

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

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2019
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION
OF
ELEVENTH JUDICIAL DISTRICT COURT

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2019

JULY 1, 2018 THROUGH JUNE 30, 2019



Our Mission

The Eleventh Judicial District and Magistrate Court's mission 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.

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OFFICIAL ROSTER

June 30, 2019

Elected Officials

Karen Townsend
Bradford Dalley
Louis DePauli, Jr.
Sarah Weaver
Curtis Gurley
Lyndy Bennett
Daylene Marsh
Robert Aragon

Chief Judge
District Judge
District Judge
District Judge
District Judge
District Judge
District Judge
District Judge

Administration and Supervisors

Weldon Neff
Jodie Schwebel
Marjorie Christensen
Jodie Hooser
Stevie Neil
Roberta Werito-Jones

Court Executive Officer
Deputy Court Executive Officer
Attorney – Senior
Human Resources Administrator
Human Resources Administrator
Court Financial Manager, CFO



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FINANCIAL SECTION
OF
ELEVENTH JUDICIAL DISTRICT COURT

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2019

JULY 1, 2018 THROUGH JUNE 30, 2019



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INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., State Auditor and
Chief Judge Karen Townsend of
Eleventh Judicial District Court

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Eleventh Judicial District Court, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise Eleventh Judicial District Court basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of State of New Mexico, Eleventh Judicial District Court, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Eleventh Judicial District Court are intended to present the respective financial position, and the changes in respective financial position, of only that portion of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico that is attributable to the transactions of the Eleventh Judicial District Court. They do not purport to and do not, present fairly the financial position of the State of New Mexico, as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Brian S. Colón, Esq., State Auditor and
Chief Judge Karen Townsend of
Eleventh Judicial District Court

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 7-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eleventh Judicial District Court' basic financial statements, and the budgetary comparisons. The other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2019 on our consideration of the Eleventh Judicial District Court' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eleventh Judicial District Court' internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 18, 2019

MANAGEMENT'S DISCUSSION AND
ANALYSIS
OF
ELEVENTH JUDICIAL DISTRICT COURT

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019



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STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
Unaudited

This section of the Eleventh Judicial District Court's annual financial report presents our discussion and analysis of the Court's financial performance during the fiscal year that ended June 30, 2019. Please read it in conjunction with the Court's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The principal revenue source for the Court is the General Fund Appropriation, 85% or \$6,471,100. This funding source supports Court Regular in its entirety and partially funds Pretrial Services, Drug Court and Treatment Court. Other State Appropriations provide \$927,451 or 12.2% of total funding in support of the CASA Program, Water Rights, Adult and Juvenile Drug Courts, Adult Treatment Court, and Child Support Enforcement through an agreement with the New Mexico Human Services Department. Other Financing sources derive from a grant for Pretrial Services from San Juan County in the amount of \$25,000, fees collected for Mediation \$79,865, Alternative Dispute Resolution \$43,260, Adult Drug Court \$40,536, and reimbursement for copy cost in Court Regular, \$30,019, for a total of \$218,681 or 2.8% of total funds.

The Court operated under budgetary expenditure guidelines in the following categories: Personal Services and Benefits \$6,274,338, Contractual Services \$663,603, and Operating Expenses \$571,917.

There is no reversion to the General Appropriation for FY 2019.

AGENCY HIGHLIGHTS

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

In FY 2019, 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 2019 was 9,632 with 1,858 in McKinley County and 7,775 in San Juan County.

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

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

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

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 courts, and to integrate successfully back into society as productive citizens. The Treatment Court program has proven successful, and had 6 clients graduate from the program during FY 2019.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
Unaudited

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

Domestic Violence Programs exist in both San Juan and McKinley Counties. The goals of the programs are to assist victims of domestic abuse; 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 Court.

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

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

USING THIS ANNUAL REPORT

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

The remaining statements provide financial information about activities for which the Court acts solely in a fiduciary capacity for monies held in trust until litigation is completed. Pursuant to state statutes, this Court held in trust for litigants as of June 30, 2019 the amount of \$533,733.

