

# STATE OF NEW MEXICO

## EIGHTH JUDICIAL DISTRICT COURT

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**Financial Statements and Schedules  
With Independent Auditors Report Thereon  
For the Fiscal Year Ended June 30, 2017**

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**OFFICIAL ROSTER**

June 30, 2017

**JUDGES**

Division 1      Honorable Emilio Chavez  
Division 2      Honorable Sarah C. Backus  
Division 3      Honorable Jeff McElroy, Chief Judge

**ADMINISTRATIVE OFFICIALS**

Barbara E. Arnold              Court Executive Officer  
Pamela S. Nay                  Court Financial Manager

## Independent Auditor's Report

Timothy Keller  
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 fund of the State of New Mexico Eighth Judicial District Court (Court), as of and for the year ended June 30, 2017, 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, 2017, 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.

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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, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund 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, 2017, 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 5-10 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

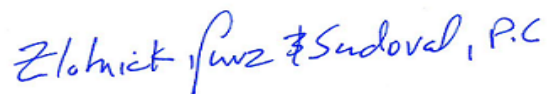
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2.2.2.NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 26, 2017 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 26, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2017**

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 2017 and 2016.

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 through 34-6-46, NMSA 1978 Compilation. The district covers Taos, Colfax, and Union Counties and is comprised of three divisions. Currently, the Division III Judge is the Chief Judge and is largely responsible for operations in Taos County. The Division II Judge is also located in Taos County and handles the criminal and civil caseload there. Our Division I Judge is responsible for Colfax and Union Counties. The Eighth Judicial District Court funds a variety of support programs to the community. The Mediation Program offers a formal conflict resolution setting rather than litigation. It is a court-mandated 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 whom could benefit from drug education and treatment. The Juvenile Drug Court Programs were closed in FY16 due to general fund reductions. The Domestic Violence Program offers assistance with restraining orders, crisis intervention, and victim advocacy and has improved the process in Domestic Relations by providing parenting classes and mediation services. The Court Appointed Special Advocate (CASA) Program is another support program for the community.

### **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 they have changed. Net position equals the difference between the Court's assets and liabilities and is one way to measure the Court's financial

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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.



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## Government-Wide Financial Analysis

Statement of Net Position: Below is a summary of the Court's net position for the fiscal year ending 2017. 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.

### Net Position

	Governmental Activities	
	2017	2016
Current assets	\$ 388,422	339,790
Capital assets	120,319	103,996
<b>Total Assets</b>	<b>\$ 508,741</b>	<b>443,786</b>
Current liabilities	\$ 282,583	225,782
Long-term liabilities	12,104	-
<b>Total Liabilities</b>	<b>\$ 294,687</b>	<b>225,782</b>
Net assets:		
Invested in capital assets	\$ 120,319	103,996
Restricted	173,990	189,611
Unrestricted	(80,255)	(75,603)
<b>Total Net Assets</b>	<b>\$ 214,054</b>	<b>218,004</b>

The current assets of \$396,184 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 \$396,134 plus \$50 in Petty Cash. A comparison of current assets shows an increase of \$56,394 over the previous year with the increase resulting from the following items. The General Fund increased by \$45,625, ADR increased by \$6,393 and the Domestic Relations Mediation increased by \$4,376. The increase to capital assets of \$16,323 results from the total capital assets net of accumulated depreciation. Total assets increased by \$72,717 resulting from the net increases to both current and capital assets.

The total liabilities increased by \$76,667 over last fiscal year as follows. Accounts payable increased by \$54,658, payroll payables increased by \$17,872, the reversion decreased by \$515, and compensated absences increased by \$4,651. Starting in FY17 Long-Term Compensated Absences is reported in Other/Noncurrent Liabilities section of the Statement of Net Position. The total net position for FY17 decreased by \$3,950 from FY16's end of year balance or total assets minus total liabilities (\$72,717-\$76,667).

Statement of Activities: The following represents the revenues and expenses for fiscal year 2017.

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## Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues		
Charges for services and court fees	\$ 42,725	42,268
General revenues		
State General Fund Appropriation (net of reversions)	<u>3,120,387</u>	<u>3,279,528</u>
<b>Total Revenues</b>	<b>3,163,112</b>	<b>3,321,796</b>
Expenses:		
Judicial	<u>3,167,062</u>	<u>3,310,144</u>
Change in net position	(3,950)	11,652
Net assets - Beginning	<u>218,004</u>	<u>206,352</u>
<b>Net assets - Ending</b>	<b>\$ 214,054</b>	<b>218,004</b>

In FY17, total revenues decreased by \$158,684 from the previous year. The decrease is a result of the following changes. Program revenues or charges for services and court fees increased by \$457, a decrease in the General Fund Appropriation of \$118,200, a decrease in the CASA Program of \$1,668, a decrease to a drug court supplemental of \$10,501, a decrease of \$29,287 in special appropriation for equipment, and a net change to this year's reversion by \$515.

