by statute to finance a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The Mediation Fund is non-reverting. The SHARE fund number of the Mediation Fund is #92600. The court considers this fund a major fund. At June 30, 2018, there were no outstanding encumbrances.

Alternative Dispute Resolution (ADR) – The Court has also established an alternative dispute resolution program pursuant to Section 34-6-45, NMSA, 1978 Comp. The purpose of the program is to resolve disputes through alternative means, including, but not limited to, arbitration, mediation and settlement mediation. To finance the cost of the program, the Court charges a \$15 fee on all new and reopened cases. In accordance with Section 34-6-44, NMSA, 1978 Comp., the fee is deposited into the alternative dispute resolution fund. The fund is a special revenue fund and is non-reverting per state statute 34-6-44. The SHARE number is #08400. The court considers this fund a major fund. At June 30, 2018, there were no outstanding encumbrances.

Fiduciary Funds

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

Agency Fund – The agency fund is used to account for assets held by the Court in a custodial capacity for individuals, private organizations, other governments and/or other funds as a result of fees collected by statute or as part of amounts litigant's deposits with the court. The Share number for the agency fund is #96730.

C. Assets, Liabilities and Equity

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized. 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:

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Furniture, fixtures	5 to 7 years
Equipment and machinery	5 to 10 years
Vehicles	5 to 10 years
Building Improvements	15 to 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. The Court does not capitalize computer software or software developed for internal use (if applicable), unless it exceeds the \$5,000 threshold.

Long-Term Liabilities

Compensated Absences - The Court's policy regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as current debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

Equity

Government-Wide Statements:

Equity is classified as net position and displayed in three components:

1. Invested in Capital Assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.
2. Restricted net position, consists of assets (reduced by liabilities and deferred inflows related to those assets) with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations by other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position are all other assets (reduced by liabilities and deferred inflows related to those assets) that do not meet the definition of "restricted" or "invested in capital assets", net of related debt. The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

Fund Financial Statements:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Court is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Court. These amounts cannot be used for any other purpose unless the Court removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Court's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Court or through the Court delegating this responsibility to the Court manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Court would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the Court submits to the Judiciary Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Eighth District.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was revised in a legal manner.
6. Legal budget control for expenditures is by appropriation program level.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
8. The General Appropriation Act of 2004, which applies to fiscal years beginning in 2009, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. State agencies have a different budget basis that began in the fiscal year ended June 30, 2005. Under the new law, encumbrances related to single year appropriations lapse at year-end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion. If the Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.
9. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When such appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, which applies to fiscal years beginning with 2008 establishes the modified accrual basis of accounting as the budgetary basis except for accounts payable accrued at the end of fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. The accounts payable that do not get paid timely must be paid out of the next year's budget.

E. Accrued Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

made only once per fiscal year at a specified pay period in either January or July. In accordance with GASB Statement No. 16 Accounting for Compensated Absences, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

F. Program Revenues

Program revenues consist of federal grants, charges for services and court fees collected per statute designated for Court operations. The Court has only one function and therefore does not have a policy for allocating indirect costs.

G. Use of Estimates

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

H. Inter-fund Activity

Inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

At June 30, 2019, cash and cash equivalents consisted of the following checking accounts:

	<u>Bank Balance</u>	<u>Book Balance</u>
Agency Funds - State Treasurer:		
Taos County - Centinel Bank	\$ 3,736	\$ 3,736
Colfax County - Wells Fargo	-	-
Union County - Farmers & Stockmen Bank of Clayton	312	312
Agency Funds - Trust Accounts:		
Taos County - US Bank Checking	777,440	777,437
Taos County - US Bank Savings	4	4
Colfax County - IB Bank	24,600	22,951
Union County - Farmers & Stockmen Bank of Clayton	18,166	18,134
Total	\$ 824,258	\$ 822,574

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure the Court’s deposits may not be returned. Currently all of the above listed accounts are either insured or collateral has been pledged by the financial institution for amounts exceeding FDIC insurance. Section 6-10-14, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Court’s bank accounts is monitored by the State Treasurer’s Office. The State Treasurer’s Office issues separate financial statements which disclose the collateral pledged to secure State Treasurer cash and investments, and can be accessed at the State Treasurer’s website www.nmsto.gov.

