

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

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COMPREHENSIVE FINANCIAL ANNUAL REPORT  
AND  
SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2015  
WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



ACCOUNTING & FINANCIAL  
**SOLUTIONS**  
CERTIFIED PUBLIC ACCOUNTANTS

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# INTRODUCTORY SECTION

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Year Ended June 30, 2015

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

OFFICIAL ROSTER  
June 30, 2015

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JUDGES

Honorable Bradford Dalley	District Judge
Honorable Louis DePauli, Jr	District Judge
Honorable Sandra A. Price	District Judge
Honorable John A. Dean Jr.	District Judge
Honorable Lyndy Bennett	District Judge
Honorable Daylene Marsh	District Judge
Honorable Robert A. Aragon	District Judge
Honorable Karen L. Townsend	Chief Judge

ADMINISTRATIVE OFFICIALS

Weldon J. Neff	Court Executive Officer
Jodie Schwebel	Deputy Court Executive Officer
Vacant	Deputy Court Executive Officer
Roberta Werito-Jones	Court Financial Administrator

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FINANCIAL SECTION

FISCAL YEAR 2015

JULY 1, 2014 THROUGH JUNE 30, 2015

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## INDEPENDENT AUDITORS' REPORT

Tim Keller, State Auditor, and  
Honorable Karen L. Townsend State of New Mexico of  
Eleventh Judicial District Court

### **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 State of New Mexico, Eleventh Judicial District Court (the District Court), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise Eleventh Judicial District Court's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### ***Auditor's Responsibility***

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

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

As discussed in Note 1, the financial statements of the Eleventh Judicial District Court are intended to present the respective financial position, and the changes in the respective financial position, of only that portion of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund of the State of New Mexico that is attributable to the transactions of the Eleventh Judicial District Court. They do not purport to and do not, present fairly the financial position of the State of New Mexico, as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of State of New Mexico, Eleventh Judicial District Court, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Tim Keller, State Auditor, and  
Honorable Karen L. Townsend State of New Mexico of  
Eleventh Judicial District Court

### ***Emphasis of Matter***

As discussed in Note I.A and Note IV.F, during the year ended June 30, 2015 Eleventh Judicial District Court adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinions are 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 8-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on Eleventh Judicial District Court's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information 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 November 13, 2015 on our consideration of Eleventh Judicial District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Eleventh Judicial District Court's internal control over financial reporting and compliance.

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
November 13, 2015

MANAGEMENT'S  
DISCUSSION AND ANALYSIS

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**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section of the Eleventh Judicial District Court's annual financial report presents our discussion and analysis of the Court's financial performance during the fiscal year that ended June 30, 2015. Please read it in conjunction with the Court's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

The principal revenue source for the Court is the General Appropriation, 86.5% or \$6,208,700. This funding source supports Court Regular in its entirety and partially funds Drug and Treatment Court. Other State Appropriations provide \$793,794 or 11.1% 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. Other financing sources derive from a grant for Pretrial Services from San Juan County in the amount of \$40,000, fees collected for Mediation \$62,925, Adult Drug Court \$25,195, and reimbursement for copy cost in Court Regular, \$43,877, for a total of \$171,997 or 2.4% of total funds.

The Court complied with budgetary expenditure guidelines in the following categories: Personnel Services and Benefits \$5,977,914, Contractual Services \$614,148, and Operating Expenses \$551,977. Any remaining uncommitted General Fund Money reverts to the State.

The reversion to the General Appropriation for FY 2015 is \$221, consisting of the following elements: Court Regular, \$9, Water Rights \$20, and Drug Courts \$192, all were due to operating variances, in which estimates were higher than actual expenses.

#### AGENCY HIGHLIGHTS

The Eleventh Judicial District 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 2015, 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 2015 is 8,673, with 1,902 in McKinley County and 6,771 in San Juan County.

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

Court Appointed Special Advocate (CASA) 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.

Three Drug Courts exist with the District Court, one for adult offenders and two 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 and Youth Treatment 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, and the Youth Treatment Court exists in McKinley County.

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Treatment Court was implemented in FY 2009 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 currently has 20 active clients with a capacity of 20.

A Grade Court 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.

Domestic Violence Programs 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 Mediation Program 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, Pretrial Services 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 Self-Represented Resource Center to provide a forum for self-represented litigants to bring actions in the District Court.

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

A Child Support Hearing Officer 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 Court as a whole. The Court 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 Court's operations in more detail than the government-wide statements by providing information about the Court's most significant funds.

The remaining statements provide financial information about activities for which the Court acts solely in a fiduciary capacity for monies held in trust until litigation is completed. Pursuant to state statutes, this Court held in trust for litigants as of June 30, 2015 the amount of \$1,139,504.

#### REPORT THE COURT AS A WHOLE

The Statement of Net Position and the Statement of Activities report information about the Court 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.



**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table A is a summary of page 16 of the FY 2015 Financial Statements and provides an explanation of the Court's net position. A comparison is furnished for June 30, 2014 and June 30, 2015.

