



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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018**

## INTRODUCTORY SECTION

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
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JUNE 30, 2018**

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

**Function of Entity**

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

**Official Roster**

**Judges**

| <b><u>Name</u></b>            | <b><u>Title</u></b>         |
|-------------------------------|-----------------------------|
| Honorable Matthew E. Chandler | District Judge Division I   |
| Honorable Drew D. Tatum       | Chief Judge Division II     |
| Honorable Fred T. Van Soelen  | District Judge Division III |
| Honorable Donna J. Mowrer     | District Judge Division IV  |
| Honorable David P. Reeb, Jr.  | District Judge Division V   |

**Administrative Officials**

|                     |                         |
|---------------------|-------------------------|
| Kevin Spears        | Court Executive Officer |
| Jo Ann M. Tootikian | Chief Financial Officer |

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

Honorable Drew D. Tatum, Presiding Judge  
Ninth Judicial District Court  
Clovis, New Mexico and  
Mr. Wayne Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Ninth Judicial District Court (District Court), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District Court's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

Honorable Drew D. Tatum, Presiding Judge  
Ninth Judicial District Court and  
Mr. Wayne Johnson  
New Mexico State Auditor

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

The District Court has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

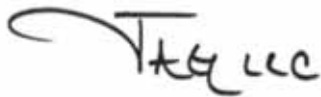
Our audit was conducted for the purpose of forming opinions on the District Court's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the Table of Contents, which includes schedules 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.

Honorable Drew D. Tatum, Presiding Judge  
Ninth Judicial District Court and  
Mr. Wayne Johnson  
New Mexico State Auditor

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018 on our consideration of the District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District Court's internal control over financial reporting and compliance.

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

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
October 26, 2018



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

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| <b>Current Assets</b>                                    |                                    |
| Petty cash   | \$ 600                             |
| Interest in State Treasurer General Fund Investment Pool | <u>311,139</u>                     |
| <b>Total current assets</b>                              | <u>311,739</u>                     |
| <b>Non-current Assets</b>                                |                                    |
| Capital assets   | 488,963                            |
| Accumulated depreciation                                 | <u>(312,865)</u>                   |
| <b>Total non-current assets</b>                          | <u>176,098</u>                     |
| <b>Total assets</b>                                      | <u>487,837</u>                     |
| <b>LIABILITIES</b>                                       |                                    |
| <b>Current Liabilities</b>                               |                                    |
| Accounts payable   | 10,547                             |
| Payroll benefits payable                                 | 55,466                             |
| Payroll taxes payable                                    | 25,771                             |
| Accrued payroll  | 63,382                             |
| Accrued compensated absences                             | <u>110,692</u>                     |
| <b>Total current liabilities</b>                         | 265,858                            |
| <b>Non-current Liabilities</b>                           |                                    |
| Accrued compensated absences                             | <u>12,119</u>                      |
| <b>Total liabilities</b>                                 | <u>277,977</u>                     |
| <b>NET POSITION</b>                                      |                                    |
| Net investment in capital assets                         | 176,098                            |
| Restricted for   |                                    |
| Drug court   | 31,565                             |
| Mediations   | 51,973                             |
| Alternative dispute resolution                           | 40,245                             |
| Child support hearing officer                            | 32,789                             |
| Unrestricted (deficit)                                   | <u>(122,810)</u>                   |
| <b>Total net position</b>                                | <u>\$ 209,860</u>                  |

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

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>EXPENSES</b>                              |                                    |
| Judicial                                     |                                    |
| Administrative services                      | \$ 4,045,267                       |
| Depreciation expense                         | <u>32,024</u>                      |
| <b>Total expenses</b>                        | <u>4,077,291</u>                   |
| <b>PROGRAM REVENUES</b>                      |                                    |
| Operating grants                             | 351,700                            |
| Charges for services                         | 307,426                            |
| Court fees                                   | <u>52,185</u>                      |
| <b>Total program revenues</b>                | <u>711,311</u>                     |
| <b>Net program expenses</b>                  | <u>(3,365,980)</u>                 |
| <b>GENERAL REVENUES AND TRANSFERS</b>        |                                    |
| State general fund appropriations            | 3,365,700                          |
| Other financing sources                      | 32,001                             |
| Transfer from other agency                   | -                                  |
| State general fund reversion - FY 2018       | <u>(240)</u>                       |
| <b>Total general revenues and transfers</b>  | <u>3,397,461</u>                   |
| Loss on disposal of capital assets           | <u>(2,474)</u>                     |
| <b>Change in net position</b>                | 29,007                             |
| Net position, beginning of year              | 213,191                            |
| Restatement (Note 13)                        | <u>(32,338)</u>                    |
| Net position, beginning of year, as restated | <u>180,853</u>                     |
| <b>Net position, end of year</b>             | <u>\$ 209,860</u>                  |