REPORT THE COURT AS A WHOLE

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

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
Unaudited

Table A
Change in Statement of Net Position

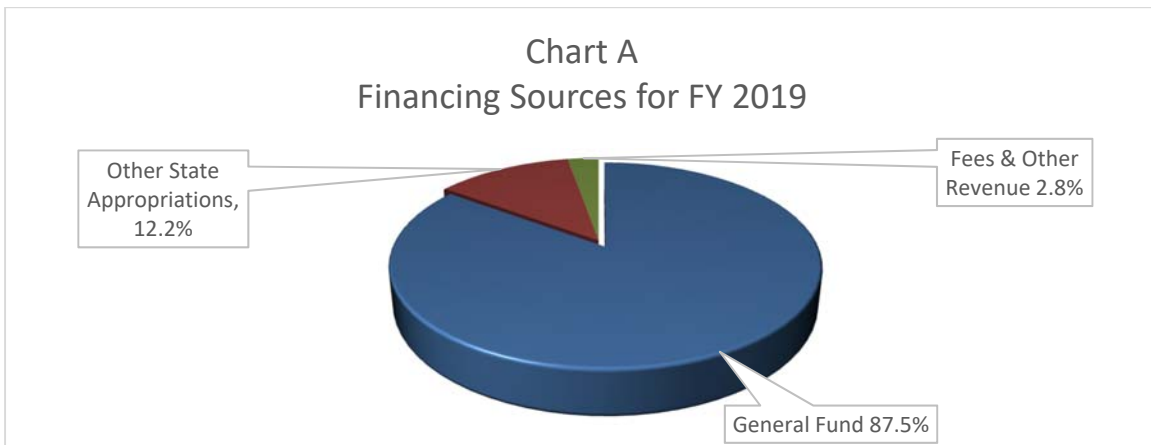
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Percent % Change</u>
Current Assets	841,880	698,546	20.5%
Capital Assets (net)	<u>864,174</u>	<u>781,743</u>	<u>10.5%</u>
Total Assets	1,706,054	1,480,289	15.3%
Current Liabilities	685,258	581,934	17.8%
Long Term Liabilities	<u>-</u>	<u>13,173</u>	<u>-100.0%</u>
Total Liabilities	685,258	595,107	15.1%
Net Assets			
Capital Assets	864,174	781,743	10.5%
Special Revenue	379,843	255,558	
Unrestricted	<u>(223,221)</u>	<u>(152,119)</u>	<u>46.7%</u>
Total Net Position	\$ 1,020,796	\$ 885,182	15.3%

The increase in Total Net Position from FY 2018 to FY 2019 is due to the increase of Capital Assets and Current liabilities. Included with current liabilities are Accounts Payable, Payroll Liabilities and Compensated Absences.

In FY 2019, all Compensated Absences were categorized as Short Term instead of allocating between Long and Short Term as in prior years. GASB34 requires a disclosure of compensated absences as a liability on the Balance Sheet. The Court does not carry forward a fund balance for future year expenditures but returns unspent appropriations to the General Fund. There were no reversions to the State General Fund in FY 2019.