Expenditures for FY17, decreased by \$143,082 mainly due to savings in Contractual Services in the Juvenile and Drug Court Programs necessitated by the General Fund Appropriations budget reductions during the year. The change in net position of \$3,950 is the result of the collective results of revenues received, expenditures made, and liabilities recorded in FY17.

## 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. This balance is due to the petty cash account. The General Fund is a reverting fund and any remaining balances excluding the petty cash account must be reverted back to the State General Fund. The Alternative Dispute Resolution (ADR) and the Domestic Relations Mediation (Med) Funds reported fund balances of \$102,016 and \$71,974, respectively as reflected in the Statement of Revenues, Expenditures, and Changes in Fund Balances. The Alternative Dispute Resolution Fund Balance decreased from the previous year by \$19,207 because expenditures made exceeded revenue collected. The expenditures included furniture and fixtures for a Dispute Resolution Center. The Mediation Program Fund Balance saw an increase of \$3,586 from the previous year because revenues exceeded expenditures, thus increasing the available fund balance. The revenues generated for the ADR and

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Mediation Funds come from fees collected from civil and domestic filing fees at \$15 and \$30, respectively. 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 \$(10,455). This was the result of \$1,045 of unearned revenue from the tape and copy revenue budget and a reduction in Supplemental Drug Court Funding midyear of \$9,410. On the expenditure side a variance of \$18,217 unspent budget is reflected, but once the reversion of (\$7,762), the Supplement Drug Court funding reduction of (9,410), and the unearned revenue of \$1,045 is subtracted will zero out and all that will remain will be the \$50 for the petty cash account. Revenues collected in the Alternative Dispute Resolution Fund were \$8,445 with a variance of \$555 with \$27,652 in expenditures made against this fund. Revenues collected in the Court Mediation Fund were \$9,325 with a variance of \$15,675 with \$5,739 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 2017, with an amount of \$120,319. This investment in capital assets consists of a collection of library books, office furniture and equipment, and vehicles. The expenditures of capital asset transactions during the current year include Courtroom Audio/Visual equipment, Microfilm equipment, and a Court vehicle for district travel. There were no deletions of capital assets.

Long-Term Debt. At the end of the current fiscal and prior year, the Court had no long-term debt outstanding. A portion of the Court's compensated absences for the FY17 year was considered to be long term liabilities instead of current.

### **Economic Factors and Next Year's Budgets**

As reflected in the Statement of Activities, total revenues to operate the Court and its programs were \$3,120,387 slightly below net program expenses of \$3,124,337 for a negative change in net position of \$3,950. Fiscal year 2017 showed a 3.9% funding reduction with the possibility of more reductions in the 3rd quarter after a special legislature session was called to address overall state revenue shortfalls due to falling gas and oil revenue. Our Court received an overall 3.9% decrease in general fund appropriations from FY16. Our expenditure rate for FY17 was 99.35%. The Court received funding in the amount of \$43,000 to purchase a court vehicle and was able to use the savings from the purchase of a smaller vehicle to purchase microfilm viewer stations for the Colfax and Union county courthouses. In FY17 the Court restructured some positions in the organization to better serve the needs of the Court.

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The FY19 Appropriation Request was submitted for \$3,153,100 (General Fund) which equates to an 8.12% increase or \$236,900 over the FY17 General Fund Base. The additional request covers an increase of \$10,000 for employee training , \$14,000 for medical insurance and GSD premiums, \$17,000 to reclassify ADR Project Support back to general funding source, \$21,000 for Courtroom equipment maintenance, \$38,200 general fund appropriation increase in FY18, \$50,000 to restore Adult Drug Court contract services to FY17 service level, \$42,900 in staff salary increases to complete Phase 2 of the Supreme Court’s “Workforce Investment Plan”, and \$43,800 for Judicial Salary increases based on the 2016 Judicial Compensation Commission report. 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 FY17.