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

|   | General<br>Fund<br>14900 | Mediation<br>Fund<br>84700 | ADR<br>68330     | CSHO<br>92700    | Total             |
|---|--------------------------|----------------------------|------------------|------------------|-------------------|
| <b>ASSETS</b>   |                          |                            |                  |                  |                   |
| <b>Current Assets</b>                                       |                          |                            |                  |                  |                   |
| Petty cash  | \$ 500                   | \$ -                       | \$ -             | \$ 100           | \$ 600            |
| Interest in State Treasurer General Fund<br>Investment Pool | <u>165,301</u>           | <u>51,973</u>              | <u>40,245</u>    | <u>53,620</u>    | <u>311,139</u>    |
| <b>Total assets</b>   | <u>\$ 165,801</u>        | <u>\$ 51,973</u>           | <u>\$ 40,245</u> | <u>\$ 53,720</u> | <u>\$ 311,739</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                        |                          |                            |                  |                  |                   |
| <b>Current Liabilities</b>                                  |                          |                            |                  |                  |                   |
| Accounts payable  | \$ 9,251                 | \$ -                       | \$ -             | \$ 1,296         | \$ 10,547         |
| Payroll benefits payable                                    | 47,870                   | -                          | -                | 7,596            | 55,466            |
| Payroll taxes payable                                       | 22,319                   | -                          | -                | 3,452            | 25,771            |
| Accrued payroll   | <u>54,796</u>            | <u>-</u>                   | <u>-</u>         | <u>8,587</u>     | <u>63,383</u>     |
| <b>Total liabilities</b>                                    | <u>134,236</u>           | <u>-</u>                   | <u>-</u>         | <u>20,931</u>    | <u>155,167</u>    |
| <b>Fund Balances</b>  |                          |                            |                  |                  |                   |
| Nonspendable  |                          |                            |                  |                  |                   |
| Petty Cash  | 500                      | -                          | -                | 100              | 600               |
| Restricted for  |                          |                            |                  |                  |                   |
| Drug court  | 31,065                   | -                          | -                | -                | 31,065            |
| Mediations  | -                        | 51,973                     | -                | -                | 51,973            |
| Alternative dispute resolution                              | -                        | -                          | 40,245           | -                | 40,245            |
| Child support hearing officer                               | <u>-</u>                 | <u>-</u>                   | <u>-</u>         | <u>32,689</u>    | <u>32,689</u>     |
| <b>Total fund balances</b>                                  | <u>31,565</u>            | <u>51,973</u>              | <u>40,245</u>    | <u>32,789</u>    | <u>156,572</u>    |
| <b>Total liabilities and<br/>fund balances</b>              | <u>\$ 165,801</u>        | <u>\$ 51,973</u>           | <u>\$ 40,245</u> | <u>\$ 53,720</u> | <u>\$ 311,739</u> |

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

|  |                   |
|--|-------------------|
| Fund Balances - Total Governmental Funds | <u>\$ 156,572</u> |
|--|-------------------|

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              | 488,963          |
| Accumulated depreciation    | <u>(312,865)</u> |
| <b>Total capital assets</b> | <u>176,098</u>   |

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 | <u>(122,811)</u> |
|----------------------|------------------|

|  |                          |
|--|--------------------------|
| <b>Net Position of Governmental Activities</b> | <u><u>\$ 209,860</u></u> |
|--|--------------------------|

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

|  | General<br>Fund<br>14900 | Mediation<br>Fund<br>84700 | ADR<br>68330     | CSHO<br>92700    | Total              |
|--|--------------------------|----------------------------|------------------|------------------|--------------------|
| <b>REVENUES</b>  |                          |                            |                  |                  |                    |
| Federal grants   | \$ -                     | \$ -                       | \$ -             | \$ 351,700       | \$ 351,700         |
| Charges for services   | 134,307                  | -                          | -                | 173,119          | 307,426            |
| Court fees   | <u>8,386</u>             | <u>20,084</u>              | <u>23,715</u>    | <u>-</u>         | <u>52,185</u>      |
| <b>Total revenues</b>  | <u>142,693</u>           | <u>20,084</u>              | <u>23,715</u>    | <u>524,819</u>   | <u>711,311</u>     |
| <b>EXPENDITURES</b>  |                          |                            |                  |                  |                    |
| Current  |                          |                            |                  |                  |                    |
| Judicial   |                          |                            |                  |                  |                    |
| Administrative services  |                          |                            |                  |                  |                    |
| Personal services and employee benefits                          |                          |                            |                  |                  |                    |
|  | 3,214,975                | 37,525                     | -                | 504,999          | 3,757,499          |
| Contract services  | 61,980                   | -                          | -                | -                | 61,980             |
| Other costs  | 214,089                  | -                          | -                | 19,733           | 233,822            |
| Capital outlay   | <u>29,275</u>            | <u>-</u>                   | <u>-</u>         | <u>-</u>         | <u>29,275</u>      |
| <b>Total expenditures</b>  | <u>3,520,319</u>         | <u>37,525</u>              | <u>-</u>         | <u>524,732</u>   | <u>4,082,576</u>   |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <u>(3,377,626)</u>       | <u>(17,441)</u>            | <u>23,715</u>    | <u>87</u>        | <u>(3,371,265)</u> |
| <b>Other financing sources (uses)</b>                            |                          |                            |                  |                  |                    |
| Transfers in   |                          |                            |                  |                  |                    |
| State General Fund appropriations                                | 3,365,700                | -                          | -                | -                | 3,365,700          |
| Other financing sources  | 13,916                   | -                          | -                | -                | 13,916             |
| Transfers out  |                          |                            |                  |                  |                    |
| 2018 Reversions to the State General Fund                        | <u>(240)</u>             | <u>-</u>                   | <u>-</u>         | <u>-</u>         | <u>(240)</u>       |
| <b>Total other financing sources</b>                             | <u>3,379,376</u>         | <u>-</u>                   | <u>-</u>         | <u>-</u>         | <u>3,379,376</u>   |
| <b>Net change in fund balances</b>                               | 1,750                    | (17,441)                   | 23,715           | 87               | 8,111              |
| Fund balances, beginning of year                                 | 57,157                   | 69,414                     | 16,530           | 38,295           | 181,396            |
| Restatement (Note 13)  | <u>(27,342)</u>          | <u>-</u>                   | <u>-</u>         | <u>(5,593)</u>   | <u>(32,935)</u>    |
| Fund balances, beginning of year, as restated                    | <u>29,815</u>            | <u>69,414</u>              | <u>16,530</u>    | <u>32,702</u>    | <u>148,461</u>     |
| <b>Fund balances - end of year</b>                               | <u>\$ 31,565</u>         | <u>\$ 51,973</u>           | <u>\$ 40,245</u> | <u>\$ 32,789</u> | <u>\$ 156,572</u>  |