FINANCING SOURCES

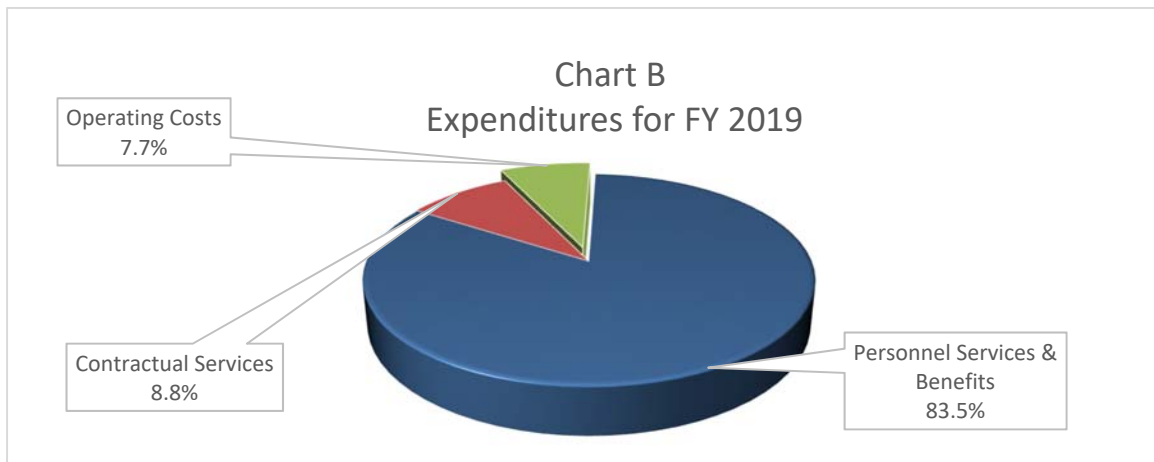
As previously stated, the District Court serves as an umbrella organization for the administration of many different activities. Viewed as a whole, the Court is one program. Financing sources for the program for FY 2019 are as follows: State General Fund Appropriations \$6,471,100, Other State Appropriations \$927,451, and Fees and Other Revenues \$218,681, for a total revenue of \$7,617,232. Chart A below provides a graphic presentation of financing sources for FY 2019:



EXPENSES

The Court's total expenditure for FY 2019 was \$7,508,858 with the following components: Personal Services & Benefits \$6,274,338, Contractual Services \$663,603, Operating Cost \$571,917. Chart B below illustrates expenditures for FY 2019:

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2019
 Unaudited



BUDGETARY COMPARISONS

Table B below provides a summary of budget to actual comparisons for the activity in the three major funds for FY 2019. All funding sources, General Funds, Other State Appropriations, and Other Revenue sources are included in the analysis. An explanation of the major variances follows.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues: (Including State Appropriation)	7,541,500	7,637,551	7,612,232	(25,319)
Expenditures:				
Personnel Services & Benefits	6,437,100	6,310,136	6,274,338	35,798
Contractual Services	770,400	737,415	663,603	73,812
Operating Costs	334,000	590,000	571,917	18,083
Total Expenditures	\$ 7,541,500	\$ 7,637,551	\$ 7,509,858	\$ 127,693

The variance in actual revenue received over the final budget was the result of several elements. Revenue budgeted but not collected included: Copy Fees \$15,980, Mediation Court Costs \$1,376, and Mediation Payment for Care-Individuals \$4,759. Revenue collected in excess of budget included: Drug Court Fees \$5,536, and Alternative Dispute Resolution – Court Cost \$43,260. Fund balances budgeted, but not used includes Mediation of \$52,000.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
Unaudited

The variance in actual expenditures over the final budget was the result of many factors. In Personal Services and Benefits, the Mediation Fund actual expenses were less than budgeted by \$35,798. In Contractual Services, Drug Court actual expenses were less than budgeted by \$34,913, Mediation actual expenses were less than budgeted by \$38,899. All were due to estimates that were higher than actual levels of service. In Operating Costs, Court Regular actual expenses were less than budgeted by \$15,980 due to the uncollected Copy Fee revenue, and Mediation actual expenses were less than budgeted by \$2,103 due to estimates that were higher than actual expenses. There were no reversions to the General Fund. The remaining unspent balances relate to funds that are non-reverting, as set by statute.

CAPITAL ASSET ACTIVITY FOR FY 2019

The requirement of GASB34 includes analysis of capital asset activity. Table C provides a comparison between FY 2019 and FY 2018 of the Court's capital assets.

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

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Percent Change</u>
Building Improvements	697,042	686,114	1.6%
Furniture and Fixtures	11,423	20,439	-44.1%
Equipment	40,410	-	100.0%
Automobiles	69,573	64,014	8.7%
Information Technology/ Software	45,726	11,174	309.2%
Total Assets	\$ 864,174	\$ 781,740	10.5%

The increase of 10.5% in Net Assets from FY 2018 to FY 2019 is due to the purchase of two x-ray machines and a vehicle, and transfer of assets from the Supreme Court and the Administrative Office of the Courts. Transferred assets included Building Improvements, an Automobile, and Information Technology/Software. Total Asset purchased were \$71,716, and assets transferred in were \$115,980. Asset disposed during the year included an x-ray machine. Depreciation expense for the year was \$105,262.