TABLE A  
STATEMENT OF NET POSITION

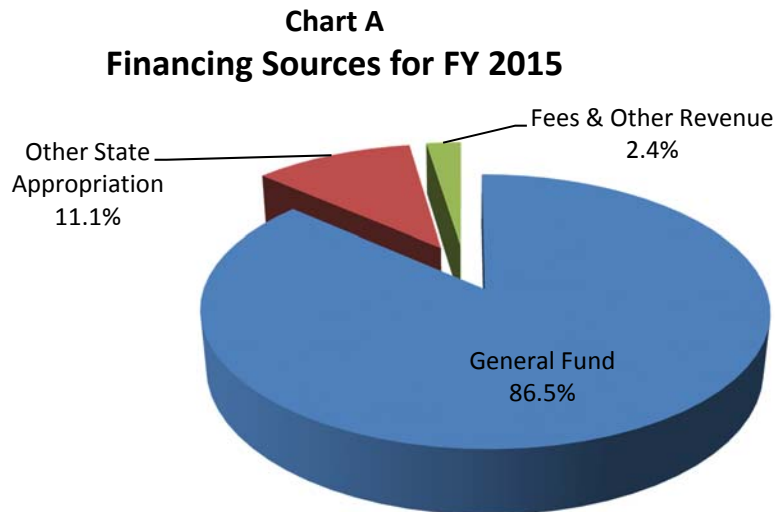
<b>Assets</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>% Change</b>
Current assets	\$ 409,769	\$ 548,361	33.8%
Capital Assets	<u>565,263</u>	<u>574,385</u>	1.6%
<b>Total Assets</b>	<u>975,032</u>	<u>1,122,746</u>	15.1%
<b>Liabilities</b>			
Current liabilities	199,301	338,513	69.9%
Noncurrent Liabilities	<u>206,477</u>	<u>195,699</u>	-5.2%
<b>Total Liabilities</b>	<u>405,778</u>	<u>534,212</u>	31.7%
<b>Net Position</b>			
Invested in Capital Assets	565,263	574,585	1.6%
Unrestricted	<u>3,991</u>	<u>14,149</u>	254.5%
<b>Total Net Position</b>	<u>\$ 569,254</u>	<u>\$ 588,734</u>	3.4%

The increase in Total Net Position from FY 2014 to FY 2015 is due to the increase of current assets. Department of Finance and Administration had an early cut-off to submit invoices for payment which left large balances in the Investment with the State Treasurer Pool, and the related liability in Current Liabilities. There were also purchases of capital assets made during FY 2015 that contributed to the increase in Net Assets.

The Long Term Liabilities are related to compensated absences. GASB34 requires a disclosure of compensated absences as a liability on the Balance Sheet. The Court 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 Court serves as an umbrella organization for the administration of many different activities. Viewed as a whole, the Court is one program. Financing sources for the program for FY 2015 are as follows: State General Fund appropriations \$6,208,499, Other State Appropriations \$793,794, and Fees and Other Revenues \$171,997, for a total revenue of \$7,174,290 (adjusted for reversions of \$221). Chart A below provides a graphic presentation of financing sources for FY 2015.



**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

EXPENSES

The Court's total expenditure for FY 2015 was \$7,144,039 with the following components: Personnel Services & Benefits \$5,977,914 or 83.7% of the total, Contractual Services \$614,148 or 8.6% of the total, Operating Cost \$551,977 or 7.7% of the total. Chart B below illustrates expenditures for FY 2015

**Chart B**  
**Expenditures for FY 2015**

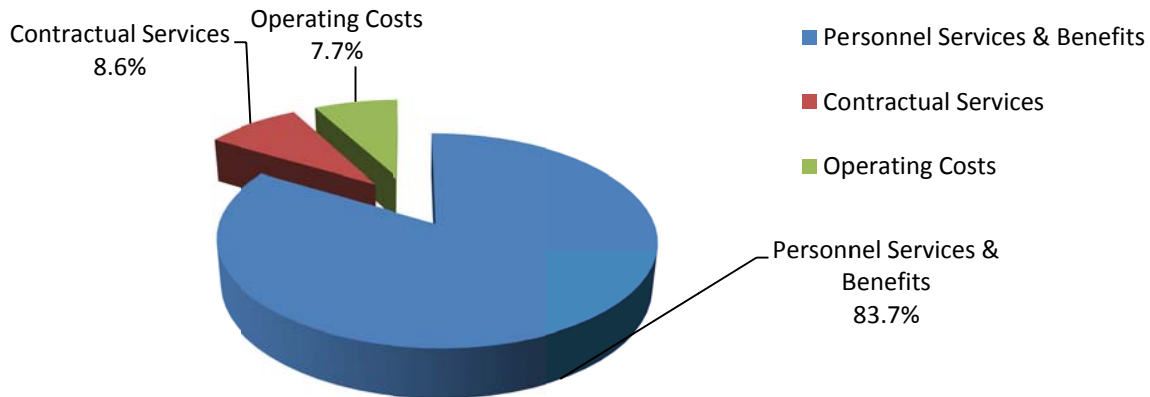


Table B is a summary of page 17 of the FY 2015 Financial Statements and provides an explanation of the Court's changes in net position. A comparison is furnished for June 30, 2014 and June 30, 2015.

Table B  
CHANGE IN NET ASSETS

	2014	2015	Change in Net Position
State General Fund	6,258,600	6,208,700	-0.8%
State Severance Tax Bonds	-	-	
Other State Appropriations	301,394	453,379	50.4%
Gain (Loss) Sale of Capital Assets	6,559,994	6,662,079	1.6%
Administrative services	6,574,541	6,563,418	-0.2%
Depreciation expense	121,645	79,181	-34.9%
Total Expenses	6,696,186	6,642,599	-0.8%
Change in Net Position	(136,192)	19,480	-114.3%
Net Position - Beginning	705,446	569,254	-19.3%
Net Position - Ending	569,254	588,734	3.4%

The increase in total net position is due to an increase in capital assets for purchases made during FY 2015. Depreciation Expense has also decreased, due to assets reaching their useful life and being fully depreciated.

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

BUDGETARY COMPARISONS

Table C below provides a summary of budget to actual comparisons for the activity in the three major funds for FY 2015. All funding sources, General Funds, Federal Funds, and Other Revenue sources are included in the analysis. An explanation of the major variances follows.