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

|  |                 |
|--|-----------------|
| Net Change in Fund Balances - Total Governmental Funds | <u>\$ 8,111</u> |
|--|-----------------|

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  |                 |
| Capital outlay  | 29,275          |
| Transfer of capital asset from other agency                             | 8,857           |
| Loss on the disposal of capital assets                                  | (2,474)         |
| Depreciation expense  | <u>(32,024)</u> |
| Excess of capital outlay over depreciation expense and losses on assets | 3,634           |

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

|                                |               |
|--------------------------------|---------------|
| Change in compensated absences | <u>17,262</u> |
|--------------------------------|---------------|

|  |                         |
|--|-------------------------|
| <b>Change in Net Position of Governmental Activities</b> | <u><u>\$ 29,007</u></u> |
|--|-------------------------|

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND (14900)  
FOR THE YEAR ENDED JUNE 30, 2018**

|   | Budgeted Amounts    |                     | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Variance<br>Favorable<br>(Unfavorable) |
|---|---------------------|---------------------|---|---|
|   | Original            | Final               |   |   |
| <b>REVENUES</b>   |                     |                     |   |   |
| General Fund Appropriation  | \$ 3,365,700        | \$ 3,365,700        | \$ 3,365,700                              | \$ -  |
| Transfer in from other state agency                                   | 83,500              | 13,920              | 13,916                                    | (4)   |
| Charges for services  | 131,100             | 135,780             | 134,307                                   | (1,473)   |
| Court fees  | 3,000               | 7,500               | 8,386                                     | 886   |
| <b>Total revenues</b>   | <u>3,583,300</u>    | <u>3,522,900</u>    | <u>\$ 3,522,309</u>                       | <u>\$ (591)</u>   |
| Fund balances   | -                   | -                   |   |   |
| <b>Total revenues and fund balances</b>                               | <u>\$ 3,583,300</u> | <u>\$ 3,522,900</u> |   |   |
| <b>EXPENDITURES</b>   |                     |                     |   |   |
| Administrative services   |                     |                     |   |   |
| Personal services   | \$ 3,272,800        | \$ 3,214,980        | \$ 3,214,975                              | \$ 5  |
| Contractual services  | 131,600             | 62,020              | 61,980                                    | 40  |
| Other costs   | 149,625             | 216,625             | 214,089                                   | 2,536   |
| Capital Outlay  | 29,275              | 29,275              | 29,275                                    | -   |
| <b>Total expenditures</b>   | <u>\$ 3,583,300</u> | <u>\$ 3,522,900</u> | <u>\$ 3,520,319</u>                       | <u>\$ 2,581</u>   |
| <b>Excess (deficiency) of budgeted<br/>revenues over expenditures</b> |                     |                     | <u>\$ 1,990</u>                           |   |
| <b>Reconciliation to GAAP basis</b>                                   |                     |                     |   |   |
| 2018 FY Reversion to State General Fund                               |                     |                     | (240)                                     |   |
| <b>Net change in fund balance</b>                                     |                     |                     | <u>\$ 1,750</u>                           |   |

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
MEDIATION FUND (84700)  
FOR THE YEAR ENDED JUNE 30, 2018**

|  | Budgeted Amounts |                  | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Variance<br>Favorable<br>(Unfavorable) |
|--|------------------|------------------|---|---|
|  | Original         | Final            |   |   |
| <b>REVENUES</b>  |                  |                  |   |   |
| Court fees   | \$ 25,500        | \$ 25,500        | <u>\$ 20,084</u>                          | <u>\$ (5,416)</u>                                       |
| Fund balances  | -                | 25,000           |   |   |
| <b>Total revenues and fund balances</b>                              | <u>\$ 25,500</u> | <u>\$ 50,500</u> |   |   |
| <b>EXPENDITURES</b>  |                  |                  |   |   |
| Administrative services  |                  |                  |   |   |
| Personal services  | \$ 25,500        | \$ 50,500        | \$ 37,525                                 | \$ 12,975   |
| Other costs  | -                | -                | -   | -   |
| <b>Total expenditures</b>  | <u>\$ 25,500</u> | <u>\$ 50,500</u> | <u>37,525</u>                             | <u>\$ 12,975</u>  |
| <b>Excess (deficiency) of budgted<br/>revenues over expenditures</b> |                  |                  | <u>\$ (17,441)</u>                        |   |
| <b>Reconciliation to GAAP basis</b>                                  |                  |                  |   |   |
| <b>Net change in fund balance</b>                                    |                  |                  | <u>\$ (17,441)</u>                        |   |



