### **State of New Mexico**

### **Eleventh Judicial District Court**

**ANNUAL FINANCIAL REPORT** 

For the Year Ended June 30, 2018



**Introductory Section** 

### State of New Mexico Eleventh Judicial District Court Table of Contents June 30, 2018

INTRODUCTORY SECTION	
Table of Contents	5
Official Roster	7
REPORT	
Independent Auditors' Report	10-12
Management's Discussion and Analysis	13-21
FINANCIAL STATEMENTS Government-wide Financial Statements: Statement of Net Position	24-25
Statement of Activities	27
Fund Financial Statements: Balance Sheet - Governmental Funds	28-29
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	31
Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	32-33
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	35
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Budgetary Basis) and Actual: General Fund	37
Drug Court Fund	38
Mediation Fund	39
Statement of Fiduciary Assets and Liabilities - Agency Funds	41
Notes to Financial Statements	43-63
SUPPORTING SCHEDULES	
Schedule of Changes in Assets and Liabilities - Agency Funds	66
Schedule of the State General Fund Investment Pool and Bank Accounts	67
COMPLIANCE SECTION  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	70-71
Schedule of Findings and Responses	72
OTHER DISCLOSURES	73

## State of New Mexico Eleventh Judicial District Court Official Roster June 30, 2018

Name	Elected Officials	Title
Honorable Karen L. Townsend	Ch	nief Judge
Honorable Bradford Dalley	Dis	trict Judge
Honorable Louis DePauli, Jr.	Dis	trict Judge
Honorable Sarah Weaver	Dis	trict Judge
Honorable John A. Dean, Jr.	Dis	trict Judge
Honorable Lyndy Bennett	Dis	trict Judge
Honorable Daylene Marsh	Dis	trict Judge
Honorable Robert A. Aragon	Dis	trict Judge

### **Administrative Officials**

Weldon J. Neff
Court Executive Officer

Jodie Schwebel
Deputy Court Executive Officer

Roberta Werito-Jones
Court Financial Manager, CFO

Jodie Hooser
Human Resources Administrator

Mark Bozik
IT Specialist Senior

### Report



#### INDEPENDENT AUDITORS' REPORT

Albuquerque, NM 87110 (505) 883-2727 (505) 884-6719 (fax)

Suite 300

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Carr, Riggs & Ingram, LLC 2424 Louisiana Boulevard NE

Wayne Johnson New Mexico State Auditor Honorable Karen Townsend, Chief Judge Eleventh Judicial District Court Aztec, New Mexico

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Eleventh Judicial District Court (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 auditors' 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 District'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 District'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 aggregate remaining fund information and budgetary comparisons for the general fund and major special revenue funds of the District, 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.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements of the District are intended to present the financial position and the changes in financial position of the governmental activities and each major fund of the State of New Mexico that is attributed to the transactions of the District. They do not purport to, and do not, present fairly, the financial position of the State of New Mexico as of June 30, 2018, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **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 13 through 21 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 inquires 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 District's financial statements that collectively comprise the District's basic financial statements. The introductory section and the Schedule of Changes in Assets and Liabilities – Agency Funds as required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities – Agency Funds as required by 2.2.2 NMAC is the responsibility of management and was derived from and relates 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, the Schedule of Changes in Assets and Liabilities – Agency Funds as required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section 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 October 29, 2018 on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, LLC Albuquerque, New Mexico

Can, Rigge & Ingram, L.L.C.

October 29, 2018

This section of the Eleventh Judicial District Court's (the "District's") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

The principal revenue source for the District is the General Appropriation, 85.23% or \$6,355,300. This funding source supports regular court operations in its entirety and partially funds Drug and Treatment Court. Other State Appropriations provide \$909,234 or 12.19% of total funding in support of the CASA Program, Water Rights, Adult and Juvenile Drug Courts, Adult Treatment Court, and Child Support Enforcement through an agreement with the New Mexico Human Services Department as well as projects that are funded by the Administrative Office of the Courts. Other financing sources derive from a grant for Pretrial Services from San Juan County in the amount of \$25,000, fees collected for Mediation \$70,064, Adult Drug Court \$16,525, Alternative Dispute Resolution \$44,701 and reimbursement for copy cost in Court Regular, \$35,901, for a total of \$192,191 or 2.58% of total funds.

The District operated under budgetary expenditure guidelines in the following categories: Personnel Services and Benefits \$6,036,665, Contractual Services \$647,044, and Operating Expenses \$526,311. Any remaining uncommitted General Fund Money reverts to the State.

The reversion to the General Appropriation for FY 2018 is \$340 or less than 1% of the General Appropriation, and consists of Drug Courts \$340, all were due to operating variances, in which estimates were higher than actual expenses.

### **DISTRICT HIGHLIGHTS**

The Eleventh Judicial District Court is an amalgam of activities that seeks to protect all constitutional and legislative provisions while functioning as an efficient and responsive government operation. The Mission of the Eleventh Judicial District Court is to provide access to justice; resolve disputes justly and timely; and maintain accurate records of legal proceedings that affect rights and legal status in order to independently protect the rights and liberties guaranteed by the Constitution of New Mexico and the United States.

In FY 2018, the District comprised of three locations, one in McKinley County (Gallup) and two in San Juan County (Aztec and Farmington). There are three divisions in Aztec, two in Farmington, and three in Gallup. One District Judge presides over each Division. The total number of new and reopened case filings for FY 2018 is 10,294, with 1,863 in McKinley County and 8,431 in San Juan County. This is a 11.08% increase over FY 2017.

Within the structure of the Eleventh Judicial District Court are a number of programs with specific purposes. A brief discussion follows to describe these various activities of the District to provide a sense of its importance in promoting the overall well-being of the community.

<u>Court Appointed Special Advocate (CASA)</u> is a program with the mission to support effective volunteer advocacy for the best interests of abused and neglected children involved in the court system. The objective of the program is to ensure that every child has a safe, supportive and permanent home. A CASA is trained, community volunteer, appointed by a judge to represent the best interests of the child in court. Once appointed to a case, the CASA becomes an official part of the judicial proceeding, working alongside attorneys and social workers as an appointed officer of the court. A CASA program exists in San Juan County.

Two <u>Drug Courts</u> exist within the District Court, one for adult offenders and one for juveniles. The Drug Court Program's mission is to assist drug-addicted individuals that have entered the court system in becoming productive, sober, law-abiding citizens. An intensive program of counseling and drug test monitoring supports the staff in imposing appropriate sanctions for noncompliance to program rules. The goals and objectives of this program are to reduce drug usage among nonviolent offenders and, in turn reduce the rate of recidivism in the commission of crimes. The improvement in the crime rate among these offenders will reduce incarceration and aid with overcrowding in the jails. In addition, the Juvenile Drug Court focuses on improving self-esteem by developing responsibility and accountability among juvenile offenders. Both the Adult and Juvenile Drug Courts exist in San Juan County.

