

# State of New Mexico Ninth Judicial District Court



## Financial Statements

June 30, 2014

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**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**

**Name**

**Title**

**Judges:**

Honorable Stephen K. Quinn	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:**

Louis C. Moore	Court Executive Officer
Orlando J. Ulibarri	Deputy Court Executive Officer
Jo Ann M. Tootikian	Chief Financial Officer

### **Independent Auditor's Report**

Hector H. Balderas, New Mexico State Auditor  
and  
Honorable Drew D. Tatum, Presiding Judge  
Ninth Judicial District Court  
Clovis, New Mexico

#### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Ninth Judicial District Court (Court), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Court's fiduciary funds in the accompanying fund financial statements as of and for the year ended June 30, 2014, 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 court's internal control. Accordingly, we express no such opinion.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary funds of the Court as of June 30, 2014, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

The 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.

Zlotnick, Law & Sandoval, P.C.

Zlotnick, Law & Sandoval, PC

September 26, 2014

**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Petty Cash	\$ 600
Investment in State General Fund Investment Pool	226,618
Due From Other Agencies	46,244
Supplies Inventory	36,484
Total Current Assets	309,946
Capital Assets, net	142,322
<b>TOTAL ASSETS</b>	<b>\$ 452,268</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 37,442
Accrued Payroll	85,163
Due to State General Fund	3,464
Due to Other Agencies	5,350
Compensated Absences - current	111,038
Total Current Liabilities	242,457
Noncurrent Liabilities:	
Compensated Absences	13,741
<b>TOTAL LIABILITIES</b>	<b>256,198</b>
<b>NET POSITION</b>	
Invested in Capital Assets	142,322
Restricted for:	
Drug Court	18,905
Mediations	52,693
Child Support Hearing Officer	70,445
Unrestricted (deficit)	(88,295)
<b>TOTAL NET POSITION</b>	<b>196,070</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 452,268</b>

*See Notes to Financial Statements.*



**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

	<b>Governmental Activities</b>
Expenses:	
Judicial:	
Administrative Services	3,887,761
Depreciation Expense	22,117
Total Expenses	3,909,878
Program Revenues:	
Operating Grants	554,932
Charges for Services	42,109
Court Fees	17,277
Total Program Revenues	614,318
<b>Net program expenses</b>	<b>(3,295,560)</b>
General Revenues and Transfers	
State General Fund Appropriations	3,357,509
Other State Funds	-
State General Fund Reversion	(1,297)
Total General Revenues and Transfers	3,356,212
Loss on Disposal of Capital Assets	(6,029)
<b>Change in net position</b>	<b>54,623</b>
Net Position, beginning of year	141,447
<b>Net Position, end of year</b>	<b>\$ 196,070</b>

*See Notes to Financial Statements.*

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General Fund	Mediation Fund	CSHO Fund	Total
<b>ASSETS</b>				
Current Assets:				
Petty Cash	\$ 500	-	100	\$ 600
Investment in State Gen. Fund Investment				
Pool	134,283	53,694	38,641	226,618
Due from Other Agencies	-	-	46,244	46,244
Due from Other Funds	-	-	-	-
Supplies Inventory	32,752	-	3,732	36,484
<b>TOTAL ASSETS</b>	<b>167,535</b>	<b>53,694</b>	<b>88,717</b>	<b>309,946</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Accounts Payable	33,552	1,001	2,889	37,442
Accrued Payroll	73,512	-	11,651	85,163
Due to State General Fund	3,464	-	-	3,464
Due to Other Agencies	5,350	-	-	5,350
Due to Other Funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>115,878</b>	<b>1,001</b>	<b>14,540</b>	<b>131,419</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Supplies Inventory	32,752	-	3,732	36,484
Restricted for:				
Drug Court	18,905	-	-	18,905
Mediations	-	52,693	-	52,693
Child Support Hearing Officer	-	-	70,445	70,445
<b>TOTAL FUND BALANCE</b>	<b>51,657</b>	<b>52,693</b>	<b>74,177</b>	<b>178,527</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 167,535</b>	<b>53,694</b>	<b>88,717</b>	<b>\$ 309,946</b>

