

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT

Annual Financial Report  
For the Year Ended June 30, 2018

## INTRODUCTORY SECTION

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TENTH JUDICIAL DISTRICT COURT  
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June 30, 2018

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STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Official Roster  
June 30, 2018

**JUDGE**

Division 1                      Honorable Albert J. Mitchell, Jr., Presiding Judge

**ADMINISTRATIVE OFFICIALS**

Marion Payton                      Court Executive Officer/Chief Financial Officer  
Hallie Ferguson                      Court Clerk/Financial Specialist

FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Honorable Albert J. Mitchell, Jr., Presiding Judge  
and  
Mr. Wayne Johnson, New Mexico State Auditor

State of New Mexico  
Tenth Judicial District Court  
Tucumcari, New Mexico

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and the major special revenue funds of the State of New Mexico, Tenth Judicial District Court (Court), as of and for the year ended June 30, 2018, 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 have also audited the financial statements of the Court's fiduciary funds as of and for the year ended June 30, 2018, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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. 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 respective budgetary comparison for the general fund and major special revenue funds of the Court, as of June 30, 2018, and the respective changes in financial position 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, 2018, 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 financial statements that collectively comprise the Court's 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 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 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 auditing standards generally accepted in the United States of America. In our opinion, the additional schedules listed as "supplementary information" in the table of contents, which includes schedules

State of New Mexico  
Tenth Judicial District Court  
and New Mexico Office of the State Auditor  
Page 3

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 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 solely 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 effectiveness of the Court's 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.

  
Burt & Company CPAs, LLC

October 18, 2018



STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Management's Discussion and Analysis  
(Unaudited)  
June 30, 2018

The following is an overview of the financial condition of the Court for the fiscal year ending June 30, 2018. This narrative was prepared by management and highlights the major aspects of the Court's financial status for this period. This should be considered in conjunction with the financial statements presented, which follows this section.

**OVERVIEW**

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. 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. A part-time judicial specialist was added in FY19.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Court's basic financial statements. The Court has no business-type activities, but rather solely supports governmental-type activities. These statements reflect basic financial statements and are comprised of: (1) government-wide financial statements, which contain a broad overview of the Court's finances; and (2) fund financial statements, which provide more details of the Court's financial operations. The notes provide additional information that is essential to gain a full understanding of the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Court's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Court's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Court is improving or deteriorating.

The statement of activities presents information showing how the Court's net position is reported as soon as underlying event giving rise to the change occurs, regardless of the timing of related cash flows; thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

**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 Fund** – All of the Court's main operations are reflected in the general 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. **Special Revenue Funds:**
  - a. **Alternative Dispute Resolution Fund** – The alternative dispute resolution fund accounts for fees collected as part of the docket fee and held by the Court to establish a alternative dispute resolution program. It is a non-reverting fund. The fund will continue to accumulate money until such time as the alternative dispute resolution program has been developed and implemented. The alternative dispute resolution fund is a special revenue fund.
  - b. **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.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Court's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

In addition to the general fund, the Court maintains two other individual governmental funds that are classified as special revenue funds. Information for the general fund and the other funds, all of which are considered to be major funds, is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The New Mexico Legislature makes annual appropriations for the Court's general fund. Amendments to the budget require approval by the budget division of the Department of Finance and Administration (DFA).

Over the course of the fiscal year, the Court revised the general fund budget one time to decrease personal services and increase other services to fund security system upgrades. Budgetary comparison statements for the general and special revenue major funds are located on pages 15 through 17.

The basic governmental fund financial statements can be found on pages 9 through 14 of this report.

**Analysis of Government-Wide Financial Statement**

Condensed Statement of Net Position  
Governmental Activities

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Assets</b>		
Current assets and other assets	\$ 66,786	62,409
Capital assets, net of accumulated depreciation	257,807	257,508
<b>Total assets</b>	\$ 324,593	319,917
<b>Liabilities</b>		
Current liabilities	\$ 57,628	59,333
Long-term liabilities	4,609	4,299
<b>Total liabilities</b>	62,237	63,632
<b>Net position</b>		
Net investment in capital assets	257,807	257,508
Restricted for program expenses	33,744	27,849
Unrestricted (deficit)	(29,195)	(29,072)
<b>Total net position</b>	262,356	256,285
<b>Total liabilities and net position</b>	\$ 324,593	319,917