<u>Treatment Court</u> was implemented in FY 2007 in San Juan County to provide support to nonviolent offenders with mental health problems, by evaluating offenders for supervised release and intensive counseling treatment. Treatment Court serves as an opportunity for, nonviolent offenders to receive treatment for their mental illness, be accountable to the courts, and to integrate successfully back into society as productive citizens. The Treatment Court program has proven successful, and had 9 clients graduate from the program during FY 2018.

A <u>Grade Court</u> in San Juan County aims to reduce commitment of juvenile offenders to institutions by enhancing the self-esteem and abilities of children and their families. The child, parents, school officials, probation officer and Court work as a team to provide positive reinforcement for the juvenile to improve academic performance and school attendance. A sanction is imposed immediately on an individual found in noncompliance and thus empowers parents and the school to deal effectively with the offender. The result is that accountability to the Court from the student and parents is increased. Upon completion of high school, a college scholarship is provided to the student to encourage them to further their education.

<u>Domestic Violence Programs</u> exist in both San Juan and McKinley Counties. The goals of the programs are to assist victims of domestic abuse; education the parties about domestic abuse and its effects through mandatory counseling, and to help the parties live in an abuse free home.

The <u>Mediation Program</u> is designed to settle disagreements about the care of children following separation and divorce. Mediation requires both parties to agree to the rights and responsibilities of each parent and the way in which the children's needs will be met. A court order requires the parties to meet with an independent mediator for the purpose of reaching an acceptable agreement. Mediation is available in both San Juan and McKinley Counties.

In San Juan County, <u>Pretrial Services</u> serves to screen the adult felony population for release suitability. Pretrial Services goal is to maximize defendant release rates at the earliest possible time after arrest while minimizing failure to appear and the risk to the community.

Both McKinley and San Juan Counties offer a <u>Self-Represented Resource Center</u> to provide a forum for self-represented litigants to bring actions in the District Court.

In San Juan County, the District supports a <u>Water Rights</u> case established to resolve water rights issues and disputes in the case of State of New Mexico vs. The United States of America. This litigation has been ongoing since 1975. The District's goal is to resolve all issues in this case in an orderly and timely manner.

A <u>Child Support Hearing Officer</u> serves jointly in San Juan County and McKinley County to provide a cooperative structure for the judicial district and Human Services Department to implement the Child Support Hearing Officer Act. The focus of the act is to insure prompt and full payment by obligated parties of child support for their dependent children and where applicable, attendant spouse support.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provides information about the activities of the District as a whole. The District has no business-type activities but rather solely supports government operations. For government activities, these statements reflect how these services were financed in the current year and what remains for future spending. The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

The remaining statements provide financial information about activities for which the District acts solely in a fiduciary capacity for monies held in trust until litigation is completed. Pursuant to state statutes, the District held in trust for litigants as of June 30, 2018 the amount of \$637,839.

#### REPORT THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities report information about the District as a whole. These statements include all assets and liabilities using an accrual basis of accounting, similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Table A is a comparison of the Statement of Net Position current fiscal year to prior fiscal year:

Table A
Change in Statement of Net Position

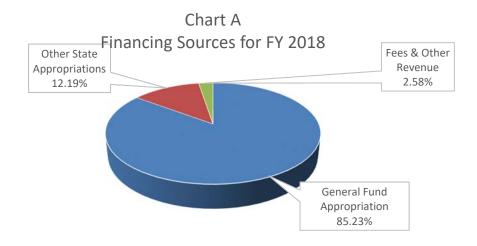
	6/30/2018	6/30/2017	Percentage % Change
Assets			
Current assets	\$ 698,546	\$ 829,423	-15.8%
Capital assets, net	781,743	675,311	15.8%
Total assets	\$ 1,480,289	\$ 1,504,734	-1.6%
Liabilities			
Current liabilities	\$ 581,934	\$ 725,036	-19.7%
Long-term liabilities	13,173	29,358	-55.1%
Total liabilities	\$ 595,107	\$ 754,394	-21.1%
Net position			
Capital assets	\$ 781,743	\$ 675,311	15.8%
Special revenue	255,558	214,032	19.4%
Unrestricted	(152,119)	(139,003)	9.4%
Total net position	\$ 885,182	\$ 750,340	18.0%

The increase in Total Net Position from FY 2017 to FY 2018 is due to the increase of Capital Assets. The Current Liabilities includes the amount related to Short Term Compensated Absences of \$200,213.

The Long Term Liabilities of \$13,173 are related to Compensated Absences. GASB34 requires a disclosure of compensated absences as a liability on the Statement of Net Position. The District does not carry forward a fund balance for future year expenditures but returns unspent appropriations to the General Fund.

#### **FINANCING SOURCES**

As previously stated, the District serves as an umbrella organization for the administration of many different activities. Viewed as a whole, the District is one program. Financing sources for the program for FY 2018 are as follows: State General Fund appropriations \$6,354,960 (adjusted for reversions of \$340), Other State and Federal funding of \$909,234, and Fees and Other Revenues \$192,191, for a total revenue of \$7,456,385 (adjusted for reversions of \$340). Chart A below provides a graphic presentation of financing sources for FY 2018:



### **EXPENSES**

The District's total expenditure for FY 2018 was \$7,298,353 with the following components: Personnel Services & Benefits \$6,042,379 or 82.79% of the total, Contractual Services \$647,044 or 8.87% of the total, Operating Cost \$526,311 or 7.21% of the total, and Depreciation \$82,619 or 1.13% of the total. Chart B below illustrates expenditures for FY 2018:

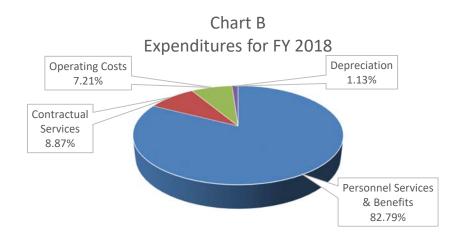


Table B is a comparison of the Statement of Activities current fiscal year to prior fiscal year:

Table B Change in Statement of Activities

				Percentage
	6/30/2018		6/30/2017	% Change
\$	139,765	\$	95,126	46.9%
•	527,040	•	524,641	0.5%
	666,805		619,767	7.6%
	6,354,960		6,272,906	1.3%
	382,194		185,594	105.9%
	52,426		55,157	-5.0%
	6,789,580		6,513,657	4.2%
	7,456,385		7,133,424	11.8%
	7,298,353		7,068,297	3.3%
	7,298,353		7,068,297	3.3%
	158,032		65,127	142.7%
	750,340		685,213	9.5%
	(23,190)		-	0.0%
	727,150		685,213	6.1%
\$	885,182	\$	750,340	18.0%
		\$ 139,765 527,040 666,805 6,354,960 382,194 52,426 6,789,580 7,456,385 7,298,353 7,298,353 158,032 750,340 (23,190)	\$ 139,765 \$ 527,040 666,805 6,354,960 382,194 52,426 6,789,580 7,456,385 7,298,353 7,298,353 158,032 750,340 (23,190) 727,150	\$ 139,765 \$ 95,126 527,040 524,641 666,805 619,767 6,354,960 6,272,906 382,194 185,594 52,426 55,157 6,789,580 6,513,657 7,456,385 7,133,424 7,298,353 7,068,297 7,298,353 7,068,297 7,298,353 7,068,297 750,340 685,213 (23,190) -

#### **BUDGETARY COMPARISONS**

Table C below provides a summary of budget to actual comparisons for the activity in the three major funds for FY 2018. All funding sources, General Funds, Other State Appropriations, and Other Revenue sources are included in the analysis. An explanation of the major variances follows.

Table C
Budget to Actuals

	Original			
	Budget	<b>Final Budget</b>	Actual	Variance
Revenues:				
(Including State Appropriation)	\$ 7,202,500	\$ 7,259,934	\$ 7,215,084	\$ (44,850)
Expenditures:				
Personnel Services & Benefits	6,106,400	6,044,736	6,036,665	8,071
Contractual Services	770,200	700,198	647,044	53,154
Operating Costs	337,900	567,000	526,311	40,689
Total Expenditures	\$ 7,214,500	\$ 7,311,934	\$ 7,210,020	\$ 101,914

The variance in actual revenue received over the final budget was the result of several elements. Revenue projected for Copy Fees was \$46,000, but \$10,099 was uncollected. Existing Fund Balance of \$20,000 was budgeted for Drug Courts. Revenue projected for Drug Courts was \$10,000, instead \$16,525 was collected in excess of budgeted amount. Revenue projected for Mediation Fees was \$81,000, but \$10,936 was uncollected. Existing Fund Balance of \$32,000 was budgeted for Mediation.

The variance in actual expenditures over the final budget was the result of changes in Personnel Services & Benefits and was related to actual expended costs being less than the projected amounts in the General Fund of \$8,071. In Contractual Services, projected expenditures were less than the budgeted amounts in Drug Courts by \$8,351, and Mediation \$44,803. In Operating Costs, projected expenditures were less than the budgeted amounts in the General Fund for \$40,267 and Drug Courts by \$422.

#### **CAPITAL ASSET ACTIVITY FOR FY 2018**

The requirement of GASB34 includes analysis of capital asset activity. The Eleventh Judicial District Court has elected to treat investment in Law Library materials as a historical collection and therefore, the items recognized as cost of operations at the time costs are incurred. Recording these purchases as expenses and maintaining an inventory of volumes gives a meaningful presentation of the value of the District's Law Libraries. The historical collections status is based upon the following criteria: The libraries are held for use by the public for educational purposes; Investment in the libraries for public service rather than financial gain; the libraries are preserved, maintained, and protected at San Juan Community College and the McKinley County Courthouse; and any proceeds that results from the sale of books from the collection will be used to purchase other books for the Law Library. The following Table C provides a comparison between FY 2018 and FY 2017 of the District's capital assets:

Table D
Eleventh Judicial District Court's Capital Assets (Net of Depreciation)

	6	/30/2018	6/30/2017	Percentage Change
Construction in Progress	\$	-	\$ 182,558	-100.0%
Improvements		686,114	359,993	47.5%
Furniture and Fixtures		20,441	34,933	-70.9%
Automobiles		64,014	83,355	-30.2%
Information Technology/Software		11,174	14,472	-29.5%
Total capital assets, net	\$	781,743	\$ 675,311	13.6%

#### **LONG-TERM DEBT ACTIVITY**

The District did not have any long-term debt activity for fiscal year 2018.

#### MANAGEMENT DECISIONS

The Chief Judge is consulted on all major decisions, issues and resolutions. Meetings are held with judges, management, and key employees for involvement, understanding, and agreement regarding issues of particular concern to this agency. Judges' meetings are held monthly, management meetings are held weekly, and meetings with key employees are held as needed.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District was able to maintain services to the public during fiscal year 2018 with the appropriation received. We are thankful there were no budget reductions this fiscal year. With the fluctuation of the economy, we carefully monitor our spending, and we have also delayed hiring of several positions to continue to provide services to the public.

Beginning July 1, 2019, the Eleventh Judicial District Court will be merged with the Magistrate Courts located in Aztec, Farmington and Gallup. Funding for operations of the Magistrate Courts will be transferred to the Eleventh Judicial District Court from the Administrative Office of the Courts (currently administers the Magistrate Courts). It is currently unknown what the financial impact will be on the Eleventh Judicial District Court.

To the best of our knowledge, the District will continue to operate the same in the future. We are not aware of any facts, decisions or conditions that will have a significant effect on our financial position or results of operation in the future.

#### CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

The Eleventh Judicial District Court 103 S. Oliver Drive Aztec, NM 87410

### **Financial Statements**

# State of New Mexico Eleventh Judicial District Court Statement of Net Position June 30, 2018

	Governmen	
		Activities
Assets		_
Current assets:		
Investment in the State General Fund Investment Pool	\$	653,626
Prepaid expenses		44,920
		_
Total current assets		698,546
Noncurrent assets:		
Capital assets		2,191,579
Less: accumulated depreciation		(1,409,836)
Total noncurrent assets		781,743
Total Horical Cité assets		701,743
Total assets	\$	1,480,289

### **Activities** Liabilities and net position Liabilities **Current liabilities:** \$ Accounts payable 147,072 234,649 Accrued expenses Current portion of accrued compensated absences 200,213 Total current liabilities 581,934 Noncurrent liabilities: Accrued compensated absences 13,173 Total noncurrent liabilities 13,173 **Total liabilities** 595,107 Net position Net investment in capital assets 781,743 Restricted for: Special revenue 255,558 Unrestricted (152,119)Total net position 885,182 Total liabilities and net position \$ 1,480,289