**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
CHILD SUPPORT HEARING OFFICER FUND (92700)  
FOR THE YEAR ENDED JUNE 30, 2018**

|   | Budgeted Amounts  |                   | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Variance<br>Favorable<br>(Unfavorable) |
|---|-------------------|-------------------|---|---|
|   | Original          | Final             |   |   |
| <b>REVENUES</b>   |                   |                   |   |   |
| Federal grants  | \$ 351,700        | \$ 351,700        | \$ 351,700                                | \$ -  |
| Charges for services  | 173,300           | 173,300           | <u>173,119</u>                            | <u>(181)</u>  |
|   |                   |                   | <u>\$ 524,819</u>                         | <u>\$ (181)</u>   |
| Fund balances   | <u>-</u>          | <u>-</u>          |   |   |
| <b>Total revenues and fund balances</b>                             | <u>\$ 525,000</u> | <u>\$ 525,000</u> |   |   |
| <b>EXPENDITURES</b>   |                   |                   |   |   |
| Administrative services   |                   |                   |   |   |
| Personal services   | \$ 508,400        | \$ 505,000        | \$ 504,999                                | \$ 1  |
| Contractual services  | -                 | -                 | -   | -   |
| Other costs   | <u>16,600</u>     | <u>20,000</u>     | <u>19,733</u>                             | <u>267</u>  |
| <b>Total expenditures</b>   | <u>\$ 525,000</u> | <u>\$ 525,000</u> | <u>524,732</u>                            | <u>\$ 268</u>   |
| <b>Excess (deficiency) of budgtd<br/>revenues over expenditures</b> |                   |                   | <u>\$ 87</u>                              |   |
| <b>Reconciliation to GAAP basis</b>                                 |                   |                   |   |   |
| <b>Net change in fund balance</b>                                   |                   |                   | <u>\$ 87</u>                              |   |

STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
ALTERNATIVE DISPUTE RESOLUTION FUND (68330)  
FOR THE YEAR ENDED JUNE 30, 2018

|  | Budgeted Amounts |             | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Variance<br>Favorable<br>(Unfavorable) |
|--|------------------|-------------|---|---|
|  | Original         | Final       |   |   |
| <b>REVENUES</b>  |                  |             |   |   |
| Court fees   | \$ -             | \$ -        | <u>\$ 23,715</u>                          | <u>\$ 23,715</u>  |
| Fund balances  | -                | -           |   |   |
| <b>Total revenues and fund balances</b>                              | <u>\$ -</u>      | <u>\$ -</u> |   |   |
| <b>EXPENDITURES</b>  |                  |             |   |   |
| Administrative services  |                  |             |   |   |
| Personal services  | \$ -             | \$ -        | \$ -                                      | \$ -  |
| Other costs  | -                | -           | -   | -   |
| <b>Total expenditures</b>  | <u>\$ -</u>      | <u>\$ -</u> | -   | <u>\$ -</u>   |
| <b>Excess (deficiency) of budgted<br/>revenues over expenditures</b> |                  |             | <u>\$ 23,715</u>                          |   |
| <b>Reconciliation to GAAP basis</b>                                  |                  |             |   |   |
| <b>Net change in fund balance</b>                                    |                  |             | <u>\$ 23,715</u>                          |   |

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

**ASSETS**

|                           |                   |
|---------------------------|-------------------|
| Cash and cash equivalents | <u>\$ 594,043</u> |
|---------------------------|-------------------|

**LIABILITIES**

|                          |                   |
|--------------------------|-------------------|
| Deposits Held for Others | \$ 237,734        |
| Due to Litigants         | <u>356,309</u>    |
|                          | <u>\$ 594,043</u> |

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

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

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

**A. Reporting Entity**

The District Court is given its authority under Section 13 of the New Mexico State Constitution and Sections 34-6-1, 34-6-2, 34-6-12 and 36-5-17 through 34-6-47 of the New Mexico State Statutes Annotated, 1978 Compilation, and is a part of the State of New Mexico. The agency code assigned by the Department of Finance and Administration for the District Court is 23900. The District Court judges are elected to their position in a partisan election prior to being eligible for a nonpartisan retention election. Thereafter, each judge is subject to retention or rejection on a nonpartisan ballot every sixth year. The District Court is the 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 District Court is by state appropriations.

The District Court's basic financial statements include all activities and accounts of the District Court's "financial reporting entity." The financial reporting entity consists of the primary government, and any other organization 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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The District Court has no component units.

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

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

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position, the Statement of Activities, and the Changes in Net Position) report information on all the non-fiduciary activities of the District Court (or “primary government”). For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District Court does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

**GOVERNMENTAL FUNDS**

*General Fund* (SHARE Fund #14900) - The General Fund is the general operating fund of the District Court and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily by an appropriation from the State General Fund and any unused funds at the end of the fiscal year revert back to the State General Fund. The General Fund is always reported as a major fund.

*Drug Court* – Within the District Court General Fund there is established a Drug Court Program. The program provides treatment and counseling to drug dependent offenders, who are in the criminal justice system due to drug-related charges, with the aim of eliminating their substance abuse. The funds provided by Drug Court fees are non-Reverting, and are collected pursuant to Statute 34-6-47 NSMA 1978 Compilation. These funds are reflected in the financial statements as restricted funds.

The District Court accounts for the revenues and expenses of the Drug Court and charges the restricted fund balance accordingly. All other monies within the General Fund revert to the State of New Mexico.

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

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

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

SPECIAL REVENUE FUNDS

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

*Child Support Hearing Officer Fund (CSHO)* (SHARE Fund #92700) – The District Court has entered into an agreement with the State of New Mexico Human Services Department (HSD) operating through its Child Support Enforcement Division (CSED) which administers a statewide plan for child support enforcement in compliance with Title IV-D of the Federal Social Security Act. HSD provides funding to the District Court for implementing measures for the use of child support hearing officers in the adjudication of legal actions for child support pursuant to NMSA 1978 Sec. 40-4B-1. The Child Support Hearing Officer Fund is a non-reverting fund. The Child Support Hearing Officer Fund is reported as a major fund.