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Court's primary government, assets exceeded liabilities by \$262,356 at the close of the most recent fiscal year.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

The Court's activities during the fiscal year increased the Court's net position by \$6,070. The increase is attributed to an increase in charges for services and a decrease in expenses. Net position is composed of investment in capital assets (e.g., furniture, equipment and vehicles) of \$257,807, an unrestricted deficit of (\$29,195) and net position restricted for program expenses of \$33,744. The Court uses its capital assets to provide services to the citizens; consequently, these assets are not available for future spending. The Court had additions to capital assets of \$30,817 during the most recent fiscal year.

Current and other assets consist of investments. The amount increased by \$4,377 due to an increase in amounts invested in the State Treasurer General Fund Investment Pool.

Condensed Statement of Activities  
Governmental Activities

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Expenses:</b>		
Program expenses	\$ 877,808	886,461
Depreciation expense	<u>30,517</u>	<u>20,811</u>
Total expenses	908,325	907,272
<b>Program Revenues</b>	<u>11,658</u>	<u>6,074</u>
Net program expenses	(896,667)	(901,198)
<b>General revenues and transfers</b>		
State general fund appropriations	911,000	899,200
Capital transfer in	-	29,403
State general fund reversion	<u>(8,263)</u>	<u>(4,351)</u>
Total general revenues and transfers	<u>902,737</u>	<u>924,252</u>
<b>Change in net position</b>	6,070	23,054
<b>Net position, beginning of year</b>	<u>256,286</u>	<u>233,232</u>
<b>Net position, end of year</b>	\$ <u>262,356</u>	<u>256,286</u>

The statement of activities shows an increase in program revenues and an increase in expenses for fiscal year 2018 from fiscal year 2017. State general fund appropriations increased by \$11,800. Other revenue sources decreased by \$23,819. This was due to a non-recurring capital transfer received from the AOC in fiscal year 2017. State general fund reversion increased by \$3,912.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2018

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the agency. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Court's own programs. The accounting used for fiduciary funds is equivalent to what is used for proprietary funds.

**Analysis of Individual Governmental Fund Financial Statements**

The General Fund showed a zero (0) in fund balance at year end. The Alternative Dispute Resolution Fund showed a fund balance of \$3,765 at year end. The Court has not yet implemented an alternative dispute resolution program. The Mediation Fund showed an increase in fund balance of \$2,130 during the year for a total fund balance of \$29,979 at year end. The Court has not yet implemented a mediation program.

**Capital Assets**

The Court's capital assets consists of real property (i.e., building improvements) and personal property (i.e., furniture & fixtures, etc.) net of accumulated depreciation. The ending book value of capital assets is \$257,807 which is \$299 more than fiscal year 2017. The Court added \$30,817 in additions in 2018. Depreciation expense for fiscal year 2018 is \$30,517.

The long-term debt consists of compensated absences that are due to employees for annual leave accrued. In fiscal year 2018, the ending liability for compensated absences was \$29,195, an increase of \$123 from the prior year.

**Currently Known Facts**

To the best of our knowledge, the Court will continue to operate without any significant changes.

**Request for Information**

The Court financial report is designed to provide citizens, taxpayers, customers, legislators, and creditors with a general overview of the agency and to demonstrate the agency's accountability for the funds it receives. If there are any questions about this report, or if additional information is needed, contact: Court Executive Officer, Tenth Judicial District Court, 300 S. 3<sup>rd</sup> Street, P.O. Box 1067, Tucumcari, NM 88401.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Statement of Net Position  
June 30, 2018

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Investment in State General Fund Investment Pool	\$ <u>66,786</u>
Total current assets	66,786
Non-current assets:	
Capital assets	460,481
Less: Accumulated depreciation	<u>(202,674)</u>
Total non-current assets	<u>257,807</u>
<b>Total assets</b>	<b>\$ <u><u>324,593</u></u></b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 3,031
Accrued payroll and payroll liabilities	30,011
Compensated absences - current	<u>24,586</u>
Total current liabilities	<u>57,628</u>
Long-term liabilities:	
Compensated absences - long term	<u>4,609</u>
<b>Total liabilities</b>	<b>62,237</b>
<b>Net position</b>	
Net investment in capital assets	257,807
Restricted for:	
Alternative Dispute Resolution	3,765
Mediations	29,979
Unrestricted (deficit)	<u>(29,195)</u>
<b>Total net position</b>	<b><u><u>262,356</u></u></b>
<b>Total liabilities and net position</b>	<b>\$ <u><u>324,593</u></u></b>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Statement of Activities  
For the Year Ended June 30, 2018