*See Notes to Financial Statements.*

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2014

Total fund balances for governmental funds \$ 178,527

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

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

Capital assets, net 142,322

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 (124,779)

**Net Position of Governmental Activities** \$ 196,070

*See Notes to Financial Statements.*

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

	General Fund	Mediation Fund	CSHO Fund	Total
<b>REVENUES</b>				
Operating Grants	\$ -	-	554,932	\$ 554,932
Charges for Services	42,109	-	-	42,109
Court Fees	-	17,277	-	17,277
<b>Total Revenues</b>	<b>42,109</b>	<b>17,277</b>	<b>554,932</b>	<b>614,318</b>
<b>EXPENDITURES</b>				
Current:				
Judicial:				
Administrative Services:				
Personal Services and Benefits	3,067,637	-	470,407	3,538,044
Contract Services	119,595	-	7,240	126,835
Other Costs	190,323	1,496	37,471	229,290
Capital Outlay	29,165	-	27,614	56,779
<b>Total Expenditures</b>	<b>3,406,720</b>	<b>1,496</b>	<b>542,732</b>	<b>3,950,948</b>
Excess (Deficiency) of Revenues Over Expenditures	(3,364,611)	15,781	12,200	(3,336,630)
<b>OTHER FINANCING SOURCES (Uses)</b>				
<b>Transfers In:</b>				
General Fund Appropriations	3,216,300	-	-	3,216,300
Transfers From Other Agencies	141,209	-	-	141,209
<b>Transfers Out:</b>				
2013 Reversions to the State General Fund	(1,297)	-	-	(1,297)
<b>Total Other Financing Sources (Uses)</b>	<b>3,356,212</b>	<b>-</b>	<b>-</b>	<b>3,356,212</b>
<b>Net Change in Fund Balances</b>	<b>(8,399)</b>	<b>15,781</b>	<b>12,200</b>	<b>19,582</b>
Fund Balances, beginning	58,877	36,912	62,173	157,962
Change in reserve for supplies inventory	1,179	-	(196)	983
<b>Fund Balances, ending</b>	<b>\$ 51,657</b>	<b>52,693</b>	<b>74,177</b>	<b>\$ 178,527</b>

*See Notes to Financial Statements.*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014**

Net change in fund balances - total governmental funds	\$	19,582
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>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:</p>		
Capital outlay	56,779	
Loss on disposition of assets	(6,029)	
Depreciation expense	<u>(22,117)</u>	
Excess of capital outlay over depreciation expense and losses on assets		28,633
Change in Supplies Inventory		983
<p>Expenses recognized in the Statement of Activities, not reported in the governmental funds:</p>		
Change in compensated absences (increase)		<u>5,425</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>54,623</u></b>

*See Notes to Financial Statements.*

**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriation	\$ 3,216,300	3,216,300	3,216,300	-
Other Financing Sources	114,400	141,209	141,209	-
Charges for Services	65,600	52,600	42,109	(10,491)
<b>Total Revenues</b>	<b>3,396,300</b>	<b>3,410,109</b>	<b>3,399,618</b>	<b>(10,491)</b>
Fund Balance	-	8,600		
<b>Total Revenues and Fund Balance</b>	<b>\$ 3,396,300</b>	<b>3,418,709</b>		
<b>EXPENDITURES</b>				
Administrative Services:				
Personal Services	\$ 3,103,100	3,067,700	3,067,637	63
Contractual Services	87,000	119,809	119,595	214
Other	206,200	231,200	219,488	11,712
<b>Total Expenditures</b>	<b>\$ 3,396,300</b>	<b>3,418,709</b>	<b>3,406,720</b>	<b>11,989</b>

*See Notes to Financial Statements.*

**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) – MEDIATION FUND**  
**For the Year Ended June 30, 2014**

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Court Fees	\$ 18,000	18,000	<u>17,277</u>	<u>(723)</u>
Fund Balance	-	-		
<b>Total Revenues</b>	<u>\$ 18,000</u>	<u>18,000</u>		
<b>EXPENDITURES</b>				
Administrative Services:				
Contractual services	\$ 16,500	16,500	-	16,500
Other Costs	1,500	1,500	1,496	4
<b>Total Expenditures</b>	<u>\$ 18,000</u>	<u>18,000</u>	<u>1,496</u>	<u>16,504</u>