NOTE 3: INVESTMENT IN THE STATE TREASURER INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Court’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Court consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2019 the Court had the following invested in the General Fund Investment Pool:

	Share Fund #	Maturity	Account Balance	Fair Value
<u>General Fund:</u>				
Investment in the State General Fund Investment Pool	148	1 day	\$ 230,342	\$230,342
<u>DR Mediation Fund:</u>				
Investment in the State General Fund Investment Pool	926	1 day	77,539	77,539
<u>ADR Fund:</u>				
Investment in the State General Fund Investment Pool	084	1 day	<u>107,648</u>	<u>107,648</u>
<u>Total</u>			<u>\$ 415,529</u>	<u>\$415,529</u>

Interest Rate Risk - The New Mexico State Treasurer’s Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2019.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 4: CAPITAL ASSETS

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

	Balance 2018	Additions	Deletions	Transferred	Balance 2019
Capital assets depreciated:					
Aircraft, Auto, and Trucks	\$ 93,831	\$ 54,308			\$ 148,139
Information Technology Equipment	344,374				344,374
Furniture and Fixtures	77,289			110,921	188,210
Other Equipment	-	5,424			5,424
Building and Structures	-	24,397		(24,397)	-
Library & Museum Acquisitions	63,301	-	-		63,301
Total Capital assets depreciated	<u>578,795</u>	<u>84,129</u>	<u>-</u>	<u>86,524</u>	<u>749,448</u>
Less accumulated depreciation for:					
Aircraft, Auto, and Trucks	77,989	10,720			88,709
Information Technology Equipment	234,227	21,514			255,741
Furniture and Fixtures	49,867	15,010		78,569	143,446
Other Equipment		542			542
Building and Structures		-			-
Library & Museum Acquisitions	63,301	-			63,301
Total Accumulated Depreciation	<u>425,384</u>	<u>47,786</u>	<u>-</u>	<u>78,569</u>	<u>551,739</u>
Total capital assets, net	<u>\$ 153,411</u>	<u>\$ 36,343</u>	<u>\$ -</u>	<u>\$ 7,955</u>	<u>\$ 197,709</u>

Current depreciation expense is \$47,786. Transferred in included Raton Courthouse furniture purchased by AOC in 2011 on the Court's behalf and transferred out to the County of Taos for expenditure to improve Taos County Courthouse by adding a witness stand to one of two hearing rooms.

NOTE 5: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19	Due within One Year
Compensated Absences	<u>\$84,074</u>	<u>\$94,645</u>	<u>\$91,928</u>	<u>\$86,791</u>	<u>\$73,216</u>

Compensated absences are liquidated with available financial resources out of the general fund. The State of NM does not budget in the current year, funds to pay any portion of the compensated absence liability at the end of the year; therefore, the current portion of compensated absences is not recorded in the fund financial statements. The Court has no other debt.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 6: SPECIAL APPROPRIATION

The Court received a special appropriation in FY18 to purchase a vehicle. The money was restricted for this purpose and was expended in FY19 as shown on the Statement of Revenues and Expenditures Budget and Actual – Major Governmental Funds.

NOTE 7: PERA RETIREMENT PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard starting in the fiscal year ending June 30, 2018.

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

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

NOTE 8: JRA RETIREMENT PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard starting in the fiscal year ending June 30, 2018.