Table C  
Budget to Actuals

	Original Budget	Final Budget	Actual	Variance
Revenues: (Including State Appropriation)	7,141,600	7,191,563	7,174,491	17,072
Expenditures:				
Personnel Services & Benefits	6,035,900	5,978,115	5,977,914	201
Contractual Services	783,800	659,348	614,148	45,200
Operating Costs	321,900	554,100	551,977	2,123
Total Expenditures	7,141,600	7,191,563	7,144,039	47,524

The variance in actual revenue received over the final budget was the result of several elements. Revenue was budgeted but the following amounts were uncollected at June 30, 2015: \$2,123 Copy Fee Revenue, \$89 LETF Grant (rounding on budget request) and \$18,075 Mediation Fees. Amounts that were collected in excess of budget were \$20 Water Rights, and \$15,195 in Drug Court Fee Revenue. Water Rights excess reverts to the State General Fund, and Drug Court Fee Revenues are non-reverting. Fund balance of \$12,000 was budgeted for Mediation, but was not used. Mediation is a non-reverting fund.

The variance in actual expenditures over the final budget was the result of changes in Personnel Services & Benefits was related to actual expended costs being less than the projected amounts, Court Regular \$9 and Drug Courts \$192. In Contractual Services, projected expenditures were less than the budgeted amounts in Drug Courts \$9,700, and Mediation \$35,500. In Operating Costs, the amount of \$2,123 related to Court Regular in which Copy Fee revenue was not collected, and the related budget was not expended.

CAPITAL ASSET ACTIVITY FOR FY 2015

The requirement of GASB34 includes analysis of capital asset activity. The Eleventh 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.
- Any proceeds that results from the sale of books from the collection will be used to purchase other books for the Law Library.

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT COURT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The following Table D provides a comparison between FY 2014 and FY 2015 of the Court's capital assets:

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

	FY 2014	FY 2015	Percent Change
Building Improvements	436,150	411,667	-5.6%
Furniture and Fixtures	85,111	62,019	-27.1%
Equipment	15,952	7,141	-55.2%
Automobiles	22,830	93,758	310.7%
Information Technology/ Software	5,220	-	-100.0%
	<b>\$ 565,263</b>	<b>\$ 574,585</b>	<b>1.6%</b>

**LONG-TERM DEBT ACTIVITY**

The Court's long-term debt consists of compensated absences that are payable to employees upon separation from service. The total liability accumulated through June 30, 2015 is \$195,699.

**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 Court'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 87401

## BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
June 30, 2015

	<u>Governmental Activities</u>
<b>Assets</b>	
Investment with the state treasurer pool	\$ 507,502
Intergovernmental receivable	3,483
Prepaid postage	37,376
Non-current:	
Depreciable capital assets, net	<u>574,585</u>
<b>Total assets</b>	<u>1,122,946</u>
<b>Liabilities</b>	
Accounts payable	175,693
Accrued salaries and wages	162,554
Accrued compensated absences	195,699
Due to state - reversion	<u>266</u>
<b>Total liabilities</b>	<u>534,212</u>
<b>Net Position</b>	
Net investment in capital assets	574,585
Unrestricted	<u>14,149</u>
<b>Total net position</b>	<u>\$ 588,734</u>

The notes to the financial statements are an integral part of this statement.

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

STATEMENT OF ACTIVITIES  
**Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>
<b>Primary government:</b>				
<b>Governmental activities:</b>				
Judicial government:				
Personnel services and benefits	\$ 5,975,444	\$ 164,764	\$ -	\$ -
Contractual services	614,147	3,766	-	-
Operating costs	486,018	2,981	-	-
Depreciation expense	<u>79,181</u>	<u>486</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities</b>	<b><u>\$ 7,154,790</u></b>	<b><u>\$ 171,997</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
General revenue:				
State appropriations - regular				\$ 6,208,700
State appropriations - compensation				<u>793,794</u>
Total general revenues				<u>7,002,494</u>
Transfers - reversions				<u>(221)</u>
<i>Change in net position</i>				19,480
<b>Net position - beginning</b>				<u>569,254</u>
<b>Net position - ending</b>				<b><u>\$ 588,734</u></b>

The notes to the financial statements are an integral part of this statement.

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

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2015

	<u>General Fund #151</u>	<u>Drug Court Grant Fund #335</u>	<u>Mediation Grant Fund #928</u>	<u>Total Governmental Funds</u>
Assets				
Current assets:				
Investment in the state treasurer pool	\$ 167,214	\$ 221,076	\$ 119,212	\$ 507,502
Intergovernmental receivable	-	3,483	-	3,483
Prepaid	<u>37,376</u>	<u>-</u>	<u>-</u>	<u>37,376</u>
Total assets	<u>\$ 204,590</u>	<u>\$ 224,559</u>	<u>\$ 119,212</u>	<u>\$ 548,361</u>
Liabilities and Fund Balance				
Current liabilities:				
Accounts payable	\$ 18,954	\$ 152,524	\$ 4,215	\$ 175,693
Accrued payroll	140,077	22,477	-	162,554
Due to state - Reversion	<u>74</u>	<u>192</u>	<u>-</u>	<u>266</u>
Total current liabilities	159,105	175,193	4,215	338,513
Fund balance:				
Restricted for:				
Special revenue	-	49,366	114,997	164,363
Unassigned	<u>45,485</u>	<u>-</u>	<u>-</u>	<u>45,485</u>
Total fund balance	<u>45,485</u>	<u>49,366</u>	<u>114,997</u>	<u>209,848</u>
Total liabilities and fund balance	<u>\$ 204,590</u>	<u>\$ 224,559</u>	<u>\$ 119,212</u>	<u>\$ 548,361</u>

The notes to the financial statements are an integral part of this statement.