*See Notes to Financial Statements.*

**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) – CHILD SUPPORT HEARING OFFICER FUND**  
**For the Year Ended June 30, 2014**

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Operating Grants	\$ 554,900	554,900	554,932	32
Total Revenues	554,900	554,900	554,932	32
Fund Balance	-	-		
<b>Total Revenues and Fund Balance</b>	<b>\$ 554,900</b>	<b>554,900</b>		
<b>EXPENDITURES</b>				
Administrative Services:				
Personal Services	\$ 477,800	477,800	470,407	7,393
Contractual Services	7,500	7,500	7,240	260
Other	69,600	69,600	65,085	4,515
<b>Total Expenditures</b>	<b>\$ 554,900</b>	<b>554,900</b>	<b>542,732</b>	<b>12,168</b>

*See Notes to Financial Statements.*



**STATEMENT OF FIDUCIARY ASSETS & LIABILITIES – AGENCY FUNDS**  
**June 30, 2014**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 662,576</u>
<b>LIABILITIES</b>	
Deposits held for others (or due to external parties)	<u>\$ 662,576</u>

*See Notes to Financial Statements.*

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

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

The financial statements of the Ninth Judicial 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 Ninth Judicial 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 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

The District Court has no component units.

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

**B – Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter fund 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.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Court has elected not to follow subsequent private-sector guidance.

The accounts of the Ninth Judicial District Court are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise 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 Ninth Judicial District Court:

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

**GOVERNMENTAL FUND**

*General Fund (149)* – 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 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 AOC are non-Reverting. These funds are reflected in the financial statements as restricted funds.

The 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.

**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 (927)* – 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 (847)* – 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

FIDUCIARY FUNDS

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

Agency funds for the District Court are as follows:

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net 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

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

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.

**D – Budgets and Budgetary Accounting**

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

1. No later than September 1, the Ninth Judicial District Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 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 Ninth Judicial District Court.
3. Budget hearings are scheduled before the New Mexico House Appropriations and the Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Ninth Judicial District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of DFA – Budget Division and LFC. The budget was amended in a legal manner for the current year.
6. Budget control for expenditures is by category of expenditures and to meet legal compliance cannot exceed the total budget for the fund.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund 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.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

**E – Encumbrances**

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

**F –Supplies Inventory**

Supplies inventory consists of non-resale paper, postage and office supplies. The Court uses the purchases method to account for its inventory. The amount is stated at cost.

**G – Accrued Annual Leave**

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

Years of Service	Hours Earned Per Pay Period
Day 1 – 3 Years	4.62
Over 3 – 7 Years	5.54
Over 7 – 14 Years	6.46
Over 14 Years	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.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

**H – Accrued Sick Leave**

Chapter 150, Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours in a fiscal year. However, the sick leave will be paid at fifty percent of the employee’s regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at the end of the fiscal year over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability and net changes are recorded as expenditures 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. The legislature enacted HB 1074 during a recent Legislative Session, changing the “Audit Act” capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000.

Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Automotive	10 years
Equipment and Machinery	6 years
Furniture and Fixtures	7 years
Data processing	3 years
Library	3 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.



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

**J – Intergovernmental Receivables and Deferred 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.

**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**

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

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

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

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

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

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".

**NOTE 2 – Cash and Investments**

At June 30, 2014, cash consisted of the following checking accounts:

	Type	Interest Bearing	Bank Balance	Book Balance
Agency Funds:				
Bank of Clovis – Trust	Checking		\$ 380,809	\$ 369,438
Bank of Clovis – Litigant	Checking	X	286,850	286,850
Wells Fargo – State Treasurer	Checking		6,288	6,288
Total			\$ 673,947	\$ 662,576

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

The Following is a schedule of pledged collateral:

Name of Depository	Description of Pledged Collateral	Fair Market Value 6/30/2014	Name and Location of Safekeeper
Bank of Clovis	LOS LUNAS NM SCH DIST, CUSIP 545562MS6, 3.80%, 07/15/16	\$ 413,832	TIB
Bank of Clovis	LOS LUNUS NM SCH DIST CUSIP 545562MT4, 3.85%, 07/15/17	413,248	TIB
		<u>\$ 827,080</u>	

