



State of
New Mexico
Eleventh Judicial
District Court

Annual Financial Report
For the Year Ended June 30, 2016

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
 Eleventh Judicial District Court
 Annual Financial Report
 June 30, 2016
 Table of Contents

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		4
Official Roster		5
FINANCIAL SECTION		
Independent Auditors' Report		8-9
Management Discussion and Analysis		10-15
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	A-1	18
Statement of Activities	A-2	19
Fund Financial Statements:		
Balance Sheet - Governmental Funds	B-1	20
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds	B-1	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-2	23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Budgetary Basis) and Actual:		
General Fund	C-1	24
Drug Court Grant Special Revenue Fund	C-2	25
Mediation Grant Special Revenue Fund	C-3	26
Statement of Fiduciary Assets and Liabilities - Agency Funds	D-1	27
NOTES TO THE FINANCIAL STATEMENTS		29-47
SUPPORTING SCHEDULES		
	<u>Schedule</u>	
Schedule of Memorandum of Understanding	I	51
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	II	52-53
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)	III	54-55
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 <i>Government Auditing Standards</i>		58-59
Schedule of Findings and Responses	IV	60-61
OTHER DISCLOSURES		62

STATE OF NEW MEXICO
Eleventh Judicial District Court
Official Roster
June 30, 2016

Name	Title
<u>Elected Officials</u>	
Honorable Karen L. Townsend	Chief Judge
Honorable Robert A. Aragon	District Judge
Honorable Lyndy Bennett	District Judge
Honorable Bradford Dalley	District Judge
Honorable John A. Dean, Jr.	District Judge
Honorable Louis DePauli, Jr.	District Judge
Honorable Daylene Marsh	District Judge
Honorable Sandra Price	District Judge
<u>Administrative Officials</u>	
Weldon J. Neff	Court Executive Officer
Jodie Schwebel	Deputy Court Executive Officer
Vacant	Deputy Court Executive Officer
Roberta Werito-Jones	Court Financial Administrator, CFO
Jodie Hooser	Human Resources Administrator
Mark Bozik	IT Specialist Senior

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
Honorable Karen Townsend, Chief Judge
Eleventh Judicial District Court
Aztec, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of the Eleventh Judicial District Court (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the District are intended to present the financial position and the changes in financial position of the governmental activities and each major fund of the State of New Mexico that is attributed to the transactions of the District. They do not purport to, and do not, present fairly, the financial position of the State of New Mexico as of June 30, 2016, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2016, 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.

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 10 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

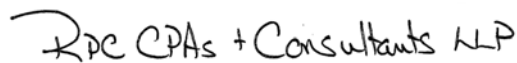
Our audit was conducted for the purpose of forming opinions on the District's financial statements and the budgetary comparisons. Schedules I through III required by Section 2.2.2 NMAC are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supporting Schedule I and Schedule II 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 Supporting Schedule I and Schedule II required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and Schedule III have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 4, 2016

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The principal revenue source for the District is the State General Fund appropriations, 87.5% or \$6,496,700. This funding source supports the general fund in its entirety and partially funds the Drug Court Fund. Other financing sources provide \$735,604 or 9.9% 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 miscellaneous items derive from a grant for Pretrial Services from San Juan County in the amount of \$35,000, fees collected for the Mediation Fund \$88,840, Adult Drug Court \$22,413, and reimbursement for copy cost in the general fund, \$46,792, for a total of \$193,045 or 2.6% of total funds.

The District complied with budgetary expenditure guidelines in the following categories: personnel services and benefits \$5,914,121, contractual services \$650,786, and operating expenses \$800,428. Any remaining uncommitted general fund money reverts to the State.

The reversion to the State General Fund for FY 2016 is \$2,264, consisting of the following elements: general fund, \$1,158, includes \$50 stale dated warrants and \$792 revenue collected in excess of budget for copy fees, and Drug Court Fund \$1,096, all were due to operating variances, in which estimates were higher than actual expenses.

AGENCY HIGHLIGHTS

The 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 District 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 2016, 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 2016 is 9,098, with 1,835 in McKinley County and 7,263 in San Juan County. This is a 4.9% increase over FY 2015.

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

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 District 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 District. A CASA program exists in San Juan County.

Three Drug Courts exist with the District, one for adult offenders and two for juveniles. The Drug Court program's mission is to assist drug-addicted individuals that have entered the District 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.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

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.

Treatment Court was implemented in FY 2007 in San Juan County to provide support to nonviolent offenders with mental health problems, by evaluating offenders for supervised release and intensive counseling treatment. Treatment Court serves as an opportunity for, nonviolent offenders to receive treatment for their mental illness, be accountable to the District, and to integrate successfully back into society as productive citizens. The Treatment Court program has proven successful, and had 12 clients graduate from the program during FY 2016.

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 District 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; educate 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.

