

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

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS' REPORT
THEREON FOR THE FISCAL YEAR
ENDED JUNE 30, 2016**

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

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

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**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
OFFICIAL ROSTER
JUNE 30, 2016**

Judge

Honorable Albert J. Mitchell, Jr., Presiding Judge

Division I

Administrative Official

Marion Payton

Court Executive Officer

Hallie Ferguson

Deputy Court Clerk/CFO



Independent Auditors' Report

Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
and
Honorable Albert J. Mitchell, Jr., Presiding Judge
Tenth Judicial District Court
Tucumcari, 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 the Mediation Fund of the Tenth Judicial District Court (Court), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprises the 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.

Auditors' 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 on the Court's internal control. Accordingly, we express no such opinion.

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

We believe 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, 2016, and the respective changes in financial position and the respective budgetary comparisons of the general fund and the mediation fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit was conducted for the purpose of forming opinions on the Court's financial statements, the combining and individual fund financial statements and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

These other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these other

schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Vendor Schedule required by 2.2.2.10(A)(2)(g) NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2016 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provision 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.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 15, 2016

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2016**

Management's Discussion and Analysis offers readers of the Tenth Judicial District Court's (the Court) financial statements this narrative overview and analysis of the financial activities of the Court for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Court's financial statements, which follow this narrative.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts (1) Management's Discussion and Analysis (MD&A), (2) the basic financial statements, (3) supplementary information, and (4) other reports.

(1) Management's Discussion and Analysis (this section) is designed to assist the reader in focusing on significant financial issues and to provide an overview of the Court's financial activity.

(2) The basic financial statements include two kinds of statements: Government-wide financial statements and Fund financial statements. Government-wide financial statements provide both long-term and short-term information about the Court's overall financial status. Fund financial statements focus on individual parts of the Court. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending. The financial statements also include notes intended to explain selected information in the financial statements and provide additional, detailed information.

(3) The required supplementary information section provides schedules which further explain and support the information in the financial statements.

(4) The other reports section provides additional supporting information including the Governmental Auditing Standards Report, and the memo on the Exit Conference.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2016**

Government-Wide Statements

The Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report all financial and capital resources of the Court as a whole, excluding the fiduciary funds of the Court (see Fund Financial Statements below). The Statement of Net Position displays the assets, liabilities, and net position of the Court in the “assets less liabilities equal net position” format. The Statement of Activities presents governmental activities by function, at the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting.

The Court has only one activity – Judicial Services – which is a governmental activity. The court does not have any business-type activities or any component units.

Fund Financial Statements

The fund financial statements provide detailed information about the Court's significant governmental funds. Funds are accounting devices the Court uses to keep track of the sources of funding and spending for specific purposes. The fund financial statements were prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

This Court has two types of funds:

- 1. General Appropriation Fund** – All of the Court's main operations are reflected in the general appropriation fund. The general fund financial statements provide information to help the user to assess the level of current financial resources available to the Court. The general fund is a reverting fund. All money remaining at the end of the fiscal year reverts to the State's general fund.
- 2. Mediation Fund** – The mediation fund accounts for fees collected as part of the docket fee and held by the Court to establish a domestic mediation program. It is a non-reverting fund. The fund will continue to accumulate money until such time as the mediation program has been developed and implemented. The mediation fund is a special revenue fund.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2016**

GOVERNMENT-WIDE HIGHLIGHTS

Condensed Financial Comparison for current and prior fiscal year:

Assets:	<u>2016</u>	<u>2015</u>
Current Assets	\$ 61,668	\$ 59,032
Capital Assets, Net	<u>236,023</u>	<u>78,728</u>
Total Assets	<u>297,691</u>	<u>137,760</u>
Liabilities:		
Current Liabilities	58,286	67,001
Non-Current Liabilities	<u>6,173</u>	<u>7,382</u>
Total Liabilities	<u>64,459</u>	<u>74,383</u>
Net Position:		
Net Investment in Capital Assets	236,023	78,728
Restricted for Mediation	25,719	23,354
Unrestricted (Deficit)	<u>(28,510)</u>	<u>(38,705)</u>
Total Net Position	<u>\$ 233,232</u>	<u>\$ 63,377</u>
Program Revenue	<u>2016</u>	<u>2015</u>
Program Revenues - Court Fees	\$ 8,046	\$ 8,352
General Revenue	925,500	889,000
In-Kind Revenue	<u>171,570</u>	<u>-</u>
Total Revenue	<u>1,105,116</u>	<u>897,352</u>
Expenses – General Fund		
Program Expenses	933,559	883,797
Reversions to State	<u>1,702</u>	<u>2,235</u>
Total Expenses	<u>935,261</u>	<u>886,032</u>
Change in Net Position	169,855	11,320
Beginning Net Position	<u>63,377</u>	<u>52,057</u>
Ending Net Position	<u>\$ 233,232</u>	<u>\$ 63,377</u>

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2016**

Overall Financial Position

The overall financial position of the Court is virtually unchanged. The Court receives state funded appropriations to pay for operating costs. Any unused portion of the appropriation is reverted to the general fund at the end of the fiscal year. During the year the *Net Position* of the Court increased by \$169,854.

Individual Fund Highlights

The General Fund showed a zero (0) in fund balance at year end. The total State appropriation for the year was \$925,500 compared to \$874,600 in the prior year. The Mediation Fund showed an increase in Fund balance of \$2,365 during the year. The Court has not yet implemented a mediation program.

Budgetary Highlights

The operating budget from fiscal year 2015 to fiscal year 2016 increased by \$10,700, an overall increase of 1%. The budget adjustment done in FY 2016 moved budget from the personal services and contract services categories to other costs category. This funded capital improvements..

Capital Assets and Long-Term Debt

The Court's capital assets consist of personal property net of accumulated depreciation. The ending book value of capital assets is \$236,023 which is \$157,295 more than fiscal year 2015. The Court added \$171,570 of in-kind construction in progress during the year. The Court does not own any infrastructure assets.

The long-term debt consists of compensated absences that are due to employees for annual leave accrued. In fiscal year 2016, the ending liability for compensated absences was \$28,510, a decrease of \$10,195 from the prior year.

Other Financial Highlights

The Tenth Judicial District Court operates on General Fund money appropriated by the New Mexico Legislature. Funds are collected by this agency by statute for collections of fines, fees and docket fees. Pursuant to state statute this court holds three bank accounts. The bank accounts are accounted for and maintained by the Court. The administrative trust checking and savings accounts are held for the purpose of litigant funds. The State Treasurer has established a bank account that is designated for all deposits collected by the Court that are not considered trust money.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2016**

This Court will continue to operate under the same financial procedures and policies as it has in the past. There are no pending financial matters that could have significant impact on this Court.

Agency Highlights

The Tenth Judicial District is the only District within the State of New Mexico that is a single Judge District. The District is comprised of Quay, DeBaca and Harding Counties. It is one of the largest geographical districts in the State. When traveling to DeBaca and Harding Counties, the Judge and staff must travel at least three hours round trip. The Tenth Judicial District continues to be the least expensive District within the State. The District Judge travels out of District on cases designated by the Supreme Court approximately thirty (30) days per year.

The current annual caseload of the Tenth Judicial District has remained consistent with previous years, at about 1,000 cases. This warrants a full time Judge to hear and dispose of those cases. Based on the caseload management reports, this District consistently shows the need for additional employees, but maintains the workload with current staffing.