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Judicial:	
Administrative Services	\$ 877,808
Depreciation expense	<u>30,517</u>
Total expenses	<u>908,325</u>
 <b>Program Revenues:</b>	
Charges for services	5,763
Court fees	<u>5,895</u>
Total program revenues	<u>11,658</u>
Net program expenses	(896,667)
 <b>General revenues and transfers</b>	
State general fund appropriations	911,000
State general fund reversion	<u>(8,263)</u>
Total general revenues and transfers	<u>902,737</u>
<b>Change in net position</b>	6,070
<b>Net position, beginning of year</b>	<u>256,286</u>
<b>Net position, end of year</b>	\$ <u><u>262,356</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Balance Sheet – Governmental Funds  
June 30, 2018

	<b>General</b>	<b>Alternative Dispute Resolution</b>	<b>Mediation</b>	<b>Total</b>
	<b>Fund #150</b>	<b>Fund #432</b>	<b>Fund #525</b>	
<b>Assets</b>				
Investment in the State Treasurer				
General Fund Investment Pool	\$ 33,042	3,765	29,979	66,786
Total assets	\$ 33,042	3,765	29,979	66,786
<b>Liabilities and fund balances</b>				
Vouchers payable	\$ 3,031	-	-	3,031
Accrued payroll and payroll liabilities	30,011	-	-	30,011
Due to state general fund	-	-	-	-
Total liabilities	33,042	-	-	33,042
<b>Fund balances</b>				
Assigned	-	-	-	-
Restricted	-	3,765	29,979	33,744
Unrestricted	-	-	-	-
Total fund balances	-	3,765	29,979	33,744
Total liabilities and fund balances	\$ 33,042	3,765	29,979	66,786

The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2018

Total fund balances for governmental funds	\$ 33,744
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	257,807
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(29,195)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>262,356</u></b>

The accompanying notes are an integral part of these financial statements.

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, 2018

	General Fund #150	Alternative Dispute		Total
		Resolution Fund #432	Mediation Fund #525	
<b>Revenues</b>				
Court fees	\$ 5,763	3,765	2,130	11,658
Miscellaneous revenue	-	-	-	-
Other services - AOC	-	-	-	-
<b>Total revenues</b>	<u>5,763</u>	<u>3,765</u>	<u>2,130</u>	<u>11,658</u>
<b>Expenditures</b>				
Current:				
Personal services	749,145	-	-	749,145
Contractual services	55,185	-	-	55,185
Other costs	104,171	-	-	104,171
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>908,501</u>	<u>-</u>	<u>-</u>	<u>908,501</u>
<b>Other financing sources (uses)</b>				
State general fund appropriation	911,000	-	-	911,000
Transfers from (to) other state agencies	-	-	-	-
Transfers - reversion to State General Fund 2016	(8,263)	-	-	(8,263)
<b>Total other financing sources (uses)</b>	<u>902,737</u>	<u>-</u>	<u>-</u>	<u>902,737</u>
<b>Net change in fund balance</b>	(1)	3,765	2,130	5,894
<b>Fund balance, beginning</b>	<u>1</u>	<u>-</u>	<u>27,849</u>	<u>27,850</u>
<b>Fund balance, ending</b>	\$ <u><u>-</u></u>	<u><u>3,765</u></u>	<u><u>29,979</u></u>	<u><u>33,744</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
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, 2018

Net change in fund balances - total governmental funds	\$	5,894
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Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(30,517)	
Capital outlay	<u>30,816</u>	
Excess of capital outlay over depreciation expense		299