In San Juan County, the District 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 District'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 District as a whole. The District has no business-type activities but rather solely supports government operations. For government activities, these statements reflect how these services were financed in the current year and what remains for future spending. The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

STATE OF NEW MEXICO
 ELEVENTH JUDICIAL DISTRICT COURT
 MANAGEMENT DISCUSSION AND ANALYSIS
 JUNE 30, 2016

The remaining statements provide financial information about activities for which the District acts solely in a fiduciary capacity for monies held in trust until litigation is completed. Pursuant to state statutes, this District held in trust for litigants as of June 30, 2016 the amount of \$1,170,187.

REPORT THE DISTRICT AS A WHOLE

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

Table A
 Statement of Net Position

	6/30/2016	6/30/2015	Percent Change
Current Assets	\$ 834,156	\$ 548,361	52.1%
Capital Assets	<u>566,674</u>	<u>574,585</u>	<u>-1.4%</u>
Total Assets	1,400,830	1,122,946	24.7%
Current Liabilities	680,562	338,513	101.0%
Long Term Liabilities	<u>35,055</u>	<u>195,699</u>	<u>-82.1%</u>
Total Liabilities	715,617	534,212	34.0%
Net Position			
Net Investment in Capital			
Assets	566,674	574,585	-1.4%
Special Revenue	164,363	-	0.0%
Unrestricted	<u>(45,824)</u>	<u>14,149</u>	<u>-423.9%</u>
Total Net Position	\$ 685,213	\$ 588,734	16.4%

The increase in Total Net Position from FY 2015 to FY 2016 is due to the increase of current assets and current liabilities. 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. In the prior fiscal year, all compensated absences were recorded as a long-term liability, but in the current year, it has been split between current and long-term liability.

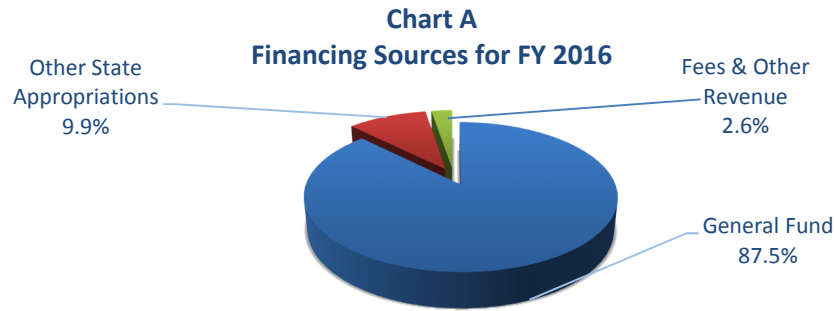
The long-term liabilities are related to compensated absences. GASB34 requires a disclosure of compensated absences as a liability on the balance sheet. The District does not carry forward a fund balance for future year expenditures but returns unspent appropriations to the State General Fund.

FINANCING SOURCES

As previously stated, the District serves as an umbrella organization for the administration of many different activities. Viewed as a whole, the District is one program. Financing sources for the program for FY 2016 are as follows: State General Fund appropriations \$6,496,700, other financing sources \$735,604, and fees and other revenues \$193,045, for a total revenue of \$7,423,180 (adjusted for reversions of \$2,169).

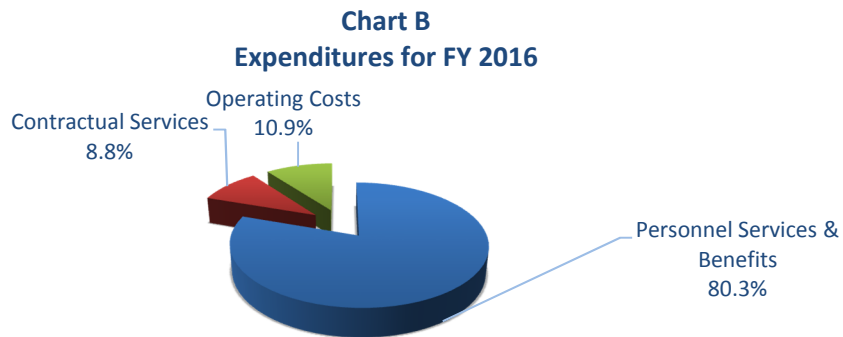
STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

Chart A below provides a graphic presentation of financing sources for FY 2016:



EXPENSES

The District's total expenditure for FY 2016 was \$7,365,335 with the following components: personnel services and benefits \$5,914,121 or 80.3% of the total, contractual services \$650,786 or 8.8% of the total, operating costs \$800,428 or 10.9% of the total. Chart B below illustrates expenditures for FY 2016:



STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

Table B is a summary of the Statement of Activities and provides an explanation of the District's changes in net position. A comparison is furnished for June 30, 2016 and June 30, 2015.

Table B
Change in Net Position

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Percent Change</u>
State General Fund Appropriation	\$ 6,496,700	\$ 6,208,700	4.6%
Other Financing Sources	523,393	793,794	-34.1%
Miscellaneous	<u>405,256</u>	<u>171,997</u>	<u>135.6%</u>
Total Revenues	7,425,349	7,174,491	3.5%
Administrative Services	7,303,733	7,075,609	3.2%
Depreciation	75,750	79,181	-4.3%
Reversion to the State General Fund	<u>2,169</u>	<u>221</u>	<u>881.4%</u>
Total Expenses	7,381,652	7,155,011	3.2%
Change in Net Position	43,697	19,480	124.3%
Net Position- Beginning	<u>641,516</u>	<u>569,254</u>	<u>12.7%</u>
Net Position- Ending	685,213	588,734	0.0%

The increase in Total Net Position from FY 2015 to FY 2016 is due to the increase of current assets and current liabilities. 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. In the prior fiscal year, all compensated absences were recorded as a long-term liability, but in the current year, it has been split between current and long-term liability.