Contacting the Court's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, legislators, and creditors with a general overview of the Court's finances and to demonstrate the Court's accountability for the funds it receives. If you have any questions about this report, or need additional information contact:

**TENTH JUDICIAL DISTRICT COURT
300 S. 3RD STREET, P O BOX 1067
TUCUMCARI, NEW MEXICO 88401
575-461-2764
575-461-4498 fax**

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

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Investment in State General Fund Investment Pool	\$ 61,668
Total Current Assets	<u>61,668</u>
Capital Assets, Net	<u>236,023</u>
Total Assets	<u><u>\$ 297,691</u></u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 12,560
Accrued Payroll	21,687
Due to State General Fund	1,702
Accrued Compensated Absences	<u>22,337</u>
Total Current Liabilities	<u>58,286</u>
Noncurrent Liabilities	
Accrued Compensated Absences	<u>6,173</u>
Total Liabilities	<u>64,459</u>
 NET POSITION	
Net Investment in Capital Assets	236,023
Restricted for Mediations	25,719
Unrestricted (Deficit)	<u>(28,510)</u>
Total Net Position	<u>233,232</u>
 Total Liabilities and Net Position	 <u><u>\$ 297,691</u></u>

See Independent Auditors' Report and Notes to Financial Statements

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

	Governmental Activities
Program Expenses	
Administrative Services	\$ 929,479
Depreciation Expense	14,275
Total Program Expenses	943,754
Program Revenues	
Charge for Services	5,681
Court Fees	2,365
Total Program Revenues	8,046
Net Program Expense	935,708
General Revenues and Transfers	
State General Fund Appropriations	925,500
Other Financing Sources	-
Reversion to State General Fund FY 2016	(1,702)
In-Kind Revenue	171,570
Compensated Absences Expense	10,195
Total Revenues and Transfers	1,105,563
Change in Net Position	169,855
Net Position - Beginning of Year	63,377
Net Position - End of Year	\$ 233,232

See Independent Auditors' Report and Notes to Financial Statements

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

	<u>General Fund 150</u>	<u>Mediation Fund 525</u>	<u>Total Governmental Funds</u>
ASSETS			
Current Assets			
Investment in State General Fund Investment Pool	\$ 35,949	\$ 25,719	\$ 61,668
Total Assets	<u>\$ 35,949</u>	<u>\$ 25,719</u>	<u>\$ 61,668</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 12,560	\$ -	\$ 12,560
Accrued Payroll	21,687	-	21,687
Due to the State General Fund	<u>1,702</u>	<u>-</u>	<u>1,702</u>
Total Liabilities	<u>35,949</u>	<u>-</u>	<u>35,949</u>
FUND BALANCES			
Assigned to:			
Mediation	-	25,719	25,719
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>25,719</u>	<u>25,719</u>
Total Liabilities and Fund Balances	<u>\$ 35,949</u>	<u>\$ 25,719</u>	<u>\$ 61,668</u>

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balances for Governmental Funds \$ 25,719

Amounts reported for governmental activities in the statement of net position are different as follows:

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

Capital Assets, Net 236,023

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

Compensated Absences (28,510)

Net Position of Governmental Activities **\$ 233,232**

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund 150</u>	<u>Mediation Fund 525</u>	<u>Total Governmental Funds</u>
REVENUES			
Charges for Services	\$ 5,681	\$ -	\$ 5,681
Court Fees	-	2,365	2,365
In-Kind Revenue	<u>171,570</u>	<u>-</u>	<u>171,570</u>
Total Revenues	<u>177,251</u>	<u>2,365</u>	<u>179,616</u>
EXPENDITURES			
Administrative Services			
Personal Services & Benefits	754,385	-	754,385
Contract Services	53,903	-	53,903
Other Costs	121,191	-	121,191
Capital Outlay - In-Kind Expenditure	<u>171,570</u>	<u>-</u>	<u>171,570</u>
Total Expenditures	<u>1,101,049</u>	<u>-</u>	<u>1,101,049</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(923,798)</u>	<u>2,365</u>	<u>(921,433)</u>
OTHER FINANCING SOURCES AND (USES)			
General Fund Appropriations	925,500	-	925,500
Other Financing Sources	-	-	-
Transfers in			-
Transfers Out			-
Reversion to the State General Fund - FY 2016	<u>(1,702)</u>	<u>-</u>	<u>(1,702)</u>
Total Other Financing Sources and (Uses)	<u>923,798</u>	<u>-</u>	<u>923,798</u>
Net Change in Fund Balances	-	2,365	2,365
Fund Balances, Beginning	<u>-</u>	<u>23,354</u>	<u>23,354</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 25,719</u>	<u>\$ 25,719</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds **\$ 2,365**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	171,570	
Depreciation Expense	<u>(14,275)</u>	
Excess of capital outlay over depreciation expense		157,295