**NOTE 3 – State Treasurer General Fund Investment Pool**

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

At June 30, 2014 the Court had the following invested in the General Fund Investment Pool:

	Share Fund #	Maturity	Account Balance	Fair Value
General Fund	149	1 day	\$ 134,283	\$ 134,283
Mediation Fund	847	1 day	53,694	53,694
Child Support Hearing Officer Fund	927	1 day	<u>38,641</u>	<u>38,641</u>
Total Governmental Funds			<u>\$ 226,618</u>	<u>\$ 226,618</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, 2014.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

**General Fund Investment Pool**

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

In June 2012 an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit/fund” level since the inception of the Statewide Human resources, Accounting, and Management Reporting system (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control”, also described differences between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration’s website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State’s SHARE System configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Management in FY 2012 recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

Since SHARE was implemented, the Court recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

**NOTE 4 – Due From Other State Agencies**

As of June 30, 2014, \$46,244 was due from the State of New Mexico Human Services Department (SHARE fund 63000) for Child Support Hearing Officer Services.

**NOTE 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Capital Assets:				
Furniture & Fixtures	\$ 44,976	7,278	-	\$ 52,254
Equipment	198,953	21,885	28,203	192,635
Data Processing	52,896	-	21,165	31,731
Vehicles	224,657	30,414	34,326	220,745
Total Capital Assets	<u>521,482</u>	<u>59,577</u>	<u>83,694</u>	<u>497,365</u>
Accumulated Depreciation:				
Furniture & Fixtures	37,536	2,030	-	39,566
Equipment	195,939	1,764	28,203	169,500
Data Processing	33,614	3,856	21,165	16,307
Vehicles	140,704	14,467	25,501	129,670
Total Accumulated Depreciation	<u>407,793</u>	<u>22,117</u>	<u>74,867</u>	<u>355,043</u>
Net Capital Assets	<u>\$ 113,689</u>	<u>37,460</u>	<u>8,827</u>	<u>\$ 142,322</u>

Current depreciation expense is \$22,117.

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 6 – Due to State of New Mexico General Fund and Due to Other State Agencies**

Due to State of New Mexico General Fund (SHARE fund 85300) as of June 30, 2014 consists of the following:

Court costs collected during FY 2014	\$	2,167	
FY 2014 Reversion		1,297	
Total	\$	3,464	

Due to Other State Agencies as of June 30, 2014 consists of the following:

<u>SHARE Fund</u>	<u>Agency</u>		
07600	Compilation Commission	\$	1,140
60300	Public Employees Retirement Association		3,610
01200	Administrative Office of the Courts		600
	Total	\$	5,350

**NOTE 7 – Compensated Absences**

The following is a summary of changes in compensated absences:

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/14</u>	<u>Due within</u> <u>One Year</u>
Compensated Absences	\$ 130,204	145,069	150,494	\$ 124,779	\$ 13,741

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 8 – 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 Court paid \$31,826 in lease payments during the year ended June 30, 2014. Minimum future rental payments under operating leases having terms in excess of one year as of June 30, 2014, and for the next five years and in the aggregate are:

2015	\$	31,848
2016		28,410
2017		12,278
2018		15,775
2019		7,784
Total	<u>\$</u>	<u>96,095</u>

**NOTE 9 – Pension Plan - Public Employees Retirement Association**

**Plan Description.** Substantially all of the 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, P.O. Box 2123, Santa Fe, NM 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.** Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Court’s contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$316,510, \$278,682 and \$252,056 respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 10 – Retirement Plan (Judicial Branch)**

Substantially all of the Ninth Judicial District Court’s Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act. 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, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 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**

Plan members are required to contribute 7.5% of their gross salary. The Ninth Judicial District Court is required to contribute 12% of the gross covered salary. The Ninth Judicial District Court's contributions to JRA for the years ending June 30, 2014, 2013 and 2012 were \$66,766, \$58,419 and \$49,304, respectively, equal to the amount of the required contributions for each year.

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12B-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$56,371 in filing fees for the year ending June 30, 2014.