BUDGETARY COMPARISONS

Table C below provides a summary of budget to actual comparisons for the activity in the three major funds for FY 2016. All funding sources, State General Fund appropriation, federal funds, and other revenue sources are included in the analysis. An explanation of the major variances follows.

Table C
Budget to Actuals

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues: (Including State Appropriation)	7,367,900	7,404,304	7,425,349	21,045
Expenditures:				
Personnel Services & Benefits	6,289,400	5,914,745	5,914,121	624
Contractual Services	672,800	659,159	650,786	8,373
Operating Costs	<u>417,700</u>	<u>842,400</u>	<u>800,428</u>	<u>41,972</u>
Total Expenditures	\$ 7,379,900	\$ 7,416,304	\$ 7,365,335	\$ 50,969

STATE OF NEW MEXICO
 ELEVENTH JUDICIAL DISTRICT COURT
 MANAGEMENT DISCUSSION AND ANALYSIS
 JUNE 30, 2016

The variance in actual revenue received over the final budget was the result of several elements. Revenue was collected in excess of budget \$792 copy fees, \$12,413 in Drug Court fees, and \$7,840 in Mediation fees. Copy fee excess reverts to the State General Fund. Drug Court and Mediation fee excess revenues are non-reverting. Fund balance of \$12,000 was budgeted for Mediation, but was not used.

The variance in actual expenditures over the final budget was the result of changes in personnel services and benefits was related to actual expended costs being less than the projected amounts, general fund \$6, and Drug Court \$618. In contractual services, projected expenditures were less than the budgeted amounts in general fund \$24, Drug Court \$8,349. In operating costs, projected expenditures were less than budgeted amounts in general fund \$251, Drug Court \$479, and Mediation \$41,242.

CAPITAL ASSET ACTIVITY FOR FY 2016

The requirement of GASB Statement No. 34 includes analysis of capital asset activity. The District has elected to treat investment in law library materials as a historical collection and therefore, the items recognized as cost of operations at the time costs are incurred. Recording these purchases as expenses and maintaining an inventory of volumes gives a meaningful presentation of the value of the District’s law libraries. The historical collections status is based upon the following criteria: the libraries are held for use by the public for educational purposes; investment in the libraries for public service rather than financial gain; the libraries are preserved, maintained, and protected at San Juan Community College and the McKinley County Courthouse; and any proceeds that results from the sale of books from the collection will be used to purchase other books for the law library. The following Table C provides a comparison between FY 2016 and FY 2015 of the District’s capital assets:

Table D
 Capital Assets (Net of Depreciation)

	6/30/2016	6/30/2015	Percent Change
Furniture and fixtures	\$ 46,059	\$ 62,019	-25.73%
Machinery and equipment	1,452	7,141	-79.67%
Information and technology	24,123	-	100.00%
Improvements	392,344	411,667	-4.69%
Automobiles	102,696	93,758	9.53%
	\$ 566,674	\$ 574,585	-1.38%

LONG-TERM DEBT ACTIVITY

The District’s long-term debt consists of compensated absences that are payable to employees upon separation from service. The total liability accumulated through June 30, 2016 is \$201,936.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

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

CONTACTING THE AGENCY’S FINANCIAL MANAGEMENT

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

The Eleventh Judicial District Court
 103 S. Oliver Drive
 Aztec, NM 87401

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Eleventh Judicial District Court
Statement of Net Position
June 30, 2016

Exhibit A-1

	Governmental Activities
Assets	
Current assets:	
Investments in the State Treasurer's General Fund Investment Pool	\$ 705,244
Due from other state agencies	38,754
Prepaid expenses	90,158
Total current assets	834,156
Noncurrent assets:	
Capital assets	2,070,569
Less: accumulated depreciation	(1,503,895)
Total noncurrent assets	566,674
<i>Total assets</i>	\$ 1,400,830
Liabilities and net position	
Liabilities	
Current liabilities:	
Accounts payable	\$ 307,707
Accrued expenses	203,710
Current portion of accrued compensated absences	166,881
Due to State General Fund:	
Current year reversion	2,214
Stale dated warrants	50
Total current liabilities	680,562
Noncurrent liabilities:	
Accrued compensated absences	35,055
Total noncurrent liabilities	35,055
<i>Total liabilities</i>	715,617
Net position	
Net investment in capital assets	566,674
Restricted for:	
Special revenue	222,208
Unrestricted	(103,669)
<i>Total net position</i>	685,213
<i>Total liabilities and net position</i>	\$ 1,400,830

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Statement of Activities
For the Year Ended June 30, 2016