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

Change in compensated absences		<u>10,195</u>
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Change in Net Position of Governmental Activities **\$ 169,855**

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS) -
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General - Fund 150			Variance Favorable (Unfavorable)
	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	
Revenues				
State General Fund Appropriations	\$ 931,100	\$ 925,500	\$ 925,500	\$ -
Miscellaneous Revenues	10,000	10,000	5,681	(4,319)
Other Financing Sources	-	-	-	-
Total Revenues	<u>\$ 941,100</u>	<u>\$ 935,500</u>	<u>\$ 931,181</u>	<u>\$ (4,319)</u>
Expenditures - All Organizations				
Personal Services	\$ 774,600	\$ 755,000	\$ 754,386	\$ 614
Contractual Services	63,200	58,400	53,903	4,497
Other Costs	76,300	122,100	121,191	909
Capital Outlay	27,000	27,000	-	27,000
Total Expenditures	<u>941,100</u>	<u>962,500</u>	<u>\$ 929,480</u>	<u>\$ 33,020</u>
Prior Year Cash Balance Budgeted	<u>\$ -</u>	<u>\$ 27,000</u>		

	Mediation - Fund 525			Variance Favorable (Unfavorable)
	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	
Revenues				
Court Fees	\$ 2,500	\$ 2,500	\$ 2,365	\$ (135)
Fund Balance	-	-	-	-
Total Revenues	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,365</u>	<u>\$ (135)</u>
Expenditures				
Contractual Services	\$ -	\$ -	\$ -	\$ -
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Prior Year Cash Balance Budgeted	<u>\$ (2,500)</u>	<u>\$ (2,500)</u>		

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
JUNE 30, 2016**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 217,035
Total Assets	<u>\$ 217,035</u>
LIABILITIES	
Due to Litigants	\$ 217,035
Total Liabilities	<u>\$ 217,035</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Tenth Judicial District Court (the Court) operates under Section 34-6-1 through 34-6-3, 34-6-13 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Tenth Judicial District Court covers Quay, Harding and De Baca Counties. The Court is comprised of one division as authorized in the above statutes. The 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 Court is by state appropriation.

The Tenth Judicial District Court is a component unit of the judicial branch and these financial statements include all funds and activities over which the Court has oversight responsibility. The Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Court has no component units that are required to be reported in its financial statements.

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

A. Basis of Accounting- GASB Statement No. 34

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

B. Basis of Presentation - Fund Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Court, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Court has no business-type activities; therefore, these statements only reflect governmental activities.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

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

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

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

The accounts of the 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 its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Court:

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Governmental Funds

General Fund - The General Fund is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unexpended balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The SHARE fund number and description of the General Fund of the Court is 15000 - Court Regular.

Special Revenue Funds

The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the special revenue fund for operations of the Court. Court Mediation - The Court has established a Domestic Relations Mediation Fund pursuant to Sections (40-12-4, NMSA 1978 Comp.) of the Domestic Relations Mediations Act. The Court collects a fee from general docket cases as required by statute to finance a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The Court has not yet established the mediation program. The Mediation Fund is non-reverting. The SHARE fund number of the Mediation Fund is 52500.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Court collects fines, fees and bonds from litigants. The fines and fees are deposited in the agency fund and then transferred to the State Treasurer for distribution to the benefiting agencies. The bonds are held until the case is disposed and the bond is returned to the litigant. The SHARE number of the Agency Fund is 10480.