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

RECONCILIATION OF THE BALANCE SHEET-ALL GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

**June 30, 2015**

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

Net position - total governmental funds	\$ 209,848
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	2,091,472
Accumulated depreciation	(1,516,887)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued vacation payable	<u>(195,699)</u>
Net position of governmental activities	<u>\$ 588,734</u>

STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT COURT

GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2015

	General Fund #151	Drug Court Grant Fund #335	Mediation Grant Fund #928	Total Governmental Funds
<b>Revenues:</b>				
Fees	\$ -	\$ -	\$ 62,925	\$ 62,925
Other revenue	43,877	65,195	-	109,072
<b>Total revenues</b>	<u>43,877</u>	<u>65,195</u>	<u>62,925</u>	<u>171,997</u>
<b>Expenditures:</b>				
Current:				
Judicial government:				
Personnel services and benefits	5,079,214	907,008	-	5,986,222
Contractual services	114,248	445,299	54,600	614,147
Operating costs	383,834	99,284	2,900	486,018
Capital outlay	5,587	82,916	-	88,503
<b>Total expenditures</b>	<u>5,582,883</u>	<u>1,534,507</u>	<u>57,500</u>	<u>7,174,890</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,539,006)</u>	<u>(1,469,312)</u>	<u>5,425</u>	<u>(7,002,893)</u>
<b>Other financing sources and uses:</b>				
State appropriations - regular	4,903,200	1,305,500	-	6,208,700
State appropriations - compensation	604,983	188,811	-	793,794
Reversions - fiscal year	(29)	(192)	-	(221)
<b>Total other financing sources and uses</b>	<u>5,508,154</u>	<u>1,494,119</u>	<u>-</u>	<u>7,002,273</u>
<i>Net change in fund balance</i>	(30,852)	24,807	5,425	(620)
<b>Fund balance at beginning of the year</b>	<u>76,337</u>	<u>24,559</u>	<u>109,572</u>	<u>210,468</u>
<b>Fund balance at end of the year</b>	<u>\$ 45,485</u>	<u>\$ 49,366</u>	<u>\$ 114,997</u>	<u>\$ 209,848</u>

The notes to the financial statements are an integral part of this statement.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
**Year Ended June 30, 2015**

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

Net change in fund balance - total governmental funds	\$	(620)
<p>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. This is the amount by which depreciation exceeded capital outlays in the current year</p>		
Capital outlay		88,503
Depreciation		(79,181)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
<p>Compensated absences at:</p>		
June 30, 2015		(195,699)
June 30, 2014		206,477
		19,480
Change in net position of governmental activities	\$	19,480

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

GENERAL FUND  
**Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual  
 Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>Revenues:</b>				
Other revenue	\$ 46,000	\$ 46,000	\$ 43,877	\$ (2,123)
<b>Expenditures:</b>				
Current:				
Judicial government:				
Personnel services and benefits	5,061,000	5,070,915	5,070,906	9
Contractual services	198,700	114,248	114,248	-
Operating costs	284,500	369,000	361,289	7,711
<b>Total expenditures</b>	<u>5,544,200</u>	<u>5,554,163</u>	<u>5,552,031</u>	<u>2,132</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,498,200)</u>	<u>(5,508,163)</u>	<u>(5,508,154)</u>	<u>9</u>
<b>Other financing sources and uses:</b>				
State appropriations - regular	4,903,200	4,903,200	4,903,200	-
State appropriations - compensation	595,000	604,963	604,983	20
Reversions - fiscal year	-	-	(29)	(29)
<b>Total other financing sources and uses</b>	<u>5,498,200</u>	<u>5,508,163</u>	<u>5,508,154</u>	<u>(9)</u>
<i>Net change in fund balance</i>	-	-	-	-
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>76,337</u>	<u>76,337</u>
<b>Fund balance at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>76,337</u>	<u>\$ 76,337</u>
RECONCILIATION TO GAAP BASIS:				
Change in prepaid			(22,544)	
Change in payables			(8,308)	
 <b>Fund balance at end of the year (GAAP basis)</b>			<u>\$ 45,485</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT COURT

DRUG COURT GRANT Special Revenue Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive <u>(Negative)</u>
<b>Revenues:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
Other revenue	<u>10,000</u>	<u>50,000</u>	<u>65,195</u>	<u>15,195</u>
<b>Total revenues</b>	<u>10,000</u>	<u>50,000</u>	<u>65,195</u>	<u>15,195</u>
<b>Expenditures:</b>				
Current:				
Judicial government:				
Personnel services and benefits	974,900	907,200	907,008	192
Contractual services	495,000	455,000	445,299	9,701
Operating costs	<u>34,500</u>	<u>99,200</u>	<u>99,284</u>	<u>(84)</u>
<b>Total expenditures</b>	<u>1,504,400</u>	<u>1,544,400</u>	<u>1,534,507</u>	<u>9,893</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,494,400)</u>	<u>(1,494,400)</u>	<u>(1,469,312)</u>	<u>25,088</u>
<b>Other financing sources and uses:</b>				
State appropriations - regular	1,305,500	1,305,500	1,305,500	-
State appropriations - compensation	<u>188,900</u>	<u>188,900</u>	<u>188,811</u>	<u>(89)</u>
<b>Total other financing sources and uses</b>	<u>1,494,400</u>	<u>1,494,400</u>	<u>1,494,119</u>	<u>(281)</u>
<i>Net change in fund balance</i>	-	-	24,807	24,807
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>24,559</u>	<u>24,559</u>
<b>Fund balance at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>49,366</u>	<u>\$ 49,366</u>
RECONCILIATION TO GAAP BASIS:				
Change in prepaid			<u>-</u>	
			<u>\$ 49,366</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT COURT