Exhibit A-2

	Governmental Activities
Program expenses	
General government:	
Administrative services	\$ 7,250,951
Depreciation	75,750
	7,326,701
<i>Total program expenses</i>	<i>7,326,701</i>
Program revenues	
Operating grants and contributions	
Federal grants	523,393
Miscellaneous	405,256
	928,649
<i>Total program revenues</i>	<i>928,649</i>
Net program income	(6,398,052)
General revenues (expenses)	
State General Fund appropriation	6,496,700
Reversion to the State General Fund	(2,169)
	6,494,531
Total general revenues (expenses)	6,494,531
Change in net position	96,479
Net position - beginning of year	588,734
<i>Net position - end of year</i>	<i>\$ 685,213</i>

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>Drug Court</u>	<u>Mediation</u>	<u>Total</u>
Assets				
Investments in the State Treasurer's General Fund Investment Pool	\$ 301,959	\$ 246,197	\$ 157,088	\$ 705,244
Due from other state agencies	-	38,754	-	38,754
Prepaid expenses	90,158	-	-	90,158
<i>Total assets</i>	<u>\$ 392,117</u>	<u>\$ 284,951</u>	<u>\$ 157,088</u>	<u>\$ 834,156</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 120,231	\$ 182,467	\$ 5,009	\$ 307,707
Accrued expenses	172,451	31,259	-	203,710
Due to State General Fund:				
Current year reversion	1,118	1,096	-	2,214
Stale dated warrants	50	-	-	50
<i>Total liabilities</i>	<u>293,850</u>	<u>214,822</u>	<u>5,009</u>	<u>513,681</u>
Fund balances				
Nonspendable:				
Prepaid expenses	90,158	-	-	90,158
Spendable:				
Restricted	-	70,129	152,079	222,208
Unassigned	8,109	-	-	8,109
<i>Total fund balances</i>	<u>98,267</u>	<u>70,129</u>	<u>152,079</u>	<u>320,475</u>
<i>Total liabilities and fund balances</i>	<u>\$ 392,117</u>	<u>\$ 284,951</u>	<u>\$ 157,088</u>	<u>\$ 834,156</u>

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2016

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

Fund balances - total governmental funds	\$ 320,475
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	566,674
Certain liabilities, including current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable at year end	<u>(201,936)</u>
<i>Total net position of governmental activities</i>	<u><u>\$ 685,213</u></u>

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Drug Court</u>	<u>Mediation</u>	<u>Total</u>
Revenues				
Intergovernmental income:				
Federal operating grants	\$ 523,393	\$ -	\$ -	\$ 523,393
Other services interagency	-	212,211	-	212,211
Other gifts and grants	-	35,000	-	35,000
Fees	-	-	88,840	88,840
Miscellaneous	46,792	22,413	-	69,205
<i>Total revenues</i>	<u>570,185</u>	<u>269,624</u>	<u>88,840</u>	<u>928,649</u>
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	5,071,739	842,382	-	5,914,121
Contractual services	126,324	524,462	-	650,786
Other	422,884	205,028	51,758	679,670
Capital outlay	41,583	26,393	-	67,976
<i>Total expenditures</i>	<u>5,662,530</u>	<u>1,598,265</u>	<u>51,758</u>	<u>7,312,553</u>
Excess (deficiency) of revenues over expenditures	<u>(5,092,345)</u>	<u>(1,328,641)</u>	<u>37,082</u>	<u>(6,383,904)</u>
Other financing sources (uses)				
State General Fund appropriation	5,146,200	1,350,500	-	6,496,700
Reversion to the State General Fund	(1,073)	(1,096)	-	(2,169)
<i>Total other financing sources (uses)</i>	<u>5,145,127</u>	<u>1,349,404</u>	<u>-</u>	<u>6,494,531</u>
Net change in fund balances	52,782	20,763	37,082	110,627
Fund balances - beginning of year	<u>45,485</u>	<u>49,366</u>	<u>114,997</u>	<u>209,848</u>
<i>Fund balances - end of year</i>	<u>\$ 98,267</u>	<u>\$ 70,129</u>	<u>\$ 152,079</u>	<u>\$ 320,475</u>

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

STATE OF NEW MEXICO
 Eleventh Judicial District Court
 Reconciliation of the Statement of Revenues, Expenditures, and Change
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016

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

Net change in fund balances- total governmental funds	\$	110,627
<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:</p>		
Capital outlay		67,976
Depreciation expense		(75,750)
Loss on disposition of capital assets		(137)
<p>Expenditures in the Statement of Activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Increase in accrued compensated absences		<u>(6,237)</u>
<i>Change in net position of governmental activities</i>	\$	<u><u>96,479</u></u>