LONG-TERM DEBT ACTIVITY

The Court has no long-term debt activity.

SHORT-TERM DEBT ACTIVITY

The Court's short-term debt consists of Accounts Payable of \$179,494, Payroll Liabilities of \$266,196 and Compensated Absences of \$239,568. Compensated Absences are payable to employees upon separation of service.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
Unaudited

MANAGEMENT DECISIONS

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During FY 2019, the Court received a slight increase to our budget over the FY 2018 budget. Employees received much needed pay increases, and we delayed hiring of several positions and reduced spending to help us stay within our budget.

Beginning July 1, 2019, the Eleventh Judicial District Court consolidated with the Magistrate Courts located in Aztec, Farmington and Gallup. Funding, employees and operating expenses transferred to the District Court in FY 2020. There have been some unique challenges that have presented themselves with this consolidation. Balancing employee pay rates - Magistrate Court employees were historically paid less than comparable positions at the District Court. The Administrative Office of the Court and the District Court Administration worked together to identify and correct pay discrepancies. Security does not currently exist at the Magistrate Courts, other than a card access system. The District Court has identified security concerns, solutions, and has requested for additional funds in our FY 2021 Appropriation request. Physical logistics – with the consolidation, facilities have doubled to a total of six, fully functional court locations spread over 135 miles. In particular, travel can be challenging on time and wear and tear on vehicles.

Presently it is unknown what the financial impact of this consolidation will present to our budget. We will continue to monitor our budget, spending and our vacant positions. We will also look at ways to make effective use of this consolidation by streamlining duties within the District and Magistrate Courts.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

Eleventh Judicial District and Magistrate Courts
103 S. Oliver Drive
Aztec, NM 87410

BASIC FINANCIAL STATEMENTS
OF
ELEVENTH JUDICIAL DISTRICT COURT

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019



STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

STATEMENT OF NET POSITION
June 30, 2019

	Governmental <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 819,971
Prepaid postage	21,909
Non-current:	
Depreciable capital assets, net	<u>864,180</u>
Total Assets	<u>1,706,060</u>
Liabilities	
Accounts payable	179,496
Accrued salaries	266,196
Compensated absences	<u>239,568</u>
Total Liabilities	<u>685,260</u>
Net Position	
Net investment in capital assets	864,180
Restricted for:	
General funds	21,909
Special revenue funds	357,934
Unrestricted	<u>(223,223)</u>
Total Net Position	<u>\$ 1,020,800</u>

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
Personnel services and employee benefits	\$ 6,389,096	\$ 74,865	\$ 6,064,642	\$ -	\$ (249,589)
Contractual services	672,932	43,260	638,759	-	9,087
Other	<u>530,568</u>	<u>-</u>	<u>503,625</u>	<u>-</u>	<u>(26,943)</u>
Total governmental activities	<u>\$ 7,592,596</u>	<u>\$ 309,650</u>	<u>\$ 7,207,026</u>	<u>\$ -</u>	<u>(75,920)</u>
General revenues:					
Miscellaneous income					<u>95,556</u>
<i>Change in net position</i>					135,618
Net position - beginning					<u>885,182</u>
Net position - ending					<u>\$ 1,020,800</u>

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2019

	General Fund #1510	Drug Court Fund #3350	Alternative Dispute Resolution Fund #4328	Mediation Fund #9280	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 295,138	\$ 263,449	\$ 87,961	\$ 173,423	\$ 819,971
Prepaid items	<u>21,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,909</u>
Total assets	<u>\$ 317,047</u>	<u>\$ 263,449</u>	<u>\$ 87,961</u>	<u>\$ 173,423</u>	<u>\$ 841,880</u>
 Liabilities, deferred inflows, and fund balance					
Liabilities:					
Accounts payable	\$ 60,916	\$ 114,600	\$ -	\$ 3,980	\$ 179,496
Accrued salaries	<u>217,877</u>	<u>48,319</u>	<u>-</u>	<u>-</u>	<u>266,196</u>
Total liabilities	<u>278,793</u>	<u>162,919</u>	<u>-</u>	<u>3,980</u>	<u>445,692</u>
Fund balance:					
Non-spendable:					
Prepaid expenses	21,909	-	-	-	21,909
Restricted for:					
Special revenue funds	-	100,530	87,961	169,443	357,934
Unassigned	<u>16,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,345</u>
Total fund balance	<u>38,254</u>	<u>100,530</u>	<u>87,961</u>	<u>169,443</u>	<u>396,188</u>
Total liabilities and fund balance	<u>\$ 317,047</u>	<u>\$ 263,449</u>	<u>\$ 87,961</u>	<u>\$ 173,423</u>	<u>\$ 841,880</u>