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Change in compensated absences		<u>(123)</u>
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<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>6,070</u></b>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Statement of Revenues and Expenditures and Changes in Fund Balance Budget and Actual  
(Non-GAAP Budgetary Basis)  
General Fund (#150)  
For Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
State general fund appropriations	\$ 911,000	911,000	911,000	-
Charges for services	10,000	10,000	5,763	(4,237)
Other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	921,000	921,000	916,763	(4,237)
Expenditures				
Personal services	764,500	753,500	749,145	4,355
Contractual services	60,300	60,300	55,185	5,115
Other costs	96,200	107,200	73,355	33,845
Capital outlay	<u>-</u>	<u>-</u>	<u>30,816</u>	<u>(30,816)</u>
Total expenditures	<u>921,000</u>	<u>921,000</u>	<u>908,501</u>	<u>12,499</u>
Excess (deficiency) revenues over expenditures	<u>-</u>	<u>-</u>	8,262	8,262
Budgetary - GAAP reporting reconciliation:				
Excess (deficiency) revenues over expenditures and other financing sources (uses)			8,262	
Adjustments for current year reversions			<u>(8,263)</u>	
Net change in fund balance			<u>\$ (1)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Statement of Revenues and Expenditures and Changes in Fund Balance Budget and Actual  
(Non-GAAP Budgetary Basis)  
Alternative Dispute Resolution Fund (#432)  
For Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual (Non- GAAP Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ -	-	3,765	3,765
Total revenues	<u>-</u>	<u>-</u>	<u>3,765</u>	<u>3,765</u>
Expenditures				
Current:				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Other services	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	3,765	3,765
Budgeted fund balance	<u>-</u>	<u>-</u>		
	<u>-</u>	<u>-</u>		
Budgetary - GAAP reporting reconciliation:				
Excess (deficiency) revenues over expenditures and other financing sources (uses)			<u>3,765</u>	
Net change in fund balance		\$	<u>3,765</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Statement of Revenues and Expenditures and Changes in Fund Balance Budget and Actual  
(Non-GAAP Budgetary Basis)  
Mediation Fund (#525)  
For Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 2,500	2,500	2,130	(370)
Total revenues	2,500	2,500	2,130	(370)
Fund balance	<u>30,300</u>	<u>30,300</u>	-	<u>(30,300)</u>
Total revenues and fund balance	<u>32,800</u>	<u>32,800</u>	2,130	(30,670)
Expenditures				
Current:				
Personal services	-	-	-	-
Contractual services	32,800	32,800	-	32,800
Other services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>32,800</u>	<u>32,800</u>	-	<u>32,800</u>
Excess (deficiency) of revenues over expenditures	-	-	2,130	2,130
Budgetary - GAAP reporting reconciliation:				
Excess (deficiency) revenues over expenditures and other financing sources (uses)			<u>2,130</u>	
Net change in fund balance		\$	<u>2,130</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Statement of Fiduciary Assets and Liabilities – Agency Fund  
June 30, 2018

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>123,357</u>
Total assets	\$ <u>123,357</u>
<b>Liabilities</b>	
Deposits held in custody for others	\$ <u>123,357</u>
Total liabilities	\$ <u><u>123,357</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies

The financial statements of the Tenth Judicial District Court (Court) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Court's accounting policies are described below.

FINANCIAL REPORTING ENTITY

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 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 Court is a department of the State of New Mexico and reports to 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 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

*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.



STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 as part of 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, therefore, these funds are not incorporated in the government-wide financial statements nor in the governmental activities fund reporting.

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:

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Governmental Funds

*General Fund:* The General Fund is the general operating fund of the Court and is considered a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The revenues and expenditures of the Court are regularly accounted for in this fund. The SHARE number and description of the General Fund of the Court is #150 - Court Regular.

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

Court Mediation (52500) - The Court has established a domestic relations mediation program pursuant to Section 5 (40-12-5 NMSA, 1978 Comp.) of the Domestic Relations Mediation Act. Deposits to the funds shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 (40-12-5, NMSA, 1978 Comp.) of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 (40-12-6, NMSA, 1978 Comp.) of the Act. This fund is a special revenue fund and is non-reverting. The SHARE fund number of the Mediation Fund is #525. For purposes of financial statement presentation, the fund is considered a major fund.

Alternative Dispute Resolution (43200) - The Court has established an alternative dispute resolution program pursuant to Section 34-6-45 NMSA, 1978 Comp. The purpose of the program is to resolve disputes through alternative means, including, but not limited to, arbitration, mediation and settlement facilitation. To finance the cost of the program, a fee of fifteen dollars (\$15) is collected on all new and re-opened civil cases. In accordance with section 34-6-44, NMSA, 1978 Comp., the fee is deposited into the alternative dispute resolution fund. This fund is a special revenue fund and is non-reverting. The SHARE fund number of the Alternative Dispute Resolution Fund is #432. For purposes of financial statement presentation, the fund is considered a major fund.