Governmental

## State of New Mexico Eleventh Judicial District Court Statement of Activities For the Year Ended June 30, 2018

	Government	
		Activities
Program expenses		
Administrative services	\$	7,298,353
Total program expenses		7,298,353
Program revenues		
Operating grants and contributions:		
Administrative services		527,040
Charges for services:		
Administrative services		139,765
Total program revenues		666,805
Net program income		(6,631,548)
General revenues and transfers		
State General Fund appropriation		6,355,300
Reversion to the State General Fund		(340)
Transfer in from Administrative Office of the Courts (AOC)		382,194
Miscellaneous revenue		52,426
Total general revenues (expenses)		6,789,580
Change in net position		158,032
Net position - beginning of year, as orginally stated		750,340
Net position, restatement (Note 19)		(23,190)
Net position - beginning of year, as restated		727,150
Net position - end of year	\$	885,182

# State of New Mexico Eleventh Judicial District Court Balance Sheet Governmental Funds June 30, 2018

	General Fund 15100	Drug Court 33500
Assets		
Investment in the State General		
Fund Investment Pool	\$ 234,439	\$ 218,076
Prepaid expenses	44,920	
Total assets	\$ 279,359	\$ 218,076
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 14,077	\$ 127,363
Accrued expenses	204,015	30,634
Total liabilities	218,092	157,997
Fund balances		
Nonspendable:		
Prepaid expenses	44,920	-
Spendable:		
Restricted	-	60,079
Unassigned	16,347	-
Total fund balances	61,267	60,079
Total liabilities and fund balances	\$ 279,359	\$ 218,076

		Fu	Non-Major Governmental nds (Alternative Dispute		
	Mediation		Resolution)		
	92800		43280		Total
\$	156,410	\$	44,701	\$	653,626
	-		-		44,920
\$	156,410	\$	44,701	\$	698,546
\$	5,632	\$	-	\$	147,072
·	-		-	·	234,649
	5,632		-		381,721
	_		_		44,920
	150,778		44,701		255,558
	-				16,347
	150,778		44,701		316,825
	, -		, -		, -
\$	156,410	\$	44,701	\$	698,546

# State of New Mexico Eleventh Judicial District Court Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2018

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

Total net position of governmental activities	\$ 885,182
Accrued compensated absences not due and payable at year end	(213,386)
Certain liabilities, including current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	781,743
Fund balances - total governmental funds	\$ 316,825
different because:	

# State of New Mexico Eleventh Judicial District Court Statement of Revenues, Expenditures, and Change in Fund Balances Governmental Funds For the Year Ended June 30, 2018

	General Fund 15100	Drug Court 33500
Revenues		
Intergovernmental income:		
Federal grants interagency	\$ 335,515	\$ -
Other services interagency	-	191,525
Fees	-	25,000
Miscellaneous	35,901	16,525
Total revenues	371,416	233,050
Expenditures		
Current:		
Administrative services:		
Personnel services and employee benefits	5,200,565	816,100
Contractual services	114,873	486,874
Other	324,244	146,778
Capital outlay	52,389	-
Total expenditures	5,692,071	1,449,752
Excess (deficiency) of revenues over expenditures	(5,320,655)	(1,216,702)
Other financing sources (uses)		
State General Fund appropriation	5,143,300	1,212,000
Reversion to the State General Fund	-	(340)
Transfer in from AOC	185,594	-
Total other financing sources (uses)	5,328,894	1,211,660
Net change in fund balances	8,239	(5,042)
Fund balances - beginning of year, as originally stated	76,218	65,121
Fund balance, restatement (Note 19)	(23,190)	_
Fund balances - beginning of year, as restated	53,028	65,121
Fund balances - end of year	\$ 61,267	\$ 60,079

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

Mediation 92800	Fui	Non-Major Governmental nds (Alternative Dispute Resolution) 43280	Total
\$ -	\$	-	\$ 335,515
-		-	191,525
70,064		44,701	139,765
_		-	52,426
70,064		44,701	719,231
20,000			6,036,665
45,297		-	647,044
2,900		_	473,922
2,300		_	52,389
68,197		_	7,210,020
 			1,220,020
 1,867		44,701	(6,490,789)
_		_	6,355,300
_		_	(340)
_		_	185,594
-		-	6,540,554
1,867		44,701	49,765
148,911		-	290,250
 -		-	(23,190)
148,911		-	267,060
\$ 150,778	\$	44,701	\$ 316,825

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

# State of New Mexico Eleventh Judicial District Court Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2018

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

Net change in fund balances- total governmental funds	\$ 49,765
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 and reported as depreciation expense:	
Capital outlay Depreciation expense Loss on disposition of capital assets Donation of asset from AOC	52,389 (82,621) (13,336) 150,000
Expenditures in the Statement of Activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Decrease in accrued compensated absences	1,835
Change in net position of governmental activities	\$ 158,032

# State of New Mexico Eleventh Judicial District Court Statement of Revenues, Expenditures, and Change in Fund Balance Budget (GAAP Budgetary Basis) and Actual General Fund For the Year Ended June 30, 2018

**Variances** 

	Rudgeted	Λη	mounts		/I Ir	Favorable (
	 Budgeted Amounts Original Final			Actual	Final to Actual	
Revenues						
Intergovernmental income:						
Federal grants interagency	\$ 335,500	\$	335,515	\$ 335,515	\$	-
Miscellaneous	46,000		46,000	35,901		(10,099)
Total revenues	381,500		381,515	371,416		(10,099)
Expenditures						
Current:						
Administrative services:						
Personnel services and						
employee benefits	5,241,900		5,208,636	5,200,565		8,071
Contractual services	167,900		114,873	114,873		-
Other	300,600		416,900	376,633		40,267
Total expenditures	5,710,400		5,740,409	5,692,071		48,338
Excess (deficiency) of revenues over						
expenditures	(5,328,900)		(5,358,894)	(5,320,655)		38,239
Other financing sources (uses)						
Fund balance	-		30,000	-		(30,000)
State General Fund appropriation	5,143,300		5,143,300	5,143,300		-
Transfers in	185,600		185,594	185,594		-
Total other financing sources (uses)	5,328,900		5,358,894	5,328,894		(30,000)
Net change in fund balance			-	8,239		8,239
Fund balances - beginning of year, as originally stated	-		-	76,218		76,218
Fund balance, restatement (Note 19)	-		-	(23,190)		(23,190)
Fund balance, beginning of year, as restated	-		-	53,028		53,028
Fund balances - end of year	\$ -	\$	-	\$ 61,267	\$	61,267

P241 is the only appropriation level code in the fund.