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Intergovernmental income:				
Federal grants interagency	\$ 523,300	\$ 523,393	\$ 523,393	\$ -
Other services interagency	-	-	-	-
Other gifts and grants	-	-	-	-
Fees	-	-	-	-
Miscellaneous	46,000	46,000	46,792	792
<i>Total revenues</i>	<u>569,300</u>	<u>569,393</u>	<u>570,185</u>	<u>792</u>
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	5,249,600	5,071,745	5,071,739	6
Contractual services	177,800	126,348	126,324	24
Other	246,517	475,917	475,666	251
Capital outlay	41,583	41,583	41,583	-
<i>Total expenditures</i>	<u>5,715,500</u>	<u>5,715,593</u>	<u>5,715,312</u>	<u>281</u>
Excess (deficiency) of revenues over expenditures	<u>(5,146,200)</u>	<u>(5,146,200)</u>	<u>(5,145,127)</u>	<u>1,073</u>
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
State General Fund appropriation	5,146,200	5,146,200	5,146,200	-
Reversion to the State General Fund	-	-	(1,073)	(1,073)
<i>Total other financing sources (uses)</i>	<u>5,146,200</u>	<u>5,146,200</u>	<u>5,145,127</u>	<u>(1,073)</u>
Net change in fund balance	-	-	-	-
Fund balances - beginning of year	-	-	45,485	45,485
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,485</u>	<u>\$ 45,485</u>
Reconciliation to the GAAP basis				
Change in prepaid expenses			\$ 52,782	
<i>Fund balances- end of year (GAAP basis)</i>			<u>\$ 98,267</u>	

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
Drug Court Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Other services and interagency	\$ 171,800	\$ 212,211	\$ 212,211	\$ -
Other gifts and grants	-	35,000	35,000	-
Miscellaneous	10,000	10,000	22,413	12,413
<i>Total revenues</i>	<u>181,800</u>	<u>257,211</u>	<u>269,624</u>	<u>12,413</u>
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	1,039,800	843,000	842,382	618
Contractual services	495,000	532,811	524,462	8,349
Other	10,207	205,507	205,028	479
Capital outlay	26,393	26,393	26,393	-
<i>Total expenditures</i>	<u>1,571,400</u>	<u>1,607,711</u>	<u>1,598,265</u>	<u>9,446</u>
Excess (deficiency) of revenues over expenditures	<u>(1,389,600)</u>	<u>(1,350,500)</u>	<u>(1,328,641)</u>	<u>21,859</u>
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
State General Fund appropriation	1,389,600	1,350,500	1,350,500	-
Reversion to the State General Fund	-	-	(1,096)	(1,096)
<i>Total other financing sources (uses)</i>	<u>1,389,600</u>	<u>1,350,500</u>	<u>1,349,404</u>	<u>(1,096)</u>
Net change in fund balance	-	-	20,763	20,763
Fund balances - beginning of year	-	-	49,366	49,366
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,129</u>	<u>\$ 70,129</u>

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

STATE OF NEW MEXICO

Exhibit C-3

Eleventh Judicial District Court

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (GAAP Budgetary Basis) and Actual

Mediation Special Revenue Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Miscellaneous	\$ 81,000	\$ 81,000	\$ 88,840	\$ 7,840
<i>Total revenues</i>	<u>81,000</u>	<u>81,000</u>	<u>88,840</u>	<u>7,840</u>
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	93,000	93,000	51,758	41,242
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>93,000</u>	<u>93,000</u>	<u>51,758</u>	<u>41,242</u>
Excess (deficiency) of revenues over expenditures	<u>(12,000)</u>	<u>(12,000)</u>	<u>37,082</u>	<u>49,082</u>
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	12,000	12,000	-	(12,000)
State General Fund appropriation	-	-	-	-
Reversion to the State General Fund	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>(12,000)</u>
Net change in fund balance	-	-	37,082	37,082
Fund balances - beginning of year	-	-	114,997	114,997
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,079</u>	<u>\$ 152,079</u>

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Exhibit D-1

Assets

Current assets:	
Pooled cash and investments	\$ <u>1,170,187</u>
Total current assets	<u>1,170,187</u>
<i>Total assets</i>	<u><u>\$ 1,170,187</u></u>

Liabilities

Deposits held for others	\$ <u>1,170,187</u>
<i>Total liabilities</i>	<u><u>\$ 1,170,187</u></u>

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

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STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies

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

The District is a part of the judicial branch of the State of New Mexico and these financial statements include all funds and activities over which the District has oversight responsibility. Oversight responsibility includes such aspects as designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements. The District is not included in any other government "reporting entity" as described in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. The District will be included in the State of New Mexico Comprehensive Annual Financial Report (CAFR).

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

During the year ended June 30, 2016, the District adopted GASB Statements No. 72, Fair Value Measurement and Application, No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, No. 79, Certain External Investment Pools and Pool Participants, and a portion of No 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. GASB Statements Nos. 72, 76, and a portion of 79, as well as the implemented portion of Statement No. 73, are required to be implemented for the fiscal year ending June 30, 2016.

GASB Statement No. 72 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. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Information concerning the investments requiring fair value measurements will be available in the State of New Mexico CAFR, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. Effective for June 30, 2016 are the amendments for Statement No.s 67 and 68 and assets accumulated for pensions not administered as trusts.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 with regards to the following issues: (1) Information that is required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

In addition, effective for June 30, 2016 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

The objective of GASB Statement No. 76 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. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements

A. Financial Reporting Entity

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

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

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

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities (also known as proprietary or enterprise funds)*, which rely to a significant extent on fees and charges for support.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

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

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

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

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

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

The District's financial statements have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

The *Drug Court Special Revenue Fund* 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, and is pursuant to NMSA 1978 section 34-6-45. The Drug Court Grant fund operates under the SHARE number #33500. These funds are reverting with the exception of drug court fees.