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 trans-

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

ferred 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 (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.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Cash and Cash Equivalents

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 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 posi-

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

tion 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, 2018.

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

1. No later than September 1, the Court submits to the 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

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

D. Budgets and Budgetary Accounting (continued)

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

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

E. Compensated Absences Payable (continued)

may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. In accordance with GASB Statement No. 16, Accounting for Compensated Absences, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

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

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.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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. Cash and Cash Equivalents

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

	Type of Account	Interest Bearing	Bank Balance	O/S Deposits	O/S Checks	Financial Statement Balance
<b>Agency Funds:</b>						
Litigant - Wells Fargo	Checking	Y	\$ 95,253		1,550	93,703
Litigant - Wells Fargo	Savings	Y	29,654	-	-	29,654
Total agency funds in bank			124,907	-	1,550	123,357
Less FDIC insurance			(250,000)			
Total uninsured Public Funds			-			
50% collateral requirement			-			
Pledged security			\$ *			

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

\*Section 6-10-14, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Court’s bank account is monitored by the New Mexico State Treasurer’s Office (STO). The STO issues separate financial statements which disclose the collateral pledged to secure State Treasurer cash and investments, and can be accessed at the State Treasurer’s website at [www.nmsto.gov](http://www.nmsto.gov).

3. Investment in the State General Fund Investment Pool (SGFIP)

As provided for in Chapter 8-6 of the New Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The STO acts as the state’s bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than



STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

3. Investment in the State General Fund Investment Pool (SGFIP) (continued)

immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation module which compares aggregated agency claims on the state General Fund Investment Pool to the associated resources held by the STO is not in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the DFA and the State of New Mexico's Comprehensive Annual Financial Report (CAFR). The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

The purpose of this memo is to provide the following assertions:

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

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

	Share Fund				Account		Fair Value
	#	Fund	Maturity		Balance		
State General Fund	150	General	1 day	\$	33,042	\$	33,042
Investment Pool	525	Mediation	1 day		29,979		29,979
	432	ADR	1 day		3,765		3,765
Total state general fund investment pool				\$	66,786	\$	66,786

**Interest Rate Risk - Investment's Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. The STO has an investment policy that limits investment maturities to five (5) years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**Concentration of Credit Risk - The State General Fund Investment Pool** is not rated for credit risk.

**Custodial Risk – The STO** monitors the collateral for deposits it holds, which would include the investment accounts of the Court. Therefore, collateralization of the Court's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

3. Investment in the State General Fund Investment Pool (SGFIP) (continued)

collateral pledged to secure these deposits is disclosed. There is no custodial risk at the Court's level since the Court's investments are under the contract of the STO.

For further information regard the SGFIP, please see the STO's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

4. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Disposals	Adjustments	Balance June 30, 2018
Capital assets being depreciated					
Building improvements	\$ 281,369	-	-	3,491	277,878
Furniture and fixtures	41,742	-	6,500	19,289	15,953
Equipment and machinery	92,312	30,817	-	4,265	118,864
Automotive	47,787	-	-	1	47,786
Data processing	<u>1,672</u>	-	<u>1,672</u>	-	-
Total capital assets being depreciated	<u>464,882</u>	<u>30,817</u>	<u>8,172</u>	<u>27,046</u>	<u>460,481</u>
Less accumulated depreciation					
Building improvements	90,818	17,846	-	3,492	105,172
Furniture and fixtures	29,704	1,852	6,500	19,289	5,767
Equipment and machinery	42,860	7,367	-	4,264	45,963
Automotive	42,320	3,452	-	-	45,772
Data processing	<u>1,672</u>	-	<u>1,672</u>	-	-
Total accumulated depreciation	<u>207,374</u>	<u>30,517</u>	<u>8,172</u>	<u>27,045</u>	<u>202,674</u>
Capital assets, net	\$ <u>257,508</u>	<u>300</u>	<u>-</u>	<u>1</u>	<u>257,807</u>

Current year depreciation expense is \$30,517 and has not been allocated to any function in the Statement of Activities.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

5. Compensated Absences

The following is a summary of changes in compensated absences:

		Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due within one year
Compensated absences	\$	29,072	31,828	31,705	29,195	24,586
Total	\$	<u>29,072</u>	<u>31,828</u>	<u>31,705</u>	<u>29,195</u>	<u>24,586</u>

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.