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

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

Fund balances - total governmental funds	\$ 396,188
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	2,536,401
Accumulated depreciation	(1,672,221)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Accrued vacation payable	<u>(239,568)</u>
Net position of governmental activities	<u>\$ 1,020,800</u>

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2019

	<u>General Fund #1510</u>	<u>Drug Court Fund #3350</u>	<u>Alternative Dispute Resolution Fund #4328</u>	<u>Mediation Fund #9280</u>	<u>Total Governmental Funds</u>
Revenues:					
Intergovernmental - federal grants	\$ 335,515	\$ -	\$ -	\$ -	\$ 335,515
Intergovernmental - state grants	5,497,511	1,374,000	-	-	6,871,511
Charges for services	-	191,525	43,260	74,865	309,650
Miscellaneous	<u>30,020</u>	<u>65,536</u>	<u>-</u>	<u>-</u>	<u>95,556</u>
Total revenues	<u>5,863,046</u>	<u>1,631,061</u>	<u>43,260</u>	<u>74,865</u>	<u>7,612,232</u>
Expenditures:					
Current:					
Personnel services and employee benefits	5,311,638	958,498	-	4,202	6,274,338
Contractual services	133,690	478,712	-	51,201	663,603
Other	392,215	130,200	-	797	523,212
Capital outlay	<u>48,516</u>	<u>23,200</u>	<u>-</u>	<u>-</u>	<u>71,716</u>
Total expenditures	<u>5,886,059</u>	<u>1,590,610</u>	<u>-</u>	<u>56,200</u>	<u>7,532,869</u>
<i>over expenditures</i>	(23,013)	40,451	43,260	18,665	79,363
Fund balance at beginning of the year	<u>61,267</u>	<u>60,079</u>	<u>44,701</u>	<u>150,778</u>	<u>316,825</u>
Fund balance at end of the year	<u>\$ 38,254</u>	<u>\$ 100,530</u>	<u>\$ 87,961</u>	<u>\$ 169,443</u>	<u>\$ 396,188</u>

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

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

Net change in fund balance - total governmental funds	\$	79,363
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>		
Capital outlay		71,716
Depreciation		(105,262)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences at:		
June 30, 2018		213,386
June 30, 2019		(239,567)
Transfer from another state agency		<u>115,982</u>
Change in net position of governmental activities	\$	<u>135,618</u>

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

GENERAL FUND - NO. 1510
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental - federal grants	\$ 335,500	\$ 335,515	\$ 335,515	\$ -
Intergovernmental - state grants	5,491,700	5,497,511	5,497,511	-
Miscellaneous	46,000	46,000	30,020	(15,980)
Total revenues	<u>5,873,200</u>	<u>5,879,026</u>	<u>5,863,046</u>	<u>(15,980)</u>
Expenditures:				
Current:				
Personnel services and employee benefits	5,410,600	5,311,636	5,311,636	-
Contractual services	165,900	133,690	133,690	-
Other	296,700	433,700	417,722	15,978
Total expenditures	<u>5,873,200</u>	<u>5,879,026</u>	<u>5,863,048</u>	<u>15,978</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(2)	(2)
Fund balance at beginning of the year	-	-	61,267	61,267
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>61,265</u>	<u>\$ 61,265</u>
RECONCILIATION TO GAAP BASIS:				
Change in prepaid postage			(23,011)	
Fund balance at end of the year (GAAP basis)			<u>\$ 38,254</u>	