MEDIATION GRANT Special Revenue Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Fees	\$ 81,000	\$ 81,000	\$ 62,925	\$ (18,075)
 <b>Expenditures:</b>				
Current:				
Judicial government:				
Contractual services	90,100	90,100	54,600	35,500
Operating costs	2,900	2,900	2,900	-
<b>Total expenditures</b>	<u>93,000</u>	<u>93,000</u>	<u>57,500</u>	<u>35,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,000)</u>	<u>(12,000)</u>	<u>5,425</u>	<u>17,425</u>
<b>Fund balance at beginning of the year</b>	<u>-</u>	<u>-</u>	<u>109,572</u>	<u>109,572</u>
<b>Fund balance at end of the year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>114,997</u>	<u>\$ 114,997</u>
 <b>RECONCILIATION TO GAAP BASIS:</b>				
Change in payables			-	
			<u>\$ 114,997</u>	

The notes to the financial statements are an integral part of this statement.

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

AGENCY FUNDS  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015**

**Assets**

Pooled cash and investments \$ 1,139,505

**Liabilities**

Deposits held for others \$ 1,139,505

The notes to the financial statements are an integral part of this statement.

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# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The State of New Mexico, Eleventh Judicial District Court (the District Court) operates under Section 34-6-1 through 34-6-3 and 34-6-17 through 34-6-47 NMSA 1978 Compilation. The District Court covers McKinley and San Juan Counties. The District Court is comprised of seven divisions as authorized in the above statutes. The District Court is the state court of general jurisdiction and is authorized to hear and determine all civil and criminal cases not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The Eleventh Judicial District Court 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 Court 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 Eleventh Judicial District Court is not included in any other government "reporting entity" as described in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District Court (primary government) and its component units. The District Court has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

#### Blended Component Units

The District does not have any component units reported as blended component units.

#### Discretely Presented Component Units

The District Court does not have any component units reported as discretely presented component units.

During fiscal year 2015, Eleventh Judicial District Court adopted the following GASB Statements:

- GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. This Statement requires the liability of defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.
- GASB 69, *Government Combinations and Disposals of Government Operations*, which distinguishes between a government merger and a government acquisition and establishes accounting and financial reporting standards related to government combinations and disposals of government operations.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (Amendment to GASB 68)*, improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. This Statement will be effective at the implementation of GASB 68.

Other accounting standards that Eleventh Judicial District Court is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 72, *Fair Value Measurement and Application*, This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### A. Reporting Entity (cont'd)

- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year ended June 30, 2016.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement will be effective for the year ended June 30, 2018.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.

The summary of significant accounting policies of the District Court is presented to assist in the understanding of the District Court's financial statements. The financial statements and notes are the representation of Eleventh Judicial District Court's management who is responsible for their integrity and objectivity. The financial statements of the District Court conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 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 non-fiduciary activities of the District Court. For the most part, the effect of inter-fund activity has been removed from these statements.

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

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

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

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. However, 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 received by the District Court.

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

The government reports the following major governmental funds:

General Fund – 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.

Drug Court Special Revenue Fund – The Drug Court is 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. The appropriations are reverting, and the grants and fees are non-reverting according to NMSA 1978 Section 34-6-45.

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

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 Court pending the resolution of litigation matters assigned to the District Court. Agency funds for the District Court are as follows:

1. Litigant's Fund – these monies are amounts collected from persons involved in pending litigation. The Court has custody and may invest these monies until refunded and, if not stated, the interest earned is transferred to the State General Fund.
2. Court Clerk's Fund – These monies are collected from individuals filing with the Court. These monies are remitted intact to the New Mexico State Treasurer.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

The effect of inter-fund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the District Court's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

### D. Assets, Liabilities, and Net Position or Equity

#### 1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District Court's cash and cash equivalents are considered to be demand deposits with the State Treasurer.

#### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due from/to other funds."

Intergovernmental receivable consists of amounts due from various New Mexico State Agencies.

#### 3. *Capital assets*

Capital assets, which include land, collections, construction in progress, buildings, equipment (software), and infrastructure assets are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 assets or materially extend assets' lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District Court does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

Such assets are recorded at cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold of the District Court is \$5,000.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### D. Assets, Liabilities, and Net Position or Equity (cont'd)

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

<u>Assets</u>	<u>Years</u>
Improvements	20
Furniture and Fixtures	10
Automobiles	7
Equipment	5
Computers	3

No depreciation is recorded for assets held for disposition.

The District Court views the law libraries for San Juan County and McKinley County as historical collections. This determination is based on the following criteria:

- a. The libraries are held for the use by the public for education and research purposes.
- b. The investments in the libraries are for public service rather than financial gain.
- c. The libraries are preserved, maintained, and protected at San Juan Community College and the McKinley County Courthouse.
- d. Any proceeds that result from the sale of books from the collection will be used to purchase other books for the law library.

The District Court expenses the cost related to the law libraries because they are considered to be a historical collection.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

#### 4. *Compensated absences*

It is the District Court's policy to permit certain employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide financial statements. Earned sick pay benefits are computed in accordance with State Statutes. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 hours up to 120 hours on July 1, and January 1 of each year. However, the sick leave will be paid at fifty percent (50%) payment for up to 120 hours, for the hours over 600 hours of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at the end of the fiscal year over 600 hours.

#### 5. *Reversions to the State of New Mexico*

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

Drug Court Special Revenue Fund: Unused State appropriations 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.

#### 6. *Cost of operations not included in statement*

San Juan and McKinley Counties provide the cost of building space and related expense.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### D. Assets, Liabilities, and Net Position or Equity (cont'd)

#### 7. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

#### 8. *Deferred Outflows of Resources and Deferred Inflows of Resources*

A deferred inflow of resources is an acquisition of net position by the Court that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by the Town that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources.