*Mediation Fund* (SHARE Fund #84700) – The District Court has established a domestic relations mediation program pursuant to section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 [40-12-6, NMSA 1978 Compilation] of that act. The Mediation Fund is a non-reverting fund. The Mediation Fund is reported as a major fund.

*Alternative Dispute Resolution (ADR)* (SHARE Fund #68330) – The District 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 District 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 District Court considers this fund a major fund. At June 30, 2018, there were no outstanding encumbrances.

FIDUCIARY FUNDS

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

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

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

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

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

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

Both funds are accounted for in SHARE Fund #52400.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District Court, the primary government, as a whole without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The District Court has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

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

FUND FINANCIAL STATEMENTS

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

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

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

**D. Budgets and Budgetary Accounting**

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

1. No later than September 1, the District Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of Finance and Administration, State Budget Division (DFA-SBD) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the 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 District Court.
3. Budget hearings are scheduled before the New Mexico House Appropriations and the Senate Finance Committees. Certain outcomes of these hearings are incorporated into the General Appropriations Act.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit with changes authorized by veto power.
5. The District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of DFA – Budget Division and LFC. The budget was amended in a legal manner for the current year.
6. Budget control for expenditures is by category of expenditures and to meet legal compliance cannot exceed the total budget for the fund.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds.
8. Appropriations lapse at the end of the fiscal year except for those amounts properly encumbered for accounts payable. All unused annual appropriations within the General Fund revert to the State General Fund. The Child Support Hearing Officer Fund and Mediation Fund are Special Revenue Funds and are non-reverting funds.

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



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

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

**D. Budgets and Budgetary Accounting (Continued)**

of the fiscal year. Thus, budgetary comparisons presented in the report for the fiscal year are on the modified accrual basis of accounting. For comparison to the legally adopted budget, revenues and expenditures were adjusted to the budgetary basis.

**E. Encumbrances**

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

**F. Supplies Inventory**

The District Court uses the purchases method to account for its inventory. Expenditures are recorded at the time goods and materials are received and accepted as delivered.

**G. Accrued Annual Leave**

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

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

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination. Accrued annual leave is recorded as a liability and net changes are recorded as an expenditure in the government-wide financial statements. The fund financial statements and budgetary comparison reports only recognize the compensated absences when payments are made to employees.

**H. Accrued Sick Leave**

Chapter 150, Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours in a fiscal year. However, the sick leave will be paid at 50% of the employee's regular hourly

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

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

**H. Accrued Sick Leave (Continued)**

wage. At retirement, employees can receive 50% payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at the end of the fiscal year over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability and net changes are recorded as an expenditure in the government-wide financial statements. For fund financial statements and budgetary reporting, the expenditure is only recognized when payments are made to employees.

**I. Capital Assets**

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

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:

|                                  |            |
|----------------------------------|------------|
| Building and improvements        | 7-10 years |
| Vehicles                         | 10 years   |
| Information technology equipment | 5-25 years |
| Furniture and fixtures           | 7-25 years |

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

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

**J. Intergovernmental Receivables and Unearned Revenue**

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

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

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

**K. Due to State General Fund for Reversions**

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

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

In accordance with Section 34-6-24, NMSA 1978, the local Counties provide the cost of building space, security, and related expenses to the District Court.

**M. Use of Estimates**

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

**N. Net Position or Fund Equity**

**Governmental Funds.** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

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

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

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

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

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

**N. Net Position or Fund Equity (Continued)**

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

The District 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.

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

*Invested in capital assets:* Consists of capital assets, net of accumulated depreciation and reduced by outstanding debt. The District Court has no outstanding debt relating to capital assets.

*Restricted:* Consists of assets that are restricted to specific purposes reduced by liabilities and deferred inflows related to those assets as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Unrestricted:* Consists of 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”.

**O. Post-employment Benefits – State Retiree Health Care Plan**

As required by 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 for the fiscal year ended June 30, 2018.

The District Court, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit 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 CAFR for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

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

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

**P. Retirement Plan – Public Employees Retirement Association**

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

The District Court, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit 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 liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

**NOTE 2. CASH AND INVESTMENTS**

At June 30, 2018, cash consisted of the following checking accounts:

|                               | <u>Type</u> | <u>Interest<br/>Bearing</u> | <u>Bank<br/>Balance</u> | <u>Deposits in<br/>Transit</u> | <u>Outstanding<br/>Checks</u> | <u>Book<br/>Balance</u> |
|-------------------------------|-------------|-----------------------------|-------------------------|--------------------------------|-------------------------------|-------------------------|
| Agency Funds                  |             |                             |                         |                                |                               |                         |
| Bank of Clovis - Trust        | Checking    |                             | \$ 399,204              | \$ -                           | \$ (161,470)                  | \$ 237,734              |
| Bank of Clovis - Litigant     | Checking    | X                           | 356,309                 | -                              | -                             | 356,309                 |
| Wells Fargo - State Treasurer | Checking    |                             | -                       | -                              | -                             | -                       |
| <b>Total</b>                  |             |                             | <u>\$ 755,513</u>       | <u>\$ -</u>                    | <u>\$ (161,470)</u>           | <u>\$ 594,043</u>       |

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

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

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

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

|  |                           |
|--|---------------------------|
|  | <u>Bank of<br/>Clovis</u> |
| Total amounts of deposits  | \$ 755,513                |
| FDIC coverage  | <u>(250,000)</u>          |
| <b>Total uninsured public funds</b>  | 505,513                   |
| Pledged collateral held by pledging bank's trust<br>department or agent but not in agency's name | <u>(800,033)</u>          |
| Collateral requirement: 50% uninsured public funds<br>Pledged Security                           | <u>252,757</u>            |
| <b>Total under (over) collateralized</b>   | <u>\$ (547,276)</u>       |

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure the District Court's deposits may not be returned. Currently all the above listed accounts are either insured or collateral has been pledged by the financial institution for amounts exceeding FDIC insurance.