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
 Eleventh Judicial District Court
 Notes to the Financial Statements
 June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

Accrued expenses: Accrued expenses are comprised of accrued payroll and payroll expenditures based on amounts earned by the employees through June 30, 2016, along with the applicable Public Employees Retirement Association (PERA) and other pension costs.

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

Reversions to the State of New Mexico:

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

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

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

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

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

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Pensions: The District, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements 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. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the District's governmental funds and therefore not reported in the District's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred 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 the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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 New Mexico PERA and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position or fund balance classification policies and procedures:

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

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

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

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

Restricted Fund Balance: At June 30, 2016, the restricted fund balance on the governmental funds balance sheet is made up of \$222,208 for the restricted purposes as defined by each fund.

Non-spendable Fund Balance: The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, inventories and prepaid amounts. At June 30, 2016, the non-spendable amount is \$90,158.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

- a. *Net investment in capital assets:*
This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position:*
Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position:*
All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

E. Estimates

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

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

- a. No later than September 1st, the District submits to the Judiciary Budget Office (JBO), Legislative Finance Committee (LFC), and DFA an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
- b. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for its approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court’s recommended appropriation request for the District.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 2. Stewardship, Compliance, and Accountability (continued)

- c. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
- d. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The District submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA- Budget Division reviews and approves the operating budget which becomes effective on July 1st.
- e. The legal level of budgetary control is at the appropriation program level.
- f. Formal budgetary integration is employed as a management control device during the fiscal year for the general fund and the special revenue funds.
- g. The budgets for the general fund and the special revenue funds are adopted on the modified accrual basis of accounting, which is a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts. Accounts payable accrued at the end of the fiscal year that does not get paid by statutory deadline (Section 6-10-4, NMSA 1978) must be paid out of next year's budget.
- h. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division.
- i. The District's budget for the fiscal year ending June 30, 2016, was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
- j. The District's general fund and Drug Court fund are reverting funds (funds revert back to the State General Fund) and are required to be reverted by September 30th of each year.
- k. Appropriations lapse at the end of the fiscal year except for those amounts encumbered beginning with the year ended June 30, 2016.
- l. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion.
- m. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. The District has no encumbered funds outstanding as of June 30, 2016.

STATE OF NEW MEXICO
 Eleventh Judicial District Court
 Notes to the Financial Statements
 June 30, 2016

NOTE 2. Stewardship, Compliance, and Accountability (continued)

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

Budgeted Funds	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	Governmental funds:	
General Fund	\$ (5,146,200)	\$ (5,146,200)
Drug Court	(1,399,600)	(1,360,500)
Mediation	(12,000)	(12,000)

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

NOTE 3. Deposit and Investments

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

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

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

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposit and Investments (continued)

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

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

For 2016, the following assertions are provided:

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

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

All claims will be honored at face value.

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

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. For additional GASB Statement No. 40 disclosure information regarding cash held by the New Mexico State Treasurer, a separate audit report is issued by the New Mexico State Treasurer's Office for the most recent fiscal year end.

Concentration of Credit Risk- Investments Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State General Fund Investment Pool is not rated for credit risk.

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

STATE OF NEW MEXICO
 Eleventh Judicial District Court
 Notes to the Financial Statements
 June 30, 2016

NOTE 3. Deposit and Investments (continued)

At June 30, 2016, cash and investments consisted of the following:

<u>Account Name</u>	<u>Share Fund No.</u>	<u>Maturities</u>	<u>Balance per Bank</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<u>General Fund:</u>					
Investment in the State General Fund Investment Pool	15100	<180 days	\$ 301,959	\$ -	\$ 301,959
<u>Special Revenue Funds:</u>					
Investment in the State General Fund Investment Pool:					
Drug Court	33500	<180 days	246,197	-	246,197
Mediation Program	92800	<180 days	157,088	-	157,088
			<u>\$ 705,244</u>	<u>\$ -</u>	<u>\$ 705,244</u>

In addition to the investments held with the State General Fund Investment Pool, the District has ten bank accounts, eight 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). Deposit information is listed in Schedule II of this report. Pledged collateral information as of June 30, 2016 is as follows:

	<u>Wells Fargo Bank</u>	<u>Bank of America</u>	<u>Total</u>
Amount of deposits	\$ 1,170,187	\$ -	\$ 1,170,187
FDIC coverage	(292,092)	-	(292,092)
Total uninsured public funds	<u>878,095</u>	<u>-</u>	<u>878,095</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	439,048	-	439,048
Uninsured and uncollateralized	<u>\$ 439,047</u>	<u>\$ -</u>	<u>\$ 439,048</u>
Collateral requirement (50%)	\$ 439,048	\$ -	439,048
Pledged securities	439,048	-	439,048
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 4. Interagency Transfers