For governmental funds, deferred inflows of resources are comprised of various taxes receivable amounts and special assessments. For proprietary funds, deferred inflows of resources are comprised of unavailable fuel hedge revenues. All revenues related to these deferred inflows of resources have been recognized as revenue in the government-wide statements. Deferred outflows of resources consist of deferred gains or losses on refunded debt. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

#### 9. *Fund balance*

##### a. Non-Spendable

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, for example, inventories and prepaid amounts.

##### b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

##### c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District Court's Judges should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District Court's Judges removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District Court did not have committed fund balances for the year ended June 30, 2015.

##### d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District Court's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Judges. The District Court did not have assigned fund balances for the year ended June 30, 2015.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### D. Assets, Liabilities, and Net Position or Equity (cont'd)

#### e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District Court's policy to use committed first followed by assigned and unassigned resources as they are needed.

#### 10. *Net Position*

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

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

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. That portion of the debt is included in restricted for capital projects.

##### b. Restricted Net Position

Net Position are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

##### c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

#### 11. *Encumbrances*

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

#### 12. *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.



# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Budgets for the General, Special Revenue, and Capital Projects are prepared by management and are prepared on the Non-GAAP modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline, that must be paid out of the next year's budget.

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

1. No later than September 1, the Eleventh Judicial District Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Eleventh District.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
4. The Governor of the State of New Mexico, within the legally prescribed time limit, signs the Act into law.
5. The Eleventh District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA – Budget Division reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the JBO and the director of the DFA – Budget Division. The budget was amended in a legal manner for the current year.
6. Legal budget control for expenditure and encumbrances is by category.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.
8. The budget for the General and Special Revenue Funds is adopted on a modified accrual basis of accounting except for payables accrued at the end of the fiscal year that do not get paid by statutory deadlines that must be paid out of the next year's budget.
9. With the exception of the mediation fund, drug court fees, and those amounts encumbered, appropriations lapse at the end of the fiscal year.

### B. Budgetary Violations

The District Court did not exceed its legal budget in any individual funds during the year ended June 30, 2015.

### C. Deficit Fund Equity

There were not any deficit fund balances as of June 30, 2015.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

## III. DETAILED NOTES ON ALL FUNDS

### A. Cash and Temporary Investments

At June 30, 2015, the District Court maintained separate cash accounts for its various funds. These funds are deposited in checking and savings accounts with federally insured banks in San Juan and McKinley Counties. The District Court also maintains an investment account with the New Mexico State Treasurer's Office, in the State Treasurer General Fund Investment Pool. The bank balances of these accounts are as follows:

	Wells Fargo Bank	Bank of America	Total	Investment in the State Treasurer General Fund Investment Pool
Checking	\$ 1,055,157	\$ 42,268	\$ 1,097,425	\$ 507,502
Savings	42,080	-	42,080	-
	\$ 1,097,237	\$ 42,268	\$ 1,139,505	\$ 507,502

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposit may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping account receipt be issued, to the State of New Mexico for at least one half of the amount on deposit with the institution. The collateralization of the District Court's accounts is monitored by the State Treasures Office. The State Treasure issues separate financial statements that disclose the collateral pledged to secure deposits.

The Eleventh District Court has provided copies of the referenced diagnostic reports to the Independent Public Accountant. The Court has also explained and provided copies to the Independent Public Accountant what policies and procedures are in place that ensures that cash balances in Statewide Human Resource Accounting and Management Reporting System (SHARE) are correct to the extent that the Court has control (i.e. collections, deposits, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other agencies pursuant to state statute.

The District Court has thirteen bank accounts, eleven of which are fiduciary funds held for others, and the remaining two are deposit only accounts for the State Treasurer's Office (one each for San Juan County and McKinley County). To the extent possible, the Court does reconcile all transfers that come into its possession included those receipts that are statutorily mandated to be sent to the state general fund. The cash transactions processed by the Court flow through the state general fund investment pool. Since the SHARE was implemented, the Court recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Department of Finance, Financial Control Division for correction. Monthly reconciliation procedures throughout the Fiscal Year include, but are not limited to validation of: allotments, deposits, expenditures, all journal entries, operating transfers, payroll expenditures/ liabilities by fund, and review of outstanding warrants within the Court's statewide case management system. The Court reports the timely completion of the reconciliation process to Court management monthly and conducts monthly management budget reviews to ensure that all cash deposits and financial transactions are accurately recorded and posted to SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in the State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are correct.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

## III. DETAILED NOTES ON ALL FUNDS (cont'd)

### A. Cash and Temporary Investments (cont'd)

At June 30, 2015 the Eleventh Judicial District Court had the following invested in the Schedule of Cash Accounts:

Total Cash per Books:

<u>Wells Fargo Bank</u>		
District Court Trust Fund	Checking	\$ 978,476
First Bank vs Joe Solar	Savings	422
Countywide Funding vs Mohan	Savings	256
First Nationwide vs Estate of Navel	Savings	11,613
Chase Mortgage vs Gary Wilson	Savings	2,368
WMC Mtg. vs Lou Horvat	Savings	9,666
Midfirst Bank vs Tony Williams	Savings	3,654
Mellon Mtg vs James Anderson	Savings	10,230
Chase Mortgage vs Kristina Reinhardt	Savings	3,871
State Treasurer, District Court	Checking	10,368
State Treasurer, District Court	Checking	4,181
District Court Trust Fund	Checking	<u>62,132</u>
		1,097,237
 <u>Bank of America</u>		
District Court Trust Fund	Checking	<u>42,268</u>
		1,139,505
Less agency cash		(1,139,505)
 <u>Invested in State Treasurers Office</u>		
General		167,214
Drug Court		221,076
		<u>119,212</u>
Total		<u>\$ 507,502</u>

#### Interest Rate Risk

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

#### Credit Risk

The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

### B. Receivables

Intergovernmental receivables as of the year end for the government's individual major funds and non-major funds in the aggregate, include the following:

Due from other governments	<u>\$ 3,483</u>
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An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

### III. DETAILED NOTES ON ALL FUNDS (cont'd)

#### C. Inter-Fund Receivables and Payables

There were not any inter-fund receivables and payables at June 30, 2015:

#### D. Inter-Fund Transfers

There were not any inter-fund transfers during the year ended June 30, 2015.