The following is a schedule of pledged collateral:

| Name of<br>Depository | Description of Pledged Collateral                             | Fair Market<br>Value<br>6/30/18 | Name and<br>Location of<br>Safekeeper                   |
|-----------------------|---|---------------------------------|---|
| Plains Capital Bank   | Grant Gross Recpts NM 34, CUSIP<br>387770CA6, 3.63%, 07/01/34 | <u>\$ 800,033</u>               | The Independent Banker's<br>Bank<br>Farmer's Branch, TX |

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

**NOTE 3. STATE TREASURER GENERAL FUND INVESTMENT POOL**

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

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

At June 30, 2018, the District Court had the following invested in the State Treasurer General Fund Investment Pool:

|                                     | Share<br>Fund # | Maturity | Account<br>Balance | Fair<br>Value     |
|-------------------------------------|-----------------|----------|--------------------|-------------------|
| General Fund                        | 14900           | 1 day    | \$ 165,301         | \$ 165,301        |
| Mediation Fund                      | 84700           | 1 day    | 51,973             | 51,973            |
| Alternative Dispute Resolution Fund | 68330           | 1 day    | 40,245             | 40,245            |
| Child Support Hearing Officer Fund  | 92700           | 1 day    | <u>53,620</u>      | <u>53,620</u>     |
| <b>Total governmental funds</b>     |                 |          | <u>\$ 311,139</u>  | <u>\$ 311,139</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 the 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, 2018.

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

**NOTE 4. CAPITAL ASSETS**

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

|   | Original<br>Balance | Restate /<br>Reclassify | Restated<br>Balance | Additions        | Deletions         | Balance<br>6/30/2018 |
|---|---------------------|-------------------------|---------------------|------------------|-------------------|----------------------|
|   | <u>6/30/2017</u>    | <u>6/30/2017</u>        | <u>6/30/2017</u>    | <u>6/30/2017</u> | <u>6/30/2017</u>  | <u>6/30/2018</u>     |
| <b>Capital assets depreciated</b>       |                     |                         |                     |                  |                   |                      |
| Building and improvements               | \$ 53,779           | \$ (18,761)             | \$ 35,018           | \$ -             | \$ -              | \$ 35,018            |
| Auto and trucks                         | 279,049             | -                       | 279,049             | 23,964           | (42,928)          | 260,085              |
| Equipment and machinery                 | -                   | 137,942                 | 137,942             | -                | (34,979)          | 102,963              |
| Information technology equipment        | 178,550             | (137,942)               | 40,608              | 5,311            | (3,164)           | 42,755               |
| Furniture and fixtures                  | <u>38,009</u>       | <u>18,761</u>           | <u>56,770</u>       | <u>8,856</u>     | <u>(17,484)</u>   | <u>48,142</u>        |
| <b>Total capital assets depreciated</b> | <u>549,387</u>      | <u>-</u>                | <u>549,387</u>      | <u>38,131</u>    | <u>(98,555)</u>   | <u>488,963</u>       |
| <b>Less accumulated depreciation</b>    |                     |                         |                     |                  |                   |                      |
| Building and improvements               | 11,383              | (5,028)                 | 6,355               | 3,502            | -                 | 9,857                |
| Auto and trucks                         | 181,906             | -                       | 181,906             | 17,498           | (42,928)          | 156,476              |
| Equipment and machinery                 | -                   | 122,987                 | 122,987             | 2,189            | (34,978)          | 90,198               |
| Information technology equipment        | 151,378             | (123,584)               | 27,794              | 5,412            | (3,164)           | 30,042               |
| Furniture and fixtures                  | <u>32,852</u>       | <u>5,028</u>            | <u>37,880</u>       | <u>3,423</u>     | <u>(15,011)</u>   | <u>26,292</u>        |
| <b>Total accumulated depreciation</b>   | <u>377,519</u>      | <u>(597)</u>            | <u>376,922</u>      | <u>32,024</u>    | <u>(96,081)</u>   | <u>312,865</u>       |
| <b>Total capital assets, net</b>        | <u>\$ 171,868</u>   | <u>\$ 597</u>           | <u>\$ 172,465</u>   | <u>\$ 6,107</u>  | <u>\$ (2,474)</u> | <u>\$ 176,098</u>    |

Current depreciation expense is \$32,024 and is included in the Judicial program in the Statement of Activities.