The District had the following interagency receivable for the fiscal year ended June 30, 2016:

<u>SHARE Fund No.</u>	<u>Due From</u>	<u>SHARE Fund No.</u>	<u>Due To</u>	<u>Amount</u>
13900	Administrative Office of the Courts	33500	Drug Court	\$ 38,754

The District had the following transfers for the fiscal year ended June 30, 2016:

<u>Transfer From</u>	<u>SHARE Fund No.</u>	<u>Transfer To</u>	<u>SHARE Fund No.</u>	<u>Agency No.</u>	<u>Amount</u>
State General Fund	85300	General Fund	15100	24100	\$ 5,146,200
State General Fund	85300	Drug Court	33500	24100	1,350,500
General Fund	15100	State General Fund	85300	24100	1,073
Drug Court	33500	State General Fund	85300	24100	1,096

NOTE 5. Capital Assets

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

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets being depreciated:				
Furniture and fixtures	\$ 387,264	\$ -	\$ 211	\$ 387,053
Machinery and equipment	402,599	-	-	402,599
Information and technology	309,940	28,947	2,081	336,806
Improvements	634,595	12,636	-	647,231
Automobiles	357,074	26,393	86,587	296,880
Total capital assets being depreciated	<u>2,091,472</u>	<u>67,976</u>	<u>88,879</u>	<u>2,070,569</u>
Less accumulated depreciation:				
Furniture and fixtures	325,244	15,824	74	340,994
Machinery and equipment	395,459	5,688	-	401,147
Information and technology	309,940	4,824	2,081	312,683
Improvements	222,929	31,958	-	254,887
Automobiles	263,315	17,456	86,587	194,184
Total accumulated depreciation	<u>1,516,887</u>	<u>75,750</u>	<u>88,742</u>	<u>1,503,895</u>
Total capital assets, net of depreciation	<u>\$ 574,585</u>	<u>\$ (7,774)</u>	<u>\$ 137</u>	<u>\$ 566,674</u>

Depreciation expense for the year ended June 30, 2016 was \$75,750 and was charged to the general government function.

STATE OF NEW MEXICO
 Eleventh Judicial District Court
 Notes to the Financial Statements
 June 30, 2016

NOTE 6. Long-term Liabilities

Long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Accrued compensated absences	\$ 195,699	\$ 434,957	\$ 428,720	\$ 201,936	\$ 166,881

NOTE 7. Pension Plan- Public Employee Retirement Association

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2016. The District, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).

Disclosure requirements including schedules of required supplementary information and related notes for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the District's enterprise funds and therefore not reported in the District's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 8. Post-Employment Benefits- State Retiree Health Care Plan

Plan Description. The District 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 (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.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 8. Post-Employment Benefits- State Retiree Health Care Plan (continued)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five (5) years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two (2) years; and 4) former governing authority members who served at least four (4) years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13, NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five (5) 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 100.00% 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.

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 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 member cover plans 3, 4, or 5; municipal fire member cover 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, 2015, the statutes required each participating employer to contribute 2.50% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; and each participating employee was required to contribute 1.00% of their salary. In addition, pursuant to Section 10-7C-15(G), NMSA 1978, at the first session of the legislature following July 1, 2013, 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, 2016, 2015, and 2014 were \$84,997, \$85,330, and \$83,559, respectively.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 9. Risk Management

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

NOTE 10. Reversions

The Due to State General Fund in the Statement of Net Position includes \$45 from 2014 for State General Fund reversion; \$2,169 from 2016 for State General Fund reversion and \$50 from 2016 for stale dated warrants, respectively; for a total amount of \$2,264 that will be remitted to the State General Fund. The reversion amounts include only state appropriations.

NOTE 11. Contingent Liabilities

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

NOTE 12. Federal and State Grants

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

NOTE 13. Commitments

The District entered into no agreements with contractors and architects for various construction projects for the year ended June 30, 2016.

NOTE 14. Concentrations

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

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 15. Subsequent Events

The District has evaluated events subsequent to June 30, 2016 that would possibly require adjustment or disclosure in these financial statements, through November 4, 2016, the date that these financial statements were available to be issued.

No events have occurred subsequent to June 30, 2016 that would require adjustment or modification to the contents of these statements.

NOTE 16. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The District had no deficit fund balances as of June 30, 2016.
- B. Excess of expenditures over budgeted amounts. The District had no funds exceeding budgetary authority as of June 30, 2016.
- C. Designated cash appropriations exceeding prior year available balances. The District had no funds exceeding available balances as of June 30, 2016.

NOTE 17. Subsequent Pronouncements

In June 2015, GASB Statement No. 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*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Notes to the Financial Statements
June 30, 2016

NOTE 17. Subsequent Pronouncements (continued)

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
Eleventh Judicial District Court
Schedule of Memorandum of Understanding
June 30, 2016

Schedule I

The District entered into a memorandum of understanding between the Administrative Office of the Courts and the Eleventh Judicial District Court for the support of problem-solving courts in New Mexico.