**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, 2017

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Petty Cash	\$ 50
Investment in State General Fund Investment Pool	388,372
Total Current Assets	388,422
Noncurrent Assets:	
Capital Assets	560,589
Less: Accumulated Depreciation	(440,270)
Total Noncurrent Assets	120,319
<b>TOTAL ASSETS</b>	<b>\$ 508,741</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 118,266
Payroll Benefits Payable	34,747
Payroll Taxes Payable	18,225
Accrued Payroll	43,144
Due to State General Fund	-
Compensated Absences - current	68,201
Total Current Liabilities	282,583
Noncurrent Liabilities:	
Compensated Absences	12,104
<b>TOTAL LIABILITIES</b>	<b>294,687</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	120,319
Restricted for:	
Alternative Dispute Resolution	102,016
Domestic Relations Mediation	71,974
Unrestricted (deficit)	(80,255)
<b>TOTAL NET POSITION</b>	<b>214,054</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 508,741</b>

*See Notes to Financial Statements.*

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

	<b>Governmental Activities</b>
Expenses:	
Judicial:	
Administrative Services	\$ 3,117,022
Depreciation Expense	50,040
Total Expenses	3,167,062
Program Revenues:	
Charges for Services	24,955
Court Fees	17,770
Total Program Revenues	42,725
<b>Net program expenses</b>	<b>(3,124,337)</b>
General Revenues and Transfers	
State General Fund Appropriations	2,916,200
Other State Funds	211,949
State General Fund Reversion - FY 2017	(7,762)
Total General Revenues and Transfers	3,120,387
<b>Change in net position</b>	<b>(3,950)</b>
Net Position, beginning of year	218,004
<b>Net Position, end of year</b>	<b>\$ 214,054</b>

*See Notes to Financial Statements.*

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2017**

	General Fund 14800	ADR Fund 08400	Mediation Fund 92600	Total
<b>ASSETS</b>				
Current Assets:				
Petty Cash	\$ 50	-	-	\$ 50
Investment in State GF Investment Pool	187,782	127,616	72,974	388,372
<b>TOTAL ASSETS</b>	<b>\$ 187,832</b>	<b>127,616</b>	<b>72,974</b>	<b>\$ 388,422</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Accounts Payable	\$ 91,666	25,600	1,000	\$ 118,266
Payroll Benefits Payable	34,747	-	-	34,747
Payroll Taxes Payable	18,225	-	-	18,225
Accrued Payroll	43,144	-	-	43,144
Due to State General Fund	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>187,782</b>	<b>25,600</b>	<b>1,000</b>	<b>214,382</b>
<b>FUND BALANCES</b>				
Restricted for:				
Alternative Dispute Resolution	-	102,016	-	102,016
Domestic Relations Mediation	-	-	71,974	71,974
Unassigned	50	-	-	50
<b>TOTAL FUND BALANCE</b>	<b>50</b>	<b>102,016</b>	<b>71,974</b>	<b>174,040</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 187,832</b>	<b>127,616</b>	<b>72,974</b>	<b>\$ 388,422</b>

*See Notes to Financial Statements.*

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

Total fund balances for governmental funds \$ 174,040

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 120,319

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 (80,305)

**Net Position of Governmental Activities** **\$ 214,054**

*See Notes to Financial Statements.*



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

**For the Year Ended June 30, 2017**

	General Fund 14800	ADR Fund 08400	Mediation Fund 92600	Total
<b>REVENUES</b>				
Charges for Services	\$ 24,955	-	-	\$ 24,955
Court Fees	-	8,445	9,325	17,770
<b>Total Revenues</b>	<b>24,955</b>	<b>8,445</b>	<b>9,325</b>	<b>42,725</b>
<b>EXPENDITURES</b>				
Current:				
Judicial:				
Administrative Services:				
Personal Services and Benefits	2,335,432	-	-	2,335,432
Contract Services	592,124	8,980	5,739	606,843
Other Costs	151,423	18,672	-	170,095
Capital Outlay	23,914	-	-	23,914
<b>Total Expenditures</b>	<b>3,102,893</b>	<b>27,652</b>	<b>5,739</b>	<b>3,136,284</b>
Excess (Deficiency) of Revenues Over Expenditures	(3,077,938)	(19,207)	3,586	(3,093,559)
<b>OTHER FINANCING SOURCES (Uses)</b>				
<b>Transfers In:</b>				
General Fund Appropriations	2,916,200	-	-	2,916,200
Other Financing Sources	169,500	-	-	169,500
<b>Transfers Out:</b>				
2017 Reversions to the State General Fund	(7,762)	-	-	(7,762)
<b>Total Other Financing Sources (Uses)</b>	<b>3,077,938</b>	<b>-</b>	<b>-</b>	<b>3,077,938</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(19,207)</b>	<b>3,586</b>	<b>(15,621)</b>
Fund Balances, beginning	50	121,223	68,388	189,661
<b>Fund Balances, ending</b>	<b>\$ 50</b>	<b>102,016</b>	<b>71,974</b>	<b>\$ 174,040</b>