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

DRUG COURT FUND - NO. 3350
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 1,374,000	\$ 1,374,000	\$ 1,374,000	\$ -
Charges for services	191,300	191,525	191,525	-
Miscellaneous	<u>10,000</u>	<u>60,000</u>	<u>65,536</u>	<u>5,536</u>
Total revenues	<u>1,575,300</u>	<u>1,625,525</u>	<u>1,631,061</u>	<u>5,536</u>
Expenditures:				
Current:				
Personnel services and employee benefits	1,026,500	958,500	958,498	2
Contractual services	514,400	513,625	478,712	34,913
Other	<u>34,400</u>	<u>153,400</u>	<u>153,400</u>	-
Total expenditures	<u>1,575,300</u>	<u>1,625,525</u>	<u>1,590,610</u>	<u>34,915</u>
<i>Excess of revenues over expenditures</i>	-	-	40,451	40,451
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>60,079</u>	<u>60,079</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	100,530	<u>\$ 100,530</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ 100,530</u>	

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

ALTERNATIVE DISPUTE RESOLUTION FUND - NO. 4328
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Charges for services	\$ -	\$ -	\$ 43,260	\$ 43,260
Expenditures:				
Personnel services and employee benefits	-	-	-	-
<i>Excess of revenues over expenditures</i>	-	-	43,260	43,260
Fund balance at beginning of the year	-	-	44,701	44,701
Fund balance at end of the year	\$ -	\$ -	87,961	\$ 87,961
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			\$ 87,961	

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

MEDIATION FUND - NO. 9280
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Charges for services	\$ 81,000	\$ 81,000	\$ 74,865	\$ (6,135)
Expenditures:				
Current:				
Personnel services and employee benefits	-	40,000	4,202	35,798
Contractual services	90,100	90,100	51,201	38,899
Other	<u>2,900</u>	<u>2,900</u>	<u>797</u>	<u>2,103</u>
Total expenditures	<u>93,000</u>	<u>133,000</u>	<u>56,200</u>	<u>76,800</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(12,000)	(52,000)	18,665	70,665
<i>Beginning cash balance budgeted</i>	12,000	52,000	-	(52,000)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>150,778</u>	<u>150,778</u>
Fund balance at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>169,443</u>	<u><u>\$ 169,443</u></u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
Fund balance at end of the year (GAAP basis)			<u><u>\$ 169,443</u></u>	

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2019

ASSETS

Pooled cash and investments	<u>\$ 533,733</u>
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LIABILITIES

Deposits held for others	<u>\$ 533,733</u>
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The notes to the financial statements are an integral part of this statement.



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I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of New Mexico, Eleventh Judicial District Court (the District Court) is established by the constitution of the State of New Mexico, Article VI, Section 24. The District Court operates under Section 34-6-1 through 34-6-3 NMSA 1978 as amended. The District Court covers McKinley and San Juan Counties. The District Court is comprised of seven divisions as authorized in the above statutes. This District Court is the state court of general jurisdiction. The District Court office covers McKinley and San Juan Counties and operates from three separate offices located in Aztec, Farmington and Gallup. The District Court is the state court of general jurisdiction and is authorized to hear and determine all civil and criminal cases not specifically exempted from its jurisdiction. These financial statements include the operations of the Eleventh Judicial District Court (McKinley and San Juan County), a department of the State of New Mexico, the primary government. Financing of the court is by state appropriation.

During the 76th fiscal year the District Court established a domestic relations mediation program pursuant to Section 5 [40-12-5, NMSA 1978 Compilation] of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act and the collection of the surcharge provided for in the Section 6 [40-12-6, NMSA, 1978 Compilation] of that act.

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

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

1. Blended Component Units

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

2. Discretely Presented Component Units

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

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



B. Implementation of New Accounting Principles

During fiscal year 2019, the District Court adopted the following Governmental Accounting Standards Board (GASB) Statements:

➤ **GASB Statement No. 83, *Certain Asset Retirement Obligations***

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.