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

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

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors

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(such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

Cash and Investments

The Court's cash and cash equivalents are demand deposits and savings accounts. The fiduciary fund's cash and cash equivalents are demand deposits. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value

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exceeding \$5,000 are capitalized and depreciated. Any software acquired with a value exceeding \$5,000 is also included in capital assets and depreciated.

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment items costing more than \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated. Depreciation is shown 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 Improvements	10-20 years
Furniture and Fixtures	7-10 years
Equipment and Machinery	6-10 years
Automotive	5 years
Data Processing	6-7 years

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

Long-Term Liabilities

Compensated Absences - The Court's policies regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Deferred Outflows / Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net position by the government which is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net position by the government which is applicable to a future reporting period. The Court has no deferred outflow or inflow of resources at June 30, 2016.

Government-Wide Statements

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

1. *Net investment in capital assets*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.

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2. *Restricted net position*, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. *Unrestricted net position* are all other net assets that do not meet the definition of restricted net position or invested in capital assets, net of related debt.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned as per GASB Statement 54.

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the Tenth 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. The appropriation includes proposed expenditures and the means of financing them.

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

3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.

4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

5. The Tenth Judicial District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget

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adjustments must be approved by the JBO and the director of the DFA – Budget Division. The current year budget was revised in a legal manner.

6. Legal budget control for expenditures is by appropriation unit and formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.

7. Formal budgetary analysis is employed as a management control device during the fiscal year for the General Fund.

8. The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year’s budget.

9. Appropriations lapse at the end of the fiscal year unless specifically reappropriated by the Legislature. Unexpended amounts within the General Fund revert to the State General Fund.

E. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee’s current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-wide financial statements.

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 Month - 3 Years	10
Over 3 - 7 Years	12
Over 7 - 14 Years	14
Over 14 Years	16

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The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Court allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Interfund Activity

Interfund transactions are treated as transfers and interfund payables and receivables at year end. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

H. Program Revenues

The Court collects fees from general docket cases to finance a mediation alternative to legal resolution of domestic disputes. Fees are deposited to the Mediation Fund. The Court also collects from clients who want copies of court transcripts either by paper or tape.

(2) COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Court's bank accounts is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

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(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at year end are classified as follows:

	Bank Balance	Book Balance
Governmental Funds		
Investment in State General Fund		
Investment Pool (SHARE Fund 150)	\$ 35,949	\$ 35,949
Investment Pool (SHARE Fund 525)	25,719	25,719
	\$ 61,668	\$ 61,668
Agency Funds		
Cash in Bank:		
Wells Fargo	\$ 217,035	\$ 217,035
Total Cash-Agency Fund	217,035	\$ 217,035
Less: FDIC Insurance	(217,035)	
Total Uninsured Public Funds	\$ -	

Custodial Credit Risk-Deposit

Custodial Credit Risk is the risk that in the event of a bank failure, the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. As of June 30, 2016, none of the Court's agency fund bank balance totaling \$217,035 was exposed to custodial credit risk. Since all of the bank accounts are considered to be under the State Treasurer's control, the bank accounts are appropriately collateralized.

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(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Construction in Progress	\$ -	\$ 171,570	\$ -	\$ 171,570
Total Capital Assets Not Being Depreciated	-	171,570	-	171,570
Capital Assets Being Depreciated				
Building Improvements	132,902	-	-	132,902
Furniture & Fixtures	45,346	-	-	45,346
Equipment & Machinery	74,376	-	-	74,376
Automotive	47,787	-	-	47,787
Data Processing	1,672	-	-	1,672
Total Capital Assets Being Depreciated	302,083	-	-	302,083
Less: Accumulated Depreciation for:				
Building & Improvements	76,164	8,114	-	84,278
Furniture & Fixtures	41,132	857	-	41,989
Equipment & Machinery	68,971	1,852	-	70,823
Automotive	35,416	3,452	-	38,868
Data Processing	1,672	-	-	1,672
Total	223,355	14,275	-	237,630
Capital Assets, Net	\$ 78,728	\$ 157,295	\$ -	\$ 236,023

Current year depreciation expense is \$14,275 and has not been allocated to any function in the Statement of Activities.