**NOTE 5. COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

|                      | Balance<br>6/30/2017 | Additions         | Deletions         | Balance<br>6/30/2018 | Due within<br>One Year |
|----------------------|----------------------|-------------------|-------------------|----------------------|------------------------|
| Compensated absences | <u>\$ 140,073</u>    | <u>\$ 138,168</u> | <u>\$ 155,430</u> | <u>\$ 122,811</u>    | <u>\$ 110,692</u>      |



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

**NOTE 6. INTERAGENCY TRANSFERS**

| <u>SHARE Fund #</u>                | <u>Title</u>                                | <u>Transfer In</u>  | <u>Transfer Out</u> |
|------------------------------------|---|---------------------|---------------------|
| (1) 85300                          | NM Department of Finance and Administration | \$ 3,365,700        | \$ -                |
| (2) 13900                          | Administrative Office of the Courts         | 13,916              | -                   |
| (4) 85300                          | NM Department of Finance and Administration | -                   | 240                 |
| <b>Total interagency transfers</b> |   | <u>\$ 3,379,616</u> | <u>\$ 240</u>       |

- (1) General Fund Appropriation, Laws of 2017, 53<sup>rd</sup> Legislation, First Session, Chapter 135, Section 4
- (2) CASA Program Appropriation, Laws of 2017, 53<sup>rd</sup> Legislation, First Session, Chapter 135, Section 4
- (3) General Fund Reversion – FY 2018

**NOTE 7. OPERATING LEASES**

The District Court has operating leases for various office equipment as well as office space. The leases have terms that vary from four to five years and are payable on a monthly or quarterly basis. Each individual lease can be terminated due to lack of funding from the legislature with no penalty to the District Court. The District Court paid \$27,668 in lease payments during the year ended June 30, 2018. Minimum future rental payments under operating leases having terms in excess of one year as of June 30, 2018, and for the next five years and in the aggregate are:

|              |                  |
|--------------|------------------|
| 2019         | \$ 19,549        |
| 2020         | 16,843           |
| 2021         | 16,843           |
| 2022         | 16,843           |
| 2023         | <u>4,211</u>     |
| <b>Total</b> | <u>\$ 74,289</u> |

**NOTE 8. PENSION - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description.* Substantially all of the District Court’s full-time employees participate in a public employee retirement system authorized under the Public Employees’ Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* The contribution requirements of plan members and the District Court are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature.

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

**NOTE 8. PENSION - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

The District Court's contributions to PERA for the years ended June 30, 2018, 2017, and 2016 were \$430,522, \$426,365, and \$441,764, respectively, equal to the amount of the required contributions for each fiscal year.

**NOTE 9. RETIREMENT PLAN - JUDICIAL BRANCH**

As required by 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, 2018.

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

**NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

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

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

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

**NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

*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, 2018, 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, 2018, 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, 2017, 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.

The District Court's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$55,039, \$54,567, and \$56,319, respectively, which equal the required contribution for each year.

**NOTE 11. RISK OF LOSS**

The District Court is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; or acts of God. The District Court is insured through Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the state and state agencies; manages fund to provide unemployment compensation, tort liability insurance, workman's compensation, and general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Court would not be liable for more than the annual premiums. The District Court pays annual premiums to the Risk Management Division for coverage provided in the following areas:

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

**NOTE 11. RISK OF LOSS (CONTINUED)**

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

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

**NOTE 12. SUBSEQUENT EVENTS**

The District Court has evaluated subsequent events through October 26, 2018, the date which the financial statements were available to be issued. As of the report date, October 26, 2018, no subsequent events were identified by management.

**NOTE 13. RESTATEMENT OF FUND BALANCES AND NET POSITION**

**Adoption of new accounting policy – purchase method of recording inventory.** Effective fiscal year 2018, the State of New Mexico adopted a new accounting policy to account for recording inventory. This policy establishes the requirement that state agencies account for significant inventories in accordance with Generally Accepted Accounting Principles and the budgetary basis of accounting. SHARE agencies with the exception of NMDOT must use the *purchase basis* of accounting for inventories of materials and supplies. The purchase basis of accounting requires that state agencies record expenditures at the time the goods and materials are received and accepted as delivered. Previously, the District Court had used the *consumption basis* of accounting, where expenditures were recorded at the time the goods and materials were issued for use.

Accordingly, the District Court has included the effect of the State's adoption of this new accounting policy in its 2018 financial statements. The District Court's inventory balance on July 1, 2017 was \$27,342 in the General Fund and \$5,593 in the Child Support Hearing Officer Fund, and beginning fund balances in those funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances include a reduction for those amounts. The District Court's Statement of Revenues, Expenditures, and Changes in Net Position includes an adjustment to reduce the current year beginning net position in the amount of \$32,935.

**Other restatement of net position.** For the fiscal year ending June 30, 2017, the accumulated depreciation per financial statements was \$597 higher than per the accounting system, SHARE. Accordingly, the District Court's Statement of Revenues, Expenditures, and Changes in Net Position includes an adjustment to increase the current year beginning net position in the amount of \$597, in order to match SHARE's beginning net position.