*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, 2017**

Net change in fund balances - total governmental funds \$ (15,621)

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

Certain 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 their  
estimated useful lives. In the current period these amounts are:

Capital outlay	23,914	
Depreciation expense	<u>(50,040)</u>	
Excess of capital outlay over depreciation expense and loss on disposition of capital assets		(26,126)

Capital Assets and supplies transferred from another agency

Other state funds	42,448
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Expenses recognized in the Statement of Activities, not  
reported in the governmental funds:

Change in compensated absences	<u>(4,651)</u>
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**Change in Net Position of Governmental Activities \$ (3,950)**

*See Notes to Financial Statements.*

**STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (BUDGETARY BASIS) – MAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2017**

	<b>General Fund - 14800</b>			
	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriation	\$ 2,916,200	2,916,200	2,916,200	-
Other Financing Sources	178,910	178,910	169,500	(9,410)
Misc Revenue	26,000	26,000	24,955	(1,045)
<b>Total Revenues</b>	<b>\$ 3,121,110</b>	<b>3,121,110</b>	<b>3,110,655</b>	<b>(10,455)</b>
<b>EXPENDITURES</b>				
Administrative Services:				
Personal Services	\$ 2,305,500	2,337,500	2,335,432	2,068
Contractual Services	696,910	604,910	592,124	12,786
Other	118,700	178,700	175,337	3,363
<b>Total Expenditures</b>	<b>\$ 3,121,110</b>	<b>3,121,110</b>	<b>3,102,893</b>	<b>18,217</b>

	<b>Alternative Dispute Resolution Fund - 08400</b>			
	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Court Fees	\$ 30,000	9,000	8,445	(555)
Fund Balance	-	21,000		
<b>Total Revenues</b>	<b>\$ 30,000</b>	<b>30,000</b>		
<b>EXPENDITURES</b>				
Administrative Services:				
Contractual services	\$ 30,000	11,000	8,980	2,020
Other	-	19,000	18,672	328
<b>Total Expenditures</b>	<b>\$ 30,000</b>	<b>30,000</b>	<b>27,652</b>	<b>2,348</b>

*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, 2017**

<b>Domestic Relations Mediation Fund - 92600</b>				
	Budget		Actual	Variance with
	Final		Amounts	Final Budget
<b>REVENUES</b>				
Court Fees	\$ 25,000	25,000	9,325	(15,675)
<b>EXPENDITURES</b>				
Administrative Services:				
Contractual services	\$ 25,000	25,000	5,739	19,261
<b>Total Expenditures</b>	<b>\$ 25,000</b>	<b>25,000</b>	<b>5,739</b>	<b>19,261</b>

*See Notes to Financial Statements.*

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND**  
**June 30, 2017**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 244,687</u>
<b>LIABILITIES</b>	
Deposits held for others (or due to external parties)	<u>\$ 244,687</u>

*See Notes to Financial Statements.*

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

### 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

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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 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

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

*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, 2017, 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, 2017, 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



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2017**

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:

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

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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:

**Nonspendable:** 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.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

### 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.
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 category.
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.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 2: CASH AND CASH EQUIVALENTS**

At June 30, 2017, cash and cash equivalents consisted of the following checking accounts:

	Bank Balance	Book Balance
Agency Funds – State Treasurer:		
Taos County – Centinel Bank	\$ 7,410	\$ 7,583
Colfax County – Wells Fargo	-	-
Union County – Farmers & Stockmen Bank of Clayton	683	683
Agency Funds – Trust Accounts:		
Taos County – US Bank Checking	205,609	203,108
Taos County – US Bank Savings	3	3
Colfax County – International Bank	29,504	29,254
Union County – Farmers & Stockmen Bank of Clayton	4,056	4,056
Total	\$ 247,265	\$ 244,687

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](http://www.nmsto.gov).