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(5) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Position consists of a \$1,702 reversion that will be remitted to the state general fund for fiscal year ending June 30, 2016.

(6) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 38,705	\$ 30,929	\$ 41,124	\$ 28,510	\$ 22,337
Total	\$ 38,705	\$ 30,929	\$ 41,124	\$ 28,510	\$ 22,337

Court General Fund resources have been used to liquidate accrued compensated absences in the past. The Court had no other debt activity during the year.

(7) OPERATING LEASES

The Tenth Judicial District Court has the following leases which can be terminated, with no penalty to the Court, if the Legislature does not appropriate money to the Court.

A lease for a Xerox copier was entered into on July 31, 2014 which requires 48 monthly payments of \$320.

A lease for a Xerox copier was entered into on June 4, 2013 which requires 60 monthly payments of \$109.

A lease for a Xerox printer was entered into on January 17, 2012 which requires 60 monthly payments of \$296.

A lease for a Xerox printer was entered into on June 3, 2016 which requires 60 monthly payments of \$278.

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Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2016, for each of the next five years and in the aggregate are:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 8,484
June 30, 2018	8,375
June 30, 2019	3,656
June 30, 2020	3,336
June 30, 2021	3,058
Total	\$ 26,909

Rental expense for the fiscal year ended June 30, 2016 was \$11,520.

(8) PERA RETIREMENT PLAN

Plan Description

Substantially all of the Tenth Judicial 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, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Tenth Judicial District Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Tenth Judicial District Court are established 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 years ending June 30, 2016, 2015, and 2014 were \$81,773, \$81,625, and \$73,835, respectively, equal to the amount of the required contributions for each year.

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(9) JRA RETIREMENT PLAN

All of the Tenth 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 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

Funding Policy

Plan members are required to contribute 7.5% of their gross salary. The Tenth Judicial District Court is required to contribute 12% of the gross covered salary. The Tenth Judicial District Court's contributions to JRA for the years ending June 30, 2016, 2015 and 2014 were \$14,421, \$13,978 and \$13,746, 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 \$8,859, \$7,364, and \$8,716 in filing fees for the years ending June 30, 2016, 2015 and 2014, respectively.

(10) DEFERRED COMPENSATION

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

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Tenth Judicial District Court nor the State of New Mexico contributes to the Deferred Compensation Plan. All contributions withheld from participants by the Tenth Judicial District Court has been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

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(11) POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The Tenth 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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employees after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined 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 plans 3, 4 or 5; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes 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 employers that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, 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 distributions 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 Tenth Judicial District Court's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$10,515, \$10,482 and \$10,128, respectively, which equal the required contributions for each year.

(12) GASB 68 – FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSION PLANS BY EMPLOYERS

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

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

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

(13) STATEWIDE CASH RECONCILIATION

In June 2012 an independent diagnostic report revealed that the State's cash balances have not been reconciled since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all New Mexico state agencies for financial statements issued for the fiscal year ended June 30, 2016.

In conjunction with this directive, the Court has provided copies of the required reports to the Independent Auditors. In addition, the Court has explained to the Independent Auditors the policies and procedures the Court has in place to ensure that the Court's cash balances in SHARE are correct.

The Department of Finance and Administration (DFA) has commissioned two reports that address state wide cash reconciliation issues. They are (1) Current State Diagnostic of Cash Control, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) Cash Management Planning and Business Processes, dated October 11, 2012, also prepared by Deloitte Consulting LLP. These reports are available on the DFA website (http://nmdfa.state.nm.us/Cash_Control.aspx).

The Tenth Judicial District Court monitors cash receipts and cash deposits regularly. The Court verifies and reconciles to the Trial Balance on a monthly basis with SHARE generated reports.