#### E. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 1,109,364	\$ -	\$ (9,561)	\$ 1,099,803
Improvements	629,007	5,588	-	634,595
Automobiles	<u>291,820</u>	<u>82,917</u>	<u>(17,663)</u>	<u>357,074</u>
Total capital assets being depreciated	<u>2,030,191</u>	<u>88,505</u>	<u>(27,224)</u>	<u>2,091,472</u>
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	(1,003,081)	(37,123)	9,561	(1,030,643)
Buildings and improvements	(192,857)	(30,072)	-	(222,929)
Automobiles	<u>(268,990)</u>	<u>(11,988)</u>	<u>17,663</u>	<u>(263,315)</u>
Total accumulated depreciation	<u>(1,464,928)</u>	<u>(79,183)</u>	<u>27,224</u>	<u>(1,516,887)</u>
Total capital assets, net	<u>\$ 565,263</u>	<u>\$ 9,322</u>	<u>\$ -</u>	<u>\$ 574,585</u>

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

#### F. Compensated Absences

Changes in compensated absences – During the year ended June 30, 2015 the following changes occurred in liabilities reported in the general obligation bonds account group:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated absences:					
Compensated vacation	<u>\$ 206,477</u>	<u>\$ 423,288</u>	<u>\$ 434,066</u>	<u>\$ 195,699</u>	<u>\$ 195,699</u>

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The liquidation of bonds payable is done with resources from the debt service fund.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## IV. OTHER INFORMATION

### A. Risk Management

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

### B. Employee Retirement Plan

*Plan description* – The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 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), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 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.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.pera.state.nm.us](http://www.pera.state.nm.us) or [www.saonm.org](http://www.saonm.org) or writing:

PERA  
P.O. Box 2123  
Santa Fe, NM 87504-2123

*Benefits provided.* For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

*Contributions* – The contribution requirements of defined benefit plan members and the (name of employer) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osnm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osnm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to Eleventh Judicial District Court are: General and Judicial.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

## IV. OTHER INFORMATION (cont'd)

### B. Employee Retirement Plan (cont'd)

#### Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to Pensions

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District Court's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

#### **PERA Fund Municipal General Division**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

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

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

#### **PERA Fund Judicial 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 the fiscal year ending June 30, 2015.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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## IV. OTHER INFORMATION (cont'd)

### C. Post-Retirement Health Care Benefits

#### *Plan Description*

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

Eligible retirees are:

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to:

Retiree Health Care Authority  
4308 Carlisle NE, Suite 104  
Albuquerque, NM 87107

#### *Funding Policy*

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$85,330, \$83,559, and \$77,294, respectively, which equal the required contributions for each year.

D. Inter-Agency Transfers

The following is a list of inter-agency transfers for the year ended June 30, 2015:

<u>Agency Number</u>	<u>Share Fund Number</u>	<u>Description</u>	<u>In</u>	<u>Out</u>
24100	151000	General Fund Appropriation	\$ 4,903,200	\$ -
24100	151000	Compensation Appropriation	264,568	-
24100	151000	Compensation Appropriation	340,415	-
24100	151000	Reversion State General Fund	-	29
24100	335000	General Fund Appropriation	1,305,500	-
24100	335000	Compensation Appropriation	188,811	-
24100	335000	Reversion State General Fund	-	192
			<u>\$ 7,002,494</u>	<u>\$ 221</u>

E. Reversions

The following is a list of reversions for the year ended June 30, 2015:

General	\$ 29
Drug Court	192
	<u>\$ 221</u>

F. Subsequent Events

Subsequent events were evaluated through November 13, 2015, which is the date the financial statements were available to be issued.



## OTHER SUPPLEMENTAL INFORMATION

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

FIDUCIARY FUNDS  
**Statement of Changes in Assets and Liabilities - All Agency Funds**  
**Year Ended June 30, 2015**

<b>Assets</b>	Account <u>Type</u>	Balance <u>June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2015</u>
<u>Wells Fargo Bank</u>					
District Court Trust Fund	Checking	\$ 470,714	\$ 796,199	\$ 288,437	\$ 978,476
First Bank vs Joe Solar	Savings	422	-	-	422
Countywide Funding vs Mohan	Savings	256	-	-	256
First Nationwide vs Estate of Navel	Savings	11,610	3	-	11,613
Chase Mortgage vs Gary Wilson	Savings	2,367	1	-	2,368
WMC Mtg. vs Lou Horvat	Savings	9,664	2	-	9,666
Midfirst Bank vs Tony Williams	Savings	3,653	1	-	3,654
Mellon Mtg vs James Anderson	Savings	10,227	3	-	10,230
Chase Mortgage vs Kristina Reinhardt	Savings	3,870	1	-	3,871
State Treasurer, District Court	Checking	11,164	464,388	465,184	10,368
State Treasurer, District Court	Checking	3,234	116,620	115,673	4,181
State Treasurer, District Court	Checking	-	282,643	220,511	62,132
		527,181	1,659,861	1,089,805	1,097,237
 <u>Bank of America</u>					
District Court Trust Fund	Checking	119,997	381,859	459,588	42,268
Pooled cash and investments		\$ 647,178	\$ 2,041,720	\$ 1,549,393	\$ 1,139,505
 <b>Liabilities</b>					
Due to State Treasurer		\$ 601,875	\$ 282,643	\$ 220,511	\$ 1,097,425
Due to Litigants		45,303	1,759,077	1,328,882	42,080
Deposits held for others		\$ 647,178	\$ 2,041,720	\$ 1,549,393	\$ 1,139,505