6. Operating Leases

The Court has office equipment leases which can be terminated, due to lack of funding from the legislature with no penalty to the Court. Monthly payments range from \$109 - \$320. Lease terms range from 48 to 68 months. Only one lease had terms in excess of one year as of June 30, 2018.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2018, for each of the next five years and in the aggregate are:

<u>Year Ending</u>	
2019	\$ 3,651
2020	3,331
2021	<u>3,331</u>
	<u>\$ 10,313</u>

Rental expense for the fiscal year ended June 30, 2018 was \$9,935.

7. Pension Plan - Public Employee Retirement Association

*Plan Description.* The Court, as part of the primary government of the State of New Mexico, is a contributing employer. 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 infor-

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

7. Pension Plan - Public Employee Retirement Association (continued)

mation 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).

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 state-wide CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

*Funding Policy.* Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the 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 fiscal years ending June 30, 2018, 2017, and 2016 were \$65,091, \$78,839, and \$81,773, respectively, which equal the amount of the required contributions for each fiscal year.

8. Pension Plan - Judicial Retirement Act (JRA) Plan

*Plan Description.* The Court, as part of the primary government of the State of New Mexico, is a contributing employer in the single employer defined benefit pension plan (Judicial Retirement) administered by 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 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, NM 87501.

The Court's Judge participates in a public employee retirement system authorized under the Judicial Retirement Act. 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](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 10.5% of their gross salary. The Court is required to contribute 15.0% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2018, 2017, and 2016 were \$18,027, \$18,018, and \$14,421, respectively, which equal to the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

8. Pension Plan - Judicial Retirement Act (JRA) Plan (continued)

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 \$11,699, \$10,289, and \$8,859, in filing fees for the years ending June 30, 2018, 2017, and 2016, respectively.

9. 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 Court nor the State of New Mexico contributes to the Deferred Compensation Plan. All contributions withheld from participants by the Court has been paid to PERA, which administers the plan.

10. Post-Employment Benefits - State Retiree Health Care Plan

*Plan Description.* The 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.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

10. Post-Employment Benefits - State Retiree Health Care Plan (continued)

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers 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 plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2018, 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 employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2016, 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.

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

The Court, as a part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multi-employer defined benefit postemployment healthcare plan that provides comprehensive group health insurance for persons who have retired from certain public positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the RHCA. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

10. Post-Employment Benefits - State Retiree Health Care Plan (continued)

liability of the State as a whole, rather than any agency or department of the State. All required disclosures will be presented in the CAFR of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the CAFR for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

The Court's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$10,667, \$10,166, and \$10,515, respectively, which equal the required contributions for each year.

11. Risk 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, 2017 through June 30, 2018.

12. Reversions - State General Fund

The Reversion to the State General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances consisted of \$8,263 reversion that was remitted to the state general fund for fiscal year ending June 30, 2018.

13. Unrestricted Deficit Net Position

GASB 34 requires recording of capitalized assets, net of accumulated depreciation and long-term liabilities, which results in an unrestricted net position deficit of \$29,195. This deficit is created by compensated absences liabilities which are expected to be paid from subsequent years state general fund appropriations.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

14. New Accounting Standards

GASB 75

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18). The Court adopted GASB Statement No. 75 during fiscal year 2018, with no significant impact to the Court's financial statement.

GASB 85

GASB Statement No. 85, Omnibus 2017, address as practice issues identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (OPEB). GASB 85 is effective for fiscal years beginning after June 15, 2017 (FY18). The Court adopted GASB Statement No. 85 during fiscal year 2018, with no significant impact to the Court's financial statement.

15. Evaluation of Subsequent Events

The Court has evaluated subsequent events through October 18, 2018, which is the date the financial statements were available to be issued.