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

B. Implementation of New Accounting Principles (cont'd)

➤ **GASB Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

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

➤ **GASB Statement No. 84**, *Fiduciary Activities*

This Statement supersedes NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, footnote 24; Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, paragraph 4; Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, paragraphs 70–73, 110, and 111; Implementation Guide No. 2015-1, Questions 4.14.1, 4.14.2, 6.43.2, 7.7.2, and 7.52.4; and Implementation Guide No. 2016-1, Implementation Guidance Update—2016, Question 4.26. It also amends NCGA Statement 1, paragraphs 32, 139, 143, and 147; NCGA Statement 5, Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments, paragraphs 5 and 6; Statement No. 6, Accounting and Financial Reporting for Special Assessments, paragraph 19; Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, footnote 12; Statement No. 14, The Financial Reporting Entity, paragraphs 19 and 27; Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, paragraph 5; Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, paragraphs 18 and 22; Statement 34, paragraphs 6, 12, 13, 63, 65, 67, 69, 106–109, 115, 123, 125, 135, 138, 141, and 147, and footnotes 48, 49, and 51; Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus, paragraph 3; Statement No. 38, Certain Financial Statement Note Disclosures, paragraphs 6, 14, and 15; Statement No. 40, Deposit and Investment Risk Disclosures, paragraph 5; Statement No. 44, Economic Condition Reporting: The Statistical Section, paragraph 10; Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, paragraphs 30, 33, and 35; Statement No. 61, The Financial Reporting Entity: Omnibus, paragraph 9; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 34; Statement No. 67, Financial Reporting for Pension Plans, paragraph 11; Statement No. 72, Fair Value Measurement and Application, paragraph 80; 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, paragraph 116; Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, paragraphs 18 and 59; NCGA Interpretation 6, Notes to the Financial Statements Disclosure, paragraph 5; Technical Bulletin No. 2006-1, Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D, paragraph 8; Implementation Guide 2015-1, Questions 1.4.2, 1.4.8, 2.7.1, 2.7.2, 3.49.1, 3.55.2, 3.58.1, 4.6.2, 4.27.1, 4.28.1, 4.28.11, 4.30.3, 4.62.2, 5.64.3, 5.64.4, 5.113.1, 6.29.3, 6.34.3, 6.34.4, 6.43.5, 6.45.1, 6.45.3, 7.3.5, 7.4.1, 7.51.6, 7.52.2, 7.52.3, 7.52.5–7.52.8, 7.55.5, 7.72.10, 7.77.4, 7.81.1, 7.81.2, 7.84.1, 7.97.1, 7.97.2, 7.97.4, 8.1.2, 8.1.3, and 8.15.4; Implementation Guide 2016-1, Questions 4.2, 4.13, 4.27, 4.61–4.63, 5.7, 5.8, 5.16, and 5.24; and 2002 AICPA State and Local Government Auditing and Accounting Guide, paragraph 5.28.



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

B. Implementation of New Accounting Principles (cont'd)

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

➤ **GASB Statement No. 87, *Leases***

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

➤ **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period***

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021). Earlier application is encouraged.



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

B. Implementation of New Accounting Principles (cont'd)

➤ **GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61***

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units.

This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged.

➤ **GASB Statement No. 91, *Conduit Debt Obligations***

This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FYE June 30, 2022). Earlier application is encouraged.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District Court. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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.



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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental funds are used to account for the District Court's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt.

General Fund (Fund #15100) – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Drug Court (Fund #33500) – The Drug Court is a court-managed intensive treatment program for adults and juveniles non-violent drug and alcohol users. The program is funded by appropriations, grants and fees. The appropriations are reverting, and the grants and fees are non-reverting according to NMSA 1978 Section 34-6-45.

Alternative Dispute Resolution (Fund #4328) – This program is used for fees collected for arbitration, mediation and settlement facilitation on a sliding fee scale pursuant to Section 5 [40-12-5, NMSA, 1978 compilation]. The fund is authorized by section 34-6-44 NMSA 1978.. These funds are non-reverting.

Mediation (Fund #9280) – The Mediation 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 payments made through the imposition of a sliding fee scale pursuant to Section 5 [40-12-5, NMSA, 1978 Compilation]. These funds are non-reverting.

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

Fiduciary Funds – Litigant's Funds are used to account for financial resources collected by the District Court pending the resolution of litigation matters assigned to the District Court.