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

**SCHEDULE OF PLEDGED COLLATERAL**  
**June 30, 2015**

	Wells Fargo Bank	Bank of America	Total Bank
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Checking accounts	\$ 1,055,157	\$ 42,268	\$ 1,097,425
Savings Accounts	42,080	-	42,080
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash on deposit at June 30, 2015	1,097,237	42,268	1,139,505
Less FDIC coverage	292,080	42,268	334,348
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Uninsured funds	<u>\$ 805,157</u>	<u>\$ -</u>	<u>\$ 805,157</u>
50% collateral requirement	\$ 402,578	\$ -	\$ 402,578
Pledged collateral	<u>402,579</u>	<u>-</u>	<u>402,579</u>
Excess of pledged collateral	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to financial statements:			
Total per banks	\$ 1,097,237	\$ 42,268	\$ 1,139,505
Reconciling items	<u>-</u>	<u>-</u>	<u>-</u>
Total per books	<u>\$ 1,097,237</u>	<u>\$ 42,268</u>	1,139,505
Cash with NM State Treasurer			507,502
Total			<u>\$ 1,647,007</u>
Total per statement of net assets			\$ 507,502
Total per statement of fiduciary net assets - agency funds			<u>1,139,505</u>
			<u>\$ 1,647,007</u>

Detail of pledged collateral specific to this agency is unavailable because the bank commingles 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.

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

SCHEDULE OF CASH ACCOUNTS  
**June 30, 2015**

<b>New Mexico State Treasurer</b>		Balance <u>June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2015</u>
Eleventh Judicial District Court	151	\$ 125,875	\$ 5,624,222	\$ 5,582,883	\$ 167,214
Drug Court and Federal Funds	335	80,837	1,674,746	1,534,507	221,076
Mediation Account	928	<u>112,739</u>	<u>63,973</u>	<u>57,500</u>	<u>119,212</u>
		<u>\$ 319,451</u>	<u>\$ 7,362,941</u>	<u>\$ 7,174,890</u>	<u>\$ 507,502</u>

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

SCHEDULE OF VENDOR INFORMATION  
(Individual Purchases in Exceeding \$60,000, Excluding Gross Receipts Tax)  
**Year Ended June 30, 2015**

Prepared by (Agency Staff Name): Roberta Werrito-Jones Title: Court Financial Administrator Date: November 11, 2015

<u>RFB/RFP #</u>	<u>Type of Procurement</u>	<u>Awarded To</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>In-State / Out-of-State Vendor</u>	<u>Veteran's Preference</u>	<u>Scope of Work</u>
N/A	RFP	Childhaven	\$ 95,748	\$ 95,748	Childhaven, Inc. 807 W. Apache, Farmington, NM 87401	Y	N	Court Appointed Special Advocate Program Services
N/A	RFP	Presbyterian Medical Services	\$ 150,000	\$ 118,492	Presbyterian Medical Services PO Box 2267, Santa Fe, NM 87504-2267	Y	N	Diagnostic Interview, Individual/ Group Counseling, Drug Testing, Creatinine Testing
N/A	RFP	Presbyterian Medical Services	\$ -	\$ -	Cottonwood Clinical Services, Inc. 511 E. 20th Farmington, NM 87401	Y	N	Diagnostic Interview, Individual/ Group Counseling, Drug Testing, Creatinine Testing
N/A	Sole Source	San Juan County	\$ 195,861	\$ 195,861	San Juan County 100 S. Oliver Drive, Aztec, NM 87410	Y	N	Alternative sentencing and crime reduction program

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# **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

Schedule of Findings and Responses

Summary Schedule of Prior Year Audit Findings

Required Disclosure

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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

Tim Keller, State Auditor, and  
Honorable Karen L. Townsend State of New Mexico of  
Eleventh Judicial District Court

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, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Eleventh Judicial District Court as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Eleventh Judicial District Court's basic financial statements, and the combining and individual funds and related budgetary comparisons of Eleventh Judicial District Court, presented as supplemental information, and have issued our report thereon dated November 13, 2015.

**Internal Control Over Financial Reporting**

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

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

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

Tim Keller, State Auditor, and  
Honorable Karen L. Townsend State of New Mexico of  
Eleventh Judicial District Court

### Compliance and other matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Eleventh Judicial District Court'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.

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
November 13, 2015



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 YEAR ENDED JUNE 30, 2015

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	—	✓	—
Significant Deficiency(ies) identified?	—	✓	—
Noncompliance material to financial statements noted?	—	✓	—

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no findings required to be reported relating to financial statements.

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

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### I. NOT RESOLVED

There were no findings to be reported from the prior year

### II. RESOLVED

There were no findings to be reported from the prior year

## REQUIRED DISCLOSURES

Year Ended June 30, 2015

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The financial statements were prepared by the independent public accountants.

An exit conference was held November 19, 2015, during which the audit findings were discussed. The exit conference was attended by the following individuals:

### ELEVENTH JUDICIAL DISTRICT COURT

Karen L. Townsend	Chief District Judge
Weldon J. Neff	Court Executive Officer
Roberta Werito-Jones	Financial Administrator

### ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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