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

# State of New Mexico Eleventh Judicial District Court Statement of Revenues, Expenditures, and Change in Fund Balance Budget (GAAP Budgetary Basis) and Actual Drug Court Fund For the Year Ended June 30, 2018

**Variances Favorable Budgeted Amounts** (Unfavorable) **Original Final** Final to Actual Actual Revenues Other services interagency \$ 189,100 191,525 191,525 \$ 25,000 Fees 25,000 10,000 16,525 6,525 Miscellaneous 10,000 Total revenues 199,100 226,525 233,050 6,525 Expenditures Current: Administrative services: Personnel services and employee benefits 864,500 816,100 816,100 Contractual services 512,200 495,225 486,874 8,351 Other 34,400 147,200 146,778 422 Total expenditures 1,411,100 1,458,525 1,449,752 8,773 Excess (deficiency) of revenues over expenditures (1,212,000)(1,232,000)(1,216,702)15,298 Other financing sources (uses) Fund balance 20,000 20,000 State General Fund appropriation 1,212,000 1,212,000 1,212,000 Reversion to the State General Fund (340)340 Total other financing sources (uses) 1,212,000 1,232,000 1,211,660 20,340 Net change in fund balance (5,042)(5,042)Fund balances - beginning of year 65,121 65,121 \$ \$ Fund balances - end of year 60,079 \$ 60,079

P241 is the only appropriation level code in the fund.

# State of New Mexico Eleventh Judicial District Court Statement of Revenues, Expenditures, and Change in Fund Balance Budget (GAAP Budgetary Basis) and Actual Mediation Fund For the Year Ended June 30, 2018

**Variances** 

							variances
							Favorable
		Budgeted	Am	ounts		(U	nfavorable)
	-	Original		Final	Actual	Fin	al to Actual
Revenues							
Fees	\$	81,000	\$	81,000	\$ 70,064	\$	(10,936)
Total revenues		81,000		81,000	70,064		(10,936)
Expenditures							
Current:							
Administrative services:							
Personnel services and							
employee benefits		-		20,000	20,000		-
Contractual services		90,100		90,100	45,297		44,803
Other		2,900		2,900	2,900		-
Total expenditures		93,000		113,000	68,197		44,803
Excess (deficiency) of revenues over							
expenditures		(12,000)		(32,000)	1,867		33,867
Other financing sources (uses)							
Fund balance		12,000		32,000	-		(32,000)
Total other financing sources (uses)		12,000		32,000	-		(32,000)
Net change in fund balance		-		-	1,867		1,867
Fund balances - beginning of year		-		-	148,911		148,911
Fund balances - end of year	\$	-	\$	-	\$ 150,778	\$	150,778

P241 is the only appropriation level code in the fund.

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## State of New Mexico Eleventh Judicial District Court Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2018

Assets	
Cash	\$ 637,839
	_
Total assets	\$ 637,839
Liabilities	
Deposits held for others	\$ 637,839
	_
Total liabilities	\$ 637,839

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#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District Court (the "District") operates under Section 34-6-1 through 34-6-3 and 34-6-17 through 34-6-47 NMSA 1978. The District covers McKinley and San Juan Counties. The District is comprised of seven divisions as authorized in the above statutes. This District is the state court of general jurisdiction. Financing of the District is done through state appropriation.

The District is a part of the judicial branch of the State of New Mexico and these financial statements include all funds and activities over which the District has oversight responsibility. Oversight responsibility includes such aspects as designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements. The District is not included in any other government "reporting entity" as described in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The District will be included in the State of New Mexico Comprehensive Annual Financial Report (CAFR). For formal reporting purposes, the District is a department of the primary government of the State of New Mexico. This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

During the year ended June 30, 2018, the District adopted GASB Statements No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, GASB Statement No. 81 Irrevocable Split-Interest Agreements, and GASB Statement No. 85 Omnibus, and GASB Statement No. 86 Certain Debt Extinguishment Issues. These four statements are required to be implemented as of June 30, 2018, if applicable.

The implementation of these statements did not have a significant impact on the District.

#### A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### A. Financial Reporting Entity (continued)

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental District.

Based upon the application of these criteria, the District has no component units required to be reported under GASB Statements No. 14, No. 39, No. 61, or No. 80.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* (also known as proprietary or enterprise funds), which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### B. Government-wide and Fund Financial Statements (Continued)

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources* measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) program-specific operating grants, which include revenues received from state and federal sources such as general fund appropriations to be used as specified within each program grant agreement, and (b) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which include funds that were not required to be presented as major but were at the discretion of management.

The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund operates under the Statewide Human Resources, Accounting, and Reporting system (SHARE) number #15100 and is classified under district court regular. These funds are reverting.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The *Drug Court Special Revenue Fund*, is a fund created by section 34-6-47 NMSA 1978, as a court-managed intensive treatment program for adult and juvenile non-violent drug and alcohol users. The program is funded by appropriations, grants and fees, and is pursuant to NMSA 1978 section 34-6-47. The Drug Court Grant fund operates under the SHARE number #33500. These funds are reverting with the exception of drug court fees.

The Alternative Dispute Resolution Fund, is a fund created by section 34-6-44 NMSA 1978, to help defray the cost of operating alternative dispute resolution programs established by judicial district court rule approved by the supreme court, including but not limited to arbitration, mediation and settlement facilitation programs. Fees pursuant to NMSA 1978 section 34-6-45 fund the program. The Alternative Dispute Resolution fund operates under the SHARE number #43280. These funds are nonreverting.

The Mediation Special Revenue Fund is a domestic relations mediation program pursuant to section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act. Deposits to the fund shall include payment made through the imposition of a sliding fee scale pursuant to Section 5 [40-12-5, NMSA, 1978 Compilation]. The Mediation Grant fund operates under the SHARE number #92800. These funds are nonreverting.

Additionally, the government reports the following fund types:

Fiduciary Funds – Fiduciary Funds are the agency funds used to account for financial resources collected by the District pending the resolution of litigation assigned to the District. Agency funds for the District are as follows:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities, and Net Position or Fund Balance

**Deposits and investments:** The District's cash and cash equivalents consist of noninterest bearing demand deposits held on deposit with the State Treasurer. Collateral pledged to secure these deposits is located in the State Treasurer's financial statements in accordance with GASB Statement No. 40.

**Receivables and payables:** Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**Prepaids:** The District utilizes the purchase method to account for their prepaids, which means the District records expenditures at the time the goods and materials are received and accepted as delivered. The District only has prepaids related to their postage meter.