The Independent Auditors confirm that the Court has performed these procedures with respect to cash reconciliations. Therefore, it is determined that there is little risk of misstatement of the Court's cash accounts due to the issue raised here regarding statewide cash reconciliations to the SHARE system.

(14) GASB 68 – FINANCIAL REPORTING AND DISCLOSURE FOR SINGLE EMPLOYER PENSION PLAN (JUDICIAL) BY EMPLOYERS

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

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

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

(15) RISKS OF LOSS

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. This coverage is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2015 through June 30, 2016.

(16) RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS FINANCIAL STATEMENTS

General Fund (150):

Expenditures per Modified Accrual Basis	\$ 1,101,049
Expenditures per Budgetary Basis	<u>929,479</u>
In-Kind Capital Outlay	<u>\$ 171,570</u>

(17) SUBSEQUENT EVENTS REVIEW

A review of subsequent events through September 15, 2016, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require disclosure in the financial statements.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
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SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2016

	<u>Type</u>	<u>Bank Balance</u>	<u>Financial Statement Balance</u>
General Fund			
New Mexico State Treasurer	Checking	\$ <u>35,949</u>	\$ <u>35,949</u>
Special Revenue Fund			
New Mexico State Treasurer	Checking	\$ <u>25,719</u>	<u>25,719</u>
Agency Fund			
Wells Fargo Bank of New Mexico N.A.			
Quay County			
Administrative Trust	Checking	\$ 216,230	\$ 216,230
Administrative Trust	Savings	<u>805</u>	<u>805</u>
Total Agency Funds		<u>\$ 217,035</u>	<u>\$ 217,035</u>
Total All Funds		<u>\$ 278,703</u>	<u>\$ 278,703</u>

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SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND
JUNE 30, 2016

	June 30, 2015		June 30, 2016	
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
ASSETS				
Cash in Bank:				
Trust Accounts	\$ 315,550	\$ 1,243,507	\$ 1,342,022	\$ 217,035
Total Assets	<u>\$ 315,550</u>	<u>\$ 1,243,507</u>	<u>\$ 1,342,022</u>	<u>\$ 217,035</u>
LIABILITIES				
Due to Litigants	\$ 315,550	\$ 1,342,022	\$ 1,243,507	\$ 217,035
Total Liabilities	<u>\$ 315,550</u>	<u>\$ 1,342,022</u>	<u>\$ 1,243,507</u>	<u>\$ 217,035</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
SCHEDULE OF OPERATING TRANSFERS
JUNE 30, 2016**

	<u>SHARE FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
			<u>In</u>	<u>Out</u>
(1)	617	Department of Finance and Administration	\$ 925,500	
(2)	617	Department of Finance and Administration		(1,702)

(1) State General Fund Appropriation as per Laws 2015, Chapter 179.

(2) General Fund Reversion

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
(excluding GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

Prepared by: Marion Payton Title: CEO Date: September 12, 2016

The Tenth Judicial District Court did not have any vendor purchases exceeding \$60,000 (excluding GRT) for the fiscal year ended June 30, 2016.

<i>RFB# /RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in- state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



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

Independent Auditors' Report

Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
and

Honorable Albert J. Mitchell, Jr., Presiding Judge
Tenth Judicial District Court
Tucumcari, 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, the budgetary comparisons of the general fund and the mediation fund, of the Tenth Judicial District Court (Court) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated September 15, 2016.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Court's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Purpose of this Report

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

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 15, 2016

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

There are no findings to report for the year ended June 30, 2016.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2016**

The contents of this report were discussed at an exit conference held September 15, 2016. The firm of Kubiak Melton & Associates, LLC was represented by Daniel O. Trujillo, CPA, CFE, CGFM, CGMA. The Tenth Judicial District was represented by the Honorable Albert J. Mitchell, Jr. Presiding Judge, Marion Payton, Court Executive Officer and Hallie Ferguson, Deputy Court Clerk/CFO.