**SUPPLEMENTARY INFORMATION**

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

|                           | June 30,<br>2017  | Additions           | Deductions          | June 30,<br>2018  |
|---------------------------|-------------------|---------------------|---------------------|-------------------|
| <u>COURT CLERK'S FUND</u> |                   |                     |                     |                   |
| <b>ASSETS</b>             |                   |                     |                     |                   |
| Cash in banks             |                   |                     |                     |                   |
| Trust Accounts            | \$ 324,886        | \$ 975,526          | \$ 1,062,678        | \$ 237,734        |
| <b>Total assets</b>       | <u>\$ 324,886</u> | <u>\$ 975,526</u>   | <u>\$ 1,062,678</u> | <u>\$ 237,734</u> |
| <b>LIABILITIES</b>        |                   |                     |                     |                   |
| Deposits Held for Others  | \$ 324,886        | \$ 975,526          | \$ 1,062,678        | \$ 237,734        |
| <b>Total liabilities</b>  | <u>\$ 324,886</u> | <u>\$ 975,526</u>   | <u>\$ 1,062,678</u> | <u>\$ 237,734</u> |
| <u>LITIGANTS FUND</u>     |                   |                     |                     |                   |
| <b>ASSETS</b>             |                   |                     |                     |                   |
| Cash in banks             |                   |                     |                     |                   |
| Trust Accounts            | \$ 533,740        | \$ 601,644          | \$ 779,075          | \$ 356,309        |
| <b>Total assets</b>       | <u>\$ 533,740</u> | <u>\$ 601,644</u>   | <u>\$ 779,075</u>   | <u>\$ 356,309</u> |
| <b>LIABILITIES</b>        |                   |                     |                     |                   |
| Due to Litigants          | \$ 533,740        | \$ 601,644          | \$ 779,075          | \$ 356,309        |
| <b>Total liabilities</b>  | <u>\$ 533,740</u> | <u>\$ 601,644</u>   | <u>\$ 779,075</u>   | <u>\$ 356,309</u> |
| <u>TOTAL AGENCY FUNDS</u> |                   |                     |                     |                   |
| <b>ASSETS</b>             |                   |                     |                     |                   |
| Cash in banks             |                   |                     |                     |                   |
| Trust Accounts            | \$ 858,626        | \$ 1,577,170        | \$ 1,841,753        | \$ 594,043        |
| <b>Total assets</b>       | <u>\$ 858,626</u> | <u>\$ 1,577,170</u> | <u>\$ 1,841,753</u> | <u>\$ 594,043</u> |
| <b>LIABILITIES</b>        |                   |                     |                     |                   |
| Deposits Held for Others  | \$ 324,886        | \$ 975,526          | \$ 1,062,678        | \$ 237,734        |
| Due to Litigants          | 533,740           | 601,644             | 779,075             | 356,309           |
| <b>Total liabilities</b>  | <u>\$ 858,626</u> | <u>\$ 1,577,170</u> | <u>\$ 1,841,753</u> | <u>\$ 594,043</u> |

## COMPLIANCE SECTION



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

Honorable Drew D. Tatum, Presiding Judge  
Ninth Judicial District Court  
Clovis, New Mexico and  
Mr. Wayne Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the State of New Mexico Ninth Judicial District Court (District Court), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District Court’s basic financial statements and have issued our report thereon dated October 26, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.



Honorable Drew D. Tatum, Presiding Judge  
Ninth Judicial District Court and  
Mr. Wayne Johnson  
New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District 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*.

We noted a matter that is required to be reported per Section 12-6-5 NMSA 1978 that we have described in the Schedule of Section 12-6-5 NMSA 1978 Findings as item 2018-001.

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 District Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jaramillo Accounting Group LLC (JAG)  
Albuquerque, New Mexico  
October 26, 2018

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

NONE

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

NONE

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS  
JUNE 30, 2018**

**2018-001 WRITTEN ACCOUNTING INTERNAL CONTROL PROCESSES AND PROCEDURES**

**TYPE OF FINDING:** Finding that does not rise to the level of a significant deficiency

**CONDITION**

Our documentation and testing over the District Court's transaction cycles included a review of internal accounting processes and procedures manual. We noted the internal accounting processes and procedures had not been updated in approximately ten years.

**CRITERIA**

The internal control environment includes the tone of an organization, influencing the risk consciousness of its people, and is the basis for all other components of an enterprise's risk management.

Per Section 6-5-2-C NMSA 1978, "State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the (financial control) division that contain errors or that are for a purpose not authorized by law."

Per Section 2.20.5.8(C)(1) NMAC, "it is the responsibility of the Chief Financial Officer to ensure that an internal control structure exists at the state agency and is functioning properly."

The State of New Mexico has adopted "best practices" as its model accounting practices. According to the Manual of Model Accounting Practices, effective June 30, 2017, the strategy to comply with Section 2.20.5.8(C)(1) NMAC is for "*periodic review* of processes to identify opportunities for improvement."

Any violation of law or good accounting practice including instances of noncompliance or internal control weaknesses must be reported as an audit finding per Section 12-6-5 NMSA 1978. Pursuant to GAGAS 4.23, "auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit."

**EFFECT**

Without a periodic review, the District Court cannot ensure the implementation of continuous process improvement over the internal control framework and ensure that controls are properly designed and functioning, and in compliance with current laws. Additionally, should change in accounting personnel occur, the new accounting personnel's reliance on outdated accounting processes and procedures manual could make it more difficult to ensure that internal control processes and procedures are followed as designed.

**CAUSE**

The District Court has not updated the written internal accounting processes and procedures as changes occur.

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS  
JUNE 30, 2018**

**2018-001 WRITTEN ACCOUNTING INTERNAL CONTROL PROCESSES AND PROCEDURES (CONTINUED)**

**RECOMMENDATION**

We recommend that the District Court perform a review of the accounting processes and procedures manual and update to account for the current accounting processes and procedures.

**MANAGEMENT RESPONSE**

**Corrective Action:** The District Court will perform a review of the accounting processes and procedures manual and update to account for the current accounting processes and procedures.

This corrective action will take place during the current fiscal year (2019) and no later than May 1, 2019. The updated accounting processes and procedures manual will be provided to Jaramillo Accounting Group upon completion.

**Timeline/Due date of Completion:** May 1, 2019

**Responsible Party:** Court Executive Officer

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

The contents of this report were discussed on October 26, 2018. The following individuals were in attendance:

**Ninth Judicial District Court**

Honorable Drew D. Tatum, Chief District Judge Division II  
Kevin Spears, Court Executive Officer  
Jo Ann M. Tootikian, Chief Financial Officer

**Jaramillo Accounting Group (JAG)**

Scott Eliason, CPA, Partner

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