Capital assets: Capital assets, which include property, plant, and equipment, are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information technology equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9(C)(5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Furniture and fixtures	10
Machinery and equipment	5
Information and technology	3
Improvements	20
Automobiles	7

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

**Accrued expenses:** Accrued expenses are comprised of accrued payroll and payroll expenditures based on amounts earned by the employees through June 30, 2018, along with the applicable Public Employees Retirement Association (PERA) and other pension costs.

**Compensated absences:** The District permits employees to accumulate a limited amount of earned but unused vacation leave based on employment classification and length of employment. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Qualified employees are entitled to accumulate annual and sick leave according to a graduated leave schedule depending on the length of service. No more than thirty (30) working days, or two hundred forty (240) hours of annual leave, may be carried forward from one year to the next. All excess annual leave shall be forfeited if not used. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1<sup>st</sup> and January 1<sup>st</sup> of each year. However, those hours will be paid out at fifty percent of the employee's regular hourly wage.

There is no limit to the amount of sick leave that an employee may accumulate. Compensatory time is paid out as it is incurred but only to FSLA non-exempt employees.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide Statement of Net Position.

#### **Reversions to the State of New Mexico:**

General Fund: Unused state appropriations and revenue accounts to revert to the State of New Mexico General Fund at the end of each fiscal year.

Drug Court Special Revenue Fund: Unused state appropriations and revenue accounts to revert to the State of New Mexico General fund at the end of each fiscal year. Drug Court fees do not revert to the State of New Mexico General fund and are available for expenditure from year to year.

Mediation Special Revenue Fund: Unused funds do not revert to the State of New Mexico General fund and are available for expenditure from year to year.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities, and Net Position or Fund Balance (Continued)

Alternative Dispute Resolution Special Revenue Fund: Unused funds do not revert to the State of New Mexico General fund and are available for expenditure from year to year.

#### Net position or fund balance classification policies and procedures:

Fund balance classification policies and procedures: For restricted fund balances, the District includes amounts that can be spent only for the specific purposes stipulated by statute, ordinance, resolution, or enabling legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund.

For committed fund balances, the District includes amounts for specific purposes by formal action of the Eleventh Judicial District Court.

For assigned fund balances, the District includes amounts that are intended to be spent for specific purposes, but are not restricted or committed.

Regarding the District's spending policies, in all cases, restricted, then committed, and then assigned fund balances are to be expended, in that order, prior to expenditures of any general (unassigned) funds designated for supplementing any given department. In this manner, only after restricted, committed, or assigned funds are expended will the District Court permit general unassigned funds be spent to meet a specific fund's objectives.

Restricted Fund Balance: At June 30, 2018, the restricted fund balance on the governmental funds balance sheet is made up of \$255,558 for the restricted purposes as defined by each fund.

Non-spendable Fund Balance: The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, inventories and prepaid amounts. At June 30, 2018, the non-spendable amount is \$44,920.

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

#### a. Net investment in capital assets:

This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- D. Assets, Liabilities, and Net Position or Fund Balance (Continued)
  - b. Restricted net position:

Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position:

All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

#### E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the District's financial statements include the depreciation on capital assets and the current portion of compensated absences.

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Budgetary Information**

The New Mexico State Legislature makes annual appropriations to the District. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration (DFA) within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

a. No later than September 1<sup>st</sup>, the District submits to the Judiciary Budget Office (JBO), Legislative Finance Committee (LFC), and DFA an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

- b. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for its approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the District.
- c. 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.
- d. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The District submits, no later than May 1<sup>st</sup>, 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 on July 1<sup>st</sup>.
- e. The legal level of budgetary control is at the appropriation program level.
- f. Formal budgetary integration is employed as a management control device during the fiscal year for the general fund and the special revenue funds.
- g. The budgets for the general fund and the special revenue funds are adopted on the modified accrual basis of accounting, which is a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts. Accounts payable accrued at the end of the fiscal year that does not get paid by statutory deadline (Section 6-10-4, NMSA 1978) must be paid out of next year's budget.
- h. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division.
- i. The District's budget for the fiscal year ending June 30, 2018, was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
- j. The District's general fund and Drug Court fund are reverting funds (funds revert back to the State General Fund) and are required to be reverted by September 30<sup>th</sup> of each year.
- k. Appropriations lapse at the end of the fiscal year except for those amounts encumbered beginning with the year ended June 30, 2018.

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

- I. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion.
- m. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. The District has no encumbered funds outstanding as of June 30, 2018.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Exc	Excess (deficiency) of				
	revenu	revenues over expenditures				
	Origina	al	Final			
	Budge	et	Budget			
<b>Budgeted Funds</b>			_			
Governmental funds:						
General Fund	\$ (5,328	,900) \$	(5,358,894)			
Drug Court	(1,212	,000)	(1,232,000)			
Mediation	(12	,000)	(32,000)			

The accompanying Statements of Revenues, Expenditures, and Change in Fund Balance Budget (GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

#### **NOTE 3: DEPOSIT AND INVESTMENTS**

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

In June 2012, an independent expert diagnostic report revealed that statewide cash balances in the SHARE general ledger accounts had not been reconciled to the State General Fund Investment Pool maintained at the State Treasurer's Office since the implementation of SHARE in July 2006. Since then, State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance and Administration (DFA/FCD), has taken an aggressive action toward appropriate resolution.

#### **NOTE 3: DEPOSIT AND INVESTMENTS (Continued)**

Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE system configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the state's fiscal agent bank to the SHARE general ledger on a *point-forward basis* beginning February 1, 2013.

On July 11, 2014, DFA/FCD commenced the Historical Cash Reconciliation Project (Phase II) in partnership with Deloitte & Touche, LLP. The scope of this project was July 1, 2006 (SHARE implementation) to January 31, 2013 (the point at which DFA/FCD began reconciling cash activity as noted in the paragraph above). An effort in late 2014 was made to reconcile transactions but was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive, and therefore, do not merit additional energy.

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress was made in the overall reconciliation process, and the FCD now has an operational model that effectively compares statewide claims against the State General Fund Investment Pool and resources held at the State Treasurer's Office. This process has been operational since March of 2015.

This process has now been reviewed by the independent public auditors performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to the cash reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100 million that had been reserved as a loss contingency.

For 2017, the following assertions were provided:

The calculated difference between resources maintained by the State Treasurer's Office and the agency claims has remained stable and within a narrow and acceptable range (less than \$200 thousand standard deviation) over the last twelve months.

Resources are sufficient to cover claims, and there is no need to adjust any specific business unit claim on the State General Fund Investment Pool.