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2017**

**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, 2017 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	\$ 187,782	\$ 187,782
<u>Mediation Fund:</u>				
Investment in the State General Fund Investment Pool	926	1 day	72,974	72,974
<u>ADR Fund:</u>				
Investment in the State General Fund Investment Pool	084	1 day	<u>127,616</u>	<u>127,616</u>
<u>Total</u>			<u>\$ 388,372</u>	<u>\$ 388,372</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, 2017.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2017</u>
Capital assets depreciated:				
Aircraft, Autos And Trucks	\$ 67,428	26,403	-	\$ 93,831
Information Technology Equip	52,239	39,960	-	92,199
Furniture And Fixtures	311,258	-	-	311,258
Library & Museum Acquisitions	63,301	-	-	63,301
Total Capital assets depreciated	<u>494,226</u>	<u>66,363</u>	<u>-</u>	<u>560,589</u>
Less accumulated depreciation for:				
Aircraft, Autos And Trucks	67,428	5,280	-	72,708
Information Technology Equip	10,448	13,657	-	24,105
Furniture And Fixtures	249,053	31,103	-	280,156
Library & Museum Acquisitions	63,301	-	-	63,301
Total accumulated Depreciation	<u>390,230</u>	<u>50,040</u>	<u>-</u>	<u>440,270</u>
Total capital assets, net	<u>\$ 103,996</u>	<u>16,323</u>	<u>-</u>	<u>\$ 120,319</u>

Current depreciation expense is \$50,040.

**NOTE 5: COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/17</u>	<u>Due within</u> <u>One Year</u>
Compensated Absences	<u>\$ 75,653</u>	<u>101,317</u>	<u>96,666</u>	<u>\$ 80,304</u>	<u>\$ 68,200</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.

**NOTE 6: 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 for the fiscal year ending June 30, 2017.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2017**

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 7: 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 for the fiscal year ending June 30, 2017.

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 8: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant



## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium 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 contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January, 1998, are required to make contribution to the RHCA fund in the amount to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to section 10-7C-15 (G) NMSA 1978 at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distribution pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2017**

The Court's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$33,392, \$32,651 and \$31,565 respectively, which equal the required contributions for each year.

**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 \$11,390 for the year ending June 30, 2017. Annual future minimum lease payments are as follows:

2018	\$	11,184
2019		8,067
2020		5,378
2021		-
Total	\$	<u>24,629</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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 12: EVALUATION OF SUBSEQUENT EVENTS**

The Court has evaluated subsequent events through October 26, 2017, 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, 2017**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>ASSETS</b>				
Cash in Bank:				
State Treasurer Account	\$ 5,933	188,753	186,421	\$ 8,265
Trust Accounts	300,057	436,950	500,585	236,422
	\$ 305,990	625,703	687,006	\$ 244,687
 <b>LIABILITIES</b>				
Due to Other State Agencies	\$ 5,933	188,753	186,421	\$ 8,265
Due to Litigants	300,057	436,950	500,585	236,422
	\$ 305,990	625,703	687,006	\$ 244,687

*See Independent Auditor's Report*

**SCHEDULE OF OPERATING TRANSFERS**  
**For the Year Ended June 30, 2017**

	SHARE FUND	TITLE	TRANSFER	
			In	Out
(1)	85300	Department of Finance & Administration	\$ 2,916,200	\$ -
(2)	13900	Administrative Office of the Courts	83,496	-
(3)	13900	Administrative Office of the Courts	86,004	-
(1)	85300	FY 2017 Reversion	-	7,762
	<b>Total</b>		<u>\$ 3,085,700</u>	<u>\$ 7,762</u>

(1) Laws of 2016, 52nd Legislature, Second Session, Chapter 11

(2) CASA & Water Appropriation, Laws of 2016, Section 2, Chapter 11, Section 4, Item (a) and (c)

(3) LETF Drug Court Reimbursement, Laws of 2016, Chapter 11, Section 4, Item (i)

*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**

Timothy Keller  
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, 2017, 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 26, 2017.

**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

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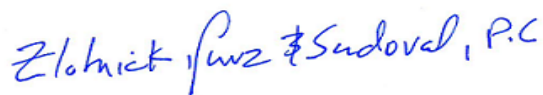
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 26, 2017

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2017**

**Current Year Findings**

None

**Prior Year Findings**

None



**EXIT CONFERENCE**

**June 30, 2017**

The contents of this report were discussed at an exit conference held October 19, 2017

The Eighth Judicial District Court was represented by:

Honorable Jeff McElroy, Chief Judge

Barbara E. Arnold, Court Executive Officer

Pamela S. Nay, Court Financial Manager

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

Asa Laws, CPA

Brian Laws, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C. However, the financial statements are the responsibility of management.