Participants	Administrative Office of the Courts and the Eleventh Judicial District Court
Responsible party	All
Description	To state the general understanding between the involved parties with regards to provide treatment and counseling to drug-dependent offenders, who are in the criminal justice system due to drug-related charges, with the aim of eliminating their substance abuse.
Begin date	July 1, 2015
End date	June 30, 2016
Estimated amount of project	\$212,211
Amount contributed in fiscal year	\$212,211
Audit responsibility	All
Fiscal agent	Administrative Office of the Courts
Agency where the entity reports	Department of Finance and Administration

See independent auditors' report.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Statement of Changes in Assets and Liabilities - Agency Funds
June 30, 2016

	Account Type	Balance June 30, 2015
Assets		
<u>Wells Fargo Bank</u>		
District Court Trust Fund	Checking - interest bearing	\$ 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 - noninterest bearing	10,368
State Treasurer, District Court	Checking - noninterest bearing	4,181
State Treasurer, District Court	Checking - interest bearing	62,132
Subtotal Wells Fargo Bank		1,097,237
<u>Bank of America</u>		
District Court Trust Fund	Checking - noninterest bearing	42,268
<i>Pooled cash and investments</i>		\$ 1,139,505
Liabilities		
Due to State Treasurer		\$ 1,097,425
Due to litigants		42,080
<i>Deposits held for others</i>		\$ 1,139,505

See independent auditors' report.

<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2016</u>
\$ 2,022,403	\$ 2,003,685	\$ 997,194
-	-	422
-	-	256
4	-	11,617
-	-	2,368
3	-	9,669
1	-	3,655
3	-	10,233
1	-	3,872
474,816	485,184	-
121,756	125,937	-
<u>208,815</u>	<u>140,046</u>	<u>130,901</u>
<u>2,827,802</u>	<u>2,754,852</u>	<u>1,170,187</u>
25	42,293	-
<u>\$ 2,827,827</u>	<u>\$ 2,797,145</u>	<u>\$ 1,170,187</u>
\$ 805,387	\$ 751,167	\$ 1,151,645
<u>2,022,440</u>	<u>2,045,978</u>	<u>18,542</u>
<u>\$ 2,827,827</u>	<u>\$ 2,797,145</u>	<u>\$ 1,170,187</u>

See independent auditors' report.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
June 30, 2016

<u>RFB#/ RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>
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No items meeting the \$60,000 threshold reporting requirement were noted for the current year.

See independent auditors' report.

Name and Physical Address of <u>ALL</u> Vendor(s) That Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Description of Work
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See independent auditors' report.

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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***

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
Honorable Karen Townsend, Chief Judge
Eleventh Judicial District Court
Aztec, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and major special revenue funds, of the Eleventh Judicial District Court (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

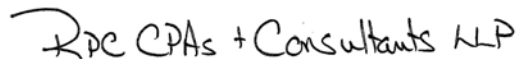
We noted certain matters that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as item FS 2016-001.

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 4, 2016

STATE OF NEW MEXICO
Eleventh Judicial District Court
Schedule of Findings and Responses
June 30, 2016

Section I – Summary of Auditors’ Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Section II – Prior Year Audit Findings

None

Section III – Financial Statement Findings

None

Section V– Section 12-6-5 NMSA 1978 Findings

FS 2016-001 Reversion of Unreserved Undesignated Fund Balances (Finding That Does Not Rise to Level of Significant Deficiency)

Condition: The Eleventh Judicial District Court did not revert to the State General Fund all unreserved, undesignated fund balances as of June 30, 2016 in a timely manner. As of June 30, 2016, there was \$45 due to the State General Fund from the District in the general fund that should have been reverted from fiscal year 2014.

Criteria: New Mexico Statutes Section 6-5-10, NMSA 1978 requires that all unreserved undesignated fund balances in reverting funds and accounts as reflected in the central financial reporting and accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within 45 days of release of the audit report for that fiscal year.

Effect: The District is not in compliance with New Mexico Statutes Section 6-5-10, NMSA 1978. The unavailability of the funds for legislative use could affect state and federal funding.

Cause: Management did not include the amount from 2014 in their current year reversion.

Auditor's Recommendation: The District should review due to State General Fund amounts periodically to determine if there are any amounts from a prior audit that still need to be reverted to the state and submit a reversion for any amounts noted.

View of Responsible Officials and Planned Corrective Action: The Eleventh Judicial District Court will review Due to State General Fund amounts periodically and determine if there are amounts that need to be reverted to the State. The amount of \$45 will be included in the reversion for FY 2016. The Court Financial Administrator is responsible for the resolution of this finding and expects it to be resolved by September 30, 2017.

STATE OF NEW MEXICO
Eleventh Judicial District Court
Other Disclosures
June 30, 2016

Exit Conference

An exit conference was held on November 28, 2016. In attendance were the following:

Representing the Eleventh Judicial District Court

Karen Townsend
Weldon J. Neff
Roberta Werito-Jones

Chief Judge
Court Executive Officer
Court Financial Administrator

Representing RPC CPAs + Consultants, LLP

Ray Roberts, CPA

Managing Partner

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes for the Eleventh Judicial District Court from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.