All claims will be honored at face value.

For 2018, the following assertions were provided:

As of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources.

All claims as recorded in SHARE shall be honored at face value.

#### **NOTE 3: DEPOSIT AND INVESTMENTS (Continued)**

The District has policies and procedures in place to ensure that the cash balances in SHARE are correct to the extent that the District has controls (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receives and transfers to the state general fund and other state agencies pursuant to the state statute. Daily and monthly reconciliations procedures are in place to review all transactions of the District and to ensure that the information is correct and reported properly within the SHARE system. This reconciliation provides assurance to management that the balance reflected in the State General Fund Investment Pool account is accurate at the end of the reporting period.

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

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

Governmental funds - state general fund investment pool

\$653,626

Interest Rate Risk. The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk. The New Mexico State Treasurer pools are not rated.

#### **NOTE 3: DEPOSIT AND INVESTMENTS (Continued)**

In addition to the investments held with the State General Fund Investment Pool, the District has ten bank accounts, which are fiduciary funds held for others. Deposit information is listed in the Statement of Changes in Assets and Liabilities – Agency Funds of this report. Pledged collateral information as of June 30, 2018 is as follows:

	Wells Fargo Bank	Total
Amount of deposits FDIC coverage	\$ 637,839 (250,000)	\$ 637,839 (250,000)
Total uninsured public funds	387,839	387,839
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	(193,920)	(193,920)
Uninsured and uncollateralized	\$ 581,759	\$ (193,920)
Collateral requirement (50%) Pledged securities	\$ 193,920 (193,920)	193,920 (193,920)
Over (under) collateralized	\$ -	\$ 

Detail of pledged collateral specific to this agency is unavailable because the bank comingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

#### **NOTE 4: INTERAGENCY TRANSFERS**

The District had the following transfers for the fiscal year ended June 30, 2018:

	SHARE	Agency		SHARE	Agency		
Transfer From	Fund No.	Number	Transfer To	Fund No.	No.	Amour	nt
Administrative Office of the Courts	89200	21800	General Fund	15100	24100	\$ 196,600	0
Administrative Office of the Courts	51200	21800	General Fund	15100	24100	91,721	1
Administrative Office of the Courts	13900	21800	General Fund	15100	24100	93,873	3
State General Fund	85300	34101	General Fund	15100	24100	5,143,300	0
State General Fund	85300	34101	Drug Court Fund	33500	24100	1,212,000	0

The amount transferred from the Administrative Office of the Courts, fund number 89200, is comprised of a \$150,000 transfer of capital assets and \$46,600 of supplies expense.

**NOTE 5: CAPITAL ASSETS** 

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

		Balance					Balance
	Ju	ne 30, 2017	-	Additions	Deletions	Jur	ne 30, 2018
Capital assets not being depreciated:							
Construction-in-progress	\$	182,558	\$	-	\$ 182,558	\$	_
Total capital assets not being depreciated		182,558		-	182,558		-
Capital assets being depreciated:							
Furniture and fixtures	\$	383,832	\$	-	\$ 140,421	\$	243,411
Machinery and equipment		387,113		-	30,426		356,687
Information and technology		336,806		7,620	6,000		338,426
Improvements		647,231		377,327	20,096		1,004,462
Automobiles		248,593		-	-		248,593
Total capital assets being depreciated		2,003,575		384,947	196,943		2,191,579
Total capital assets		2,186,133		384,947	379,501		2,191,579
Less accumulated depreciation:							
Furniture and fixtures		348,899		10,576	136,505		222,970
Machinery and equipment		387,115		-	30,428		356,687
Information and technology		322,332		10,920	6,000		327,252
Improvements		287,238		41,784	10,674		318,348
Automobiles		165,238		19,341	-		184,579
Total accumulated depreciation		1,510,822		82,621	183,607		1,409,836
Total capital assets, net of depreciation	\$	675,311	\$	302,326	\$ 195,894	\$	781,743

Depreciation expense for the year ended June 30, 2018 was \$82,621 and was charged to the administrative services function.

#### **NOTE 6: LONG-TERM LIABILITIES**

Long-term liabilities for the year ended June 30, 2018 are summarized as follows:

		Balance					Balance	<b>Due Within</b>
	Jur	ne 30, 2017	<b>Additions</b>	Re	tirements	Jui	ne 30, 2018	One Year
Accrued compensated absences	\$	215,221	\$ 421,340	\$	423,175	\$	213,386	\$ 200,213

#### **NOTE 7: OPERATING LEASES**

**Operating Lease Commitments.** The District leases certain equipment under numerous operating leases. Leases are subject to future appropriation and as such are cancelable by the District at the end of the fiscal year. Rental expense for the year ended June 30, 2018, was \$34,318.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable terms in excess of one year as of June 30, 2018.

Year ending June 30,	Amount
2019	\$ 21,142
2020	11,141
2021	6,349
2022	1,632
2023	272
Total	\$ 40,536

#### NOTE 8: PENSION PLAN - PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

Non-JRA Plan Description: The Public Employee Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Office, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions; and offers twenty-four (24) different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978); and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA fund.

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 fiscal year ending June 30, 2018. The District, 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 including schedules of required supplementary information and related notes 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.

#### NOTE 8: PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (Continued)

The net pension liability is a long-term liability that is not directly related to or expected to be paid from the District's enterprise funds and therefore not reported in the District's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Judicial Retirement Act (JRA) Plan Description: Substantially all of the District's Judges or Justices participate in a public employees 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 issued a separate, public 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 District, as part of the primary government of the State of New Mexico, is a 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 CAFR of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

#### NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2018.

The District, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority (RHCA) of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

#### NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

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

#### **NOTE 10: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of property; errors and omissions; injuries to employees; and natural disasters. The District participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability and physical damage insurance for the District, for the risks of loss mentioned above, except for injuries to employees. For risks of loss related to injuries to employees, the District has not obtained coverage from a commercial insurance company but has effectively managed risk through various employee education and prevention programs. The premiums for Risk Management are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

#### **NOTE 11: REVERSIONS**

The District remitted \$340 in the Drug Court Fund to the State General Fund as of June 30, 2018. The reversion amounts include only state appropriations.

#### **NOTE 12: CONTINGENT LIABILITIES**

The District is party to various litigation and other claims in the ordinary course of business. The District is unaware of any material pending or threatened litigation, claims, or assessments against the District that are not covered by the District's insurance.

#### **NOTE 13: FEDERAL AND STATE GRANTS**

In the normal course of operations, the District receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

#### **NOTE 14: COMMITMENTS**

The District entered into no agreements with contractors and architects for various construction projects for the year ended June 30, 2018.