**NOTE 11 – Post-Employment Benefits - State Retiree Health Care Plan**

**Plan Description**

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

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

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

***Funding Policy.*** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a



**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

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, 2014, 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, 2014, 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, 2014, 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 Court's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$52,559, \$51,039 and \$45,679, respectively, which equal the required contributions for each year.

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE 12 – Risk of Loss**

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

**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**For the Year Ended June 30, 2014**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash in Bank:				
State Treasurer Account	\$ 4,357	263,670	261,739	\$ 6,288
Trust Accounts	524,646	856,193	724,551	656,288
	<u>\$ 529,003</u>	<u>1,119,863</u>	<u>986,290</u>	<u>\$ 662,576</u>
<b>LIABILITIES</b>				
Due to State Treasurer	\$ 4,357	263,670	261,739	\$ 6,288
Due to Litigants	524,646	856,193	724,551	656,288
	<u>\$ 529,003</u>	<u>1,119,863</u>	<u>986,290</u>	<u>\$ 662,576</u>

**SCHEDULE OF OPERATING TRANSFERS**  
**For the Year Ended June 30, 2014**

SHARE FUND	TITLE	TRANSFER	
		In	Out
(1) 85300	Department of Finance & Administration	\$ 3,243,100	\$ -
(2) 13900	Administrative Office of the Courts	74,379	-
(3) 13900	Administrative Office of the Courts	40,030	-
(1) 14900	FY 2013 Reversion	-	1,297
<b>Total</b>		<u>\$ 3,357,509</u>	<u>\$ 1,297</u>

(1) General Appropriation Act of 2013, Laws of 2013, Chapter 227, Section 4

(2) CASA Appropriation, Laws of 2013, Chapter 227, Section 4, Item 4D AOC

(3) Interlock DWI Grant (LETF) to District Court

**SCHEDULE OF MEMORANDUMS OF UNDERSTANDING**  
**June 30, 2014**

**The Ninth Judicial District Court and the Administrative Office of the Courts**

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- a. Participants: The Ninth Judicial District Court (Court) and Administrative Office of the Courts (AOC).
- b. Responsible party for operations: The Court.
- c. Description: to provide 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.
- a. Beginning and ending dates of agreement: July 1, 2013, to June 30, 2014.
- b. Total estimated amount of project is \$40,030, of which the Court paid \$0 and the AOC contributed \$40,030.
- c. During FY2014 the Court contributed \$0 towards this agreement.
- d. The Court has the audit responsibility.
- e. The AOC is the fiscal agent.
- f. The Court reports all revenues and expenditures.

*See Independent Auditor's Report.*

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Hector H. Balderas, New Mexico State Auditor  
and  
Honorable Drew D. Tatum, Presiding Judge  
Ninth Judicial District Court  
Clovis, New Mexico

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Ninth Judicial District Court (Court), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements and have issued our report thereon dated September 26, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Office'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 Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

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

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

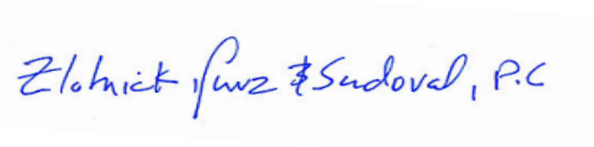
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## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in blue ink that reads "Zlotnick, Laws & Sandoval, P.C." The signature is written in a cursive style.

Zlotnick, Laws & Sandoval, P.C.

September 26, 2014

**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2014**

**Current Year's Findings**

None

**Status of Prior Year's Findings**

Finding

Status

2013-001 – Budget Over expended – Other Matter

Resolved



**OTHER DISCLOSURES**

**June 30, 2014**

**Auditor Prepared Financials**

Zlotnick, Laws & Sandoval, PC assisted in the preparation of the financial statements presented in this report. Management is responsible for the financial statements. The Court's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

**Exit Conference**

The contents of this report were discussed on September 26, 2014. The following individuals were in attendance:

Ninth Judicial District Court

Honorable Drew D. Tatum, Chief District Judge, Division II  
Louis C. Moore, Court Executive Officer  
Jo Ann M. Tootikian, Chief Financial Officer

Zlotnick, Laws & Sandoval, PC

Asa Laws, CPA  
Brian Laws, CPA