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

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

NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Government Accounting Standards Board Statement no. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard starting with the fiscal year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

NOTE 9: OPERATING LEASES

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$8,067 for the year ending June 30, 2019. Annual future minimum lease payments including the Magistrate Court consolidation are as follows:

2020	\$	22,739
2021	\$	18,323
2022	\$	17,262
2023	\$	15,521
2024	\$	-
Total	\$	<u>73,845</u>

NOTE 10: DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Eighth Judicial District Court nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Eighth Judicial District Court have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 11: RISKS OF LOSS

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, worker's compensation, law enforcement liability, civil rights, property, and vehicle. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1 through June 30. There are no pending or known threatened legal proceedings involving material matters to which the Court is a party.

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS

The Court has evaluated subsequent events through October 18, 2019, which is the date the financial statements were available to be issued.

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
For the Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash in Bank:				
State Treasurer Accts	\$ 2,331	\$ 183,498	\$ 181,781	\$ 4,048
Trust Accounts	<u>287,452</u>	<u>719,322</u>	<u>188,248</u>	<u>818,526</u>
Total Assets	<u><u>\$ 289,783</u></u>	<u><u>\$ 902,820</u></u>	<u><u>\$ 370,029</u></u>	<u><u>\$ 822,574</u></u>
 LIABILITIES				
Due to Litigants	\$ 287,452	\$ 719,322	\$ 188,248	\$ 818,526
Due to Other State Agencies	2,331	117,758	117,024	3,065
Due to the General Fund	-	21,876	21,346	530
Due to the District Court (Tapes)	-	22,619	22,431	188
Due to Mediation Fund	-	9,415	9,360	55
Due to ADR Fund	<u>-</u>	<u>11,830</u>	<u>11,620</u>	<u>210</u>
Total Liabilities	<u><u>\$ 289,783</u></u>	<u><u>\$ 902,820</u></u>	<u><u>\$ 370,029</u></u>	<u><u>\$ 822,574</u></u>

See Independent Auditor's Report

SCHEDULE OF OPERATING TRANSFERS
For the Year Ended June 30, 2019

	SHARE FUND	TITLE	TRANSFER	
			In	Out
1	85300	Department of Finance and Administration	\$ 3,132,500	\$ -
2	13900	Administrative Office of the Courts	88,578	
3	85300	Department of Finance and Administration		11,367
4	13800	Administrative Office of the Courts	32,352	
5	N/A	County of Taos		24,397
	Total		\$ 3,253,430	\$ 35,764

- 1
General Fund Appropriation Laws of 2018, 2nd Sess. Chapter 73, Section 4 #8m & Section 8 A(2) and B(3)
General Fund Appropriation Laws of 2018, 2nd Sess. Chapter 73, Section 5 #12
- 2 CASA Program Laws 2018, 2nd Sess. Chapter 73, Section 4 4(a)
- 3 Reversion to the State General Fund
- 4 Transfer of Capital Asset from AOC
- 5 Transfer of Capital Asset purchases to Taos County per MAPS FIN 6.3

See Independent Auditor's Report

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

Independent Auditor's Report

Brian Colón
New Mexico State Auditor
and
Honorable Jeff McElroy, Presiding Judge
Eighth Judicial District Court
Taos, New Mexico

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Eighth Judicial District Court (Court), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Eighth Judicial District Court's basic financial statements and have issued our report thereon dated October 18, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Court'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 is important enough to merit attention by those charged with governance

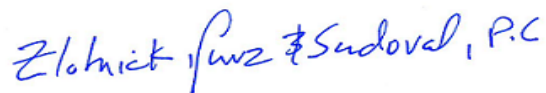
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Zlotnick, Laws & Sandoval, P.C.

October 18, 2019

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

Prior Year

None

Current Year

None

Summary of Audit Results

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

No

No

Noncompliance material to financial statements noted?

No

EXIT CONFERENCE

June 30, 2019

The contents of this report were discussed at an exit conference held October 18, 2019

The Eighth Judicial District Court was represented by:

Honorable Emilio J. Chavez, Chief Judge

Kasey R. Daniel, Court Executive Officer

Pamela S. Nay, Court Deputy CEO/CFO

Zlotnick, Laws & Sandoval, P.C. was represented by:

Asa Laws, CPA