#### **NOTE 15: CONCENTRATIONS**

The District depends on financial resources flowing from, or associated with, both the federal government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

#### **NOTE 16: SUBSEQUENT EVENTS**

The District has evaluated events subsequent to June 30, 2018 that would possibly require adjustment or disclosure in these financial statements, through October 29, 2018, the date that these financial statements were available to be issued.

Beginning July 1, 2019, the District will be merged with the Magistrate Courts located in Aztec, Farmington, and Gallup. Funding for the operations of the Magistrate Courts will be transferred to the District from the Administrative Office of the Courts. It is currently unknown what the financial impact will be on the District.

#### **NOTE 17: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The District had no deficit fund balances as of June 30, 2018.
- B. Excess of expenditures over budgeted amounts. The District did not have any expenditures exceeding budgetary authority as of June 30, 2018
- C. Designated cash appropriations exceeding prior year available balances. The District had no funds exceeding available balances as of June 30, 2018.

#### **NOTE 18: SUBSEQUENT PRONOUNCEMENTS**

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2018, GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statement No. 14 and No. 61, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

#### NOTE 19: RESTATEMENT OF FUND BALANCE AND NET POSITION

The objective of a fund balance and net position restatement is to accurately reflect prior period's fund balance and net position and improve the relevancy and usefulness of financial information. The District restated fund balance and net position in the amount of \$23,190 related to correctly recording prepaid expenses. The effect of the restatement is as follows:

Statement of Revenues, Expenses, and Changes in Fund Balance - Governmental Funds

			Go	vermental
	Gen	eral Fund		Funds
Net Position June 30, 2017, as originally stated	\$	76,218	\$	290,250
Restatement related to prepaid expense		(23,190)		(23,190)
Net Position June 30, 2017, as restated	\$	53,028	\$	267,060

#### Statement of Activities

	Governmental		
	A	ctivities	
Net Position June 30, 2017, as originally stated	\$	750,340	
Restatement related to prepaid expense		(23,190)	
Net Position June 30, 2017, as restated	\$	727,150	

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**Supporting Schedules** 

## State of New Mexico Eleventh Judicial District Court Schedule of Changes in Assets and Liabilities - Agency Funds June 30, 2018

		Balance						Balance
	Jur	ne 30, 2017	Α	dditions	D	eletions	Jur	ne 30, 2018
Assets								
District Court Trust Fund	\$	563,704	\$	612,920	\$	689,877	\$	486,747
First Bank vs. Joe Solar		423		-		-		423
Countywide Funding vs. Mohan		256		-		-		256
First Nationwide vs. Estate of Navel		11,620		4		-		11,624
Chase Mortgage vs. Gary Wilson		2,369		-		-		2,369
WMC Mtg. vs Lou Horvat		9,672		4		-		9,676
Midfirst Bank vs. Tony Williams		3,656		1		-		3,657
Mellon Mtg. vs. James Anderson		10,236		4		-		10,240
Chase Mortgage vs. Kristina Reinhardt		3,873		1		-		3,874
State Treasurer, District Court		125,950		39,265		56,242		108,973
Cash	\$	731,759	\$	652,199	\$	746,119	\$	637,839
Liabilities								
Deposits held for others	\$	731,759	\$	652,199	\$	746,119	\$	637,839

## State of New Mexico Eleventh Judicial District Court Schedule of the State General Fund Investment Pool and Bank Accounts June 30, 2018

Bank Name	Account Name	Account Type		Bank Balance			
New Mexico State Treasurer							
	General Fund (Fund No. 15100)	State Treasury	\$	234,439			
	Drug Court Fund (Fund No. 33500)	State Treasury		218,076			
	Mediation Fund (Fund No. 92800) State Treasury			156,410			
	Alternative Disput Resolution Fund						
	(Fund No. 43280)	State Treasury		44,701			
Total New Mexico State Treasurer				653,626			
Wells Fargo B	Bank						
J	District Court Trust Fund	Checking - interest					
		bearing		486,747			
	First Bank vs. Joe Solar	Savings		423			
	Countywide Funding vs. Mohan	Savings		256			
	First Nationwide vs. Estate of Navel	Savings		11,624			
	Chase Mortgage vs. Gary Wilson	Savings		2,369			
	WMC Mtg. vs Lou Horvat	Savings		9,676			
	Midfirst Bank vs. Tony Williams	Savings		3,657			
	Mellon Mtg. vs. James Anderson	Savings		10,240			
	Chase Mortgage vs. Kristina Reinhardt	Savings		3,874			
	State Treasurer, District Court	Checking - interest					
		bearing		108,973			
Total Wells	Fargo Bank			637,839			
Total state ge	\$	1,291,465					

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**Compliance Section** 



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## 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**

Wayne Johnson New Mexico State Auditor Honorable Karen Townsend, Chief Judge Eleventh Judicial District Court Aztec, 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, aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds, of the Eleventh Judicial District Court (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 29, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Carr, Riggs & Ingram, LLC Albuquerque, New Mexico

Can, Rigge & Ingram, L.L.C.

October 29, 2018

## State of New Mexico Eleventh Judicial District Court Schedule of Findings and Responses June 30, 2018

#### **SECTION I – SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

1. Type of auditors' report issued Unmodified

2. Internal control over financial reporting:

a. Material weaknesses identified?

None noted

 Significant deficiencies identified not considered to be material weaknesses?

None noted

c. Noncompliance material to the financial statements noted?

None noted

#### **SECTION II – PRIOR YEAR AUDIT FINDINGS**

NM 2017-001 - Budgetary Controls - Other Noncompliance - Resolved

#### **SECTION III – FINANCIAL STATEMENT FINDINGS**

None noted

#### **SECTION IV – SECTION 12-6-5 NMSA 1978 FINDINGS**

None noted

## State of New Mexico Eleventh Judicial District Court Other Disclosures June 30, 2018

#### **EXIT CONFERENCE**

An exit conference was held on October 29, 2018. In attendance were the following:

#### **Representing the Eleventh Judicial District Court**

Karen Townsend Chief Judge

Weldon J. Neff Court Executive Officer
Roberta Werito-Jones Court Financial Manager

Representing Carr, Riggs & Ingram, LLC

Alan D. Bowers, Jr., CPA Partner

#### **AUDITOR PREPARED FINANCIAL STATEMENTS**

Carr, Riggs & Ingram, LLC prepared the GAAP basis financial statements and footnotes for the Eleventh Judicial District Court from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.