**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2018

	June 30, 2017	Additions	Deletions	June 30, 2018
<b>Litigant's Fund:</b>				
<b>Assets</b>				
Cash in bank:				
Trust accounts	\$ <u>77,667</u>	<u>216,334</u>	<u>170,644</u>	<u>123,357</u>
Total assets	\$ <u>77,667</u>	<u>216,334</u>	<u>170,644</u>	<u>123,357</u>
<b>Liabilities</b>				
Due to litigants	\$ <u>77,667</u>	<u>216,334</u>	<u>170,644</u>	<u>123,357</u>
Total liabilities	\$ <u>77,667</u>	<u>216,334</u>	<u>170,644</u>	<u>123,357</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Schedule of Operating Transfers  
June 30, 2018

<u>Description</u>	<u>Agency Transferred From</u>	<u>From</u>	<u>Fund</u>	<u>Reference</u>	<u>Transfer</u>	
					<u>In</u>	<u>Out</u>
<b>State</b>						
<b><u>Appropriations</u></b>						
General Fund Appropriation	State General Fund	85300	24000	Laws 2017, Ch 135, Sec 4 B (10)	\$ <u>911,000</u>	<u>-</u>
<b>Total State Appropriations</b>					\$ <u>911,000</u>	<u>-</u>
<b><u>Reversion</u></b>						
General Fund Appropriation	Department of Finance & Administration	24000	85300	Laws 2017, Ch 135 Sec 3E Reversion of current year miscellaneous income	\$ <u>-</u>	<u>8,263</u>
<b>Total Reversion</b>					\$ <u>-</u>	<u>8,263</u>

See Independent Auditors' Report.

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

Honorable Albert J. Mitchell, Jr., Presiding Judge  
and  
Mr. Wayne Johnson,  
New Mexico State Auditor

State of New Mexico  
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 budgetary comparisons of the general fund and major special revenue funds, of the Tenth Judicial District Court (Court) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements and have issued our report thereon dated October 18, 2018. We also have audited the financial statements of the Court's fiduciary funds as of and for the year ended June 30, 2018, as listed in the table of contents.

### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

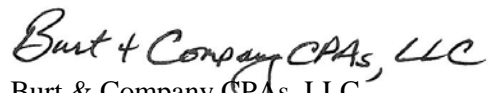
As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.

### **State of New Mexico, Tenth Judicial District Court's Response to Finding**

The Court's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Court's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

  
Burt & Company CPAs, LLC

October 18, 2018

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Summary Schedule of Findings and Responses  
June 30, 2018

**Current Year Findings**

2018-001 Compliance with Public Money Statutes

**Prior Year Findings**

None.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Schedule of Findings and Responses  
June 30, 2018

CURRENT FINDINGS:

**2018-001 Compliance with Public Money Statutes – Other noncompliance**

Condition: During testing of compliance with the Public Money Statutes, the Court had the following deficiency:

- Fourteen cash receipts in the amount of \$1,290 of the forty cash receipts selected for testing were not deposited with the State Treasury within the time period of the next succeeding business day as required under the statute

Criteria: Per Section 6-10-3, NMSA 1978, requires all public money to be transferred to the State Treasury before the close of the next succeeding business day after the receipt of the money.

Effect: The Court is not in compliance with state statute.

Cause: This Court did not ensure all transactions were in compliance with state statute.

Recommendation: The Court should develop procedures to ensure that cash receipts are deposited in accordance with state statutes.

Management's Response: The Court CFO immediately implemented procedures in the main office to deposit cash receipts by the next succeeding business day after receipt of the money, however, there are Court locations in which there are no banking facilities due to the remote location. These monies are mailed to the main office and will be deposited by the next succeeding business day after the receipt of the money. The Court will request an extension of the required time frame from DFA and will develop a policy to deposit monies within the required time frame. This will be fully implemented by FY19.

STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
Exit Conference  
June 30, 2018

The contents of this report were discussed at an exit conference held October 18, 2018.

The exit conference was attended by the following:

Honorable Albert J. Mitchell, Jr., Presiding Judge  
Marion Payton, Court Executive Officer/Chief Financial Officer  
Hallie Ferguson, Court Clerk/Financial Specialist

Burt & Company CPAs, LLC was represented by:

Ronald E. Schranz, CPA, CVA

The auditing firm of Burt & Company CPAs, LLC, with the aid of responsible Court personnel, prepared the financial statements of the Court as of and for the year ended June 30, 2018.