E. Assets, Liabilities, and Net Position or Equity

3. *Investment with the state treasurer*

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



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

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

4. *Receivables and payables*

Intergovernmental receivable consists of amounts due from various New Mexico State Agencies. Interfund receivables and payables are elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs 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.

5. *Prepays*

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

6. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District Court does not develop software for internal use or any other use.

ESTIMATED USEFUL LIVES	
ASSETS	YEARS
Improvements	20
Furniture and Fixtures	10
Vehicles	7
Office equipment	5
Computer equipment	3

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

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

7. *Compensated absences*

It is the District Court's policy to permit certain employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide financial statements. Annual leave is accumulated as follows:

<u>Employment</u>	<u>Per year</u>
Less than 4 years	120 hours
Between 4 and 8 years	132 hours
Between 8 and 12 years	144 hours
Between 12 and 16 years	156 hours
More than 16 years	168 hours

The maximum amount that may carry over to the next year is 240 hours. Any excess must be used before the end of the calendar year or it shall be forfeited. Upon termination, an employee shall be paid for their total annual leave not to exceed 240 hours.



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

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

8. *Accrued Sick Leave*

Earned sick pay benefits are computed in accordance with State Statutes. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 hours up to 120 hours on July 1, and January 1 of each year. However, the sick leave will be paid at fifty percent (50%) payment for up to 120 hours, for the hours over 600 hours of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at the end of the fiscal year over 600 hours.

9. *Reversions to the State of New Mexico*

General Fund: The General Fund of the District Court is the operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. Unused state appropriation and revenue accounts revert to the State of New Mexico General Fund at the end of each fiscal year per HB2 General Appropriation Act of 2015, under Laws, 2008 Ch. 3.

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

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

10. *Cost of operations not included in statement*

San Juan County and McKinley County provides the cost of building space and related expense.

11. *Fund balance*

a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

b. Restricted

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

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District Court should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District Court removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District Court did not have committed fund balances for the year ended June 30, 2019.



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

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

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District Court's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District Court did have assigned fund balances for the year ended June 30, 2019.

e. Unassigned

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

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

12. *Net Position*

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

a. Net investment in capital assets

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

b. Restricted Net Position

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

c. Unrestricted Net Position

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

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

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



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

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

13. *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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

F. Budgetary Information

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

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

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

	ORIGINAL	FINAL
Major Funds:		
General Funds	\$ 5,873,200	\$ 5,879,026
Special Revenue Funds:		
Drug Court	1,575,300	1,625,525
Alternative Dispute Resolution	-	-
Mediation	93,000	133,000
Total Budget	\$ 7,541,500	\$ 7,637,551



STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

G. Budgetary Violations

The District Court did not have any budgetary violations during the year ended June 30, 2019.

H. Deficit Fund Equity

The District Court did not have any deficit fund balances as of June 30, 2019.

III. DETAILED NOTES ON ALL FUNDS

I. Cash and Temporary Investments

At June 30, 2019, the District Court maintained separate cash accounts for its various funds. The District Court maintains an investment account with the New Mexico State Treasurer’s Office (STO), in the State Treasurer General Fund Investment Pool (STGFIP). The balances of these accounts are as follows:

	BALANCE
Financial institution:	
State Treasurers Office	
General	\$ 295,138
Drug Court	263,449
Alternative Dispute Resolution	87,961
Mediation	173,423
Wells Fargo	
Agency	<u>533,733</u>
Total cash and equivalents	<u>\$ 1,353,704</u>

Funds of various state agencies are deposited into the STGFIP to optimize state cash management and investment practices and to be compliant with Statute 6-10-3 (NMSA 1978). STGFIP is managed by the STO. Claims on the STGFIP are reported by the various agencies as financial assets.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District Court’s deposit may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping account receipt be issued, to the State of New Mexico for at least one half of the amount on deposit with the institution. Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. The collateralization of the District Court’s accounts, however, is monitored by the State Treasures Office – Collateral Bureau. The State Treasure issues separate financial statements that disclose the collateral pledged to secure deposits.

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



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

A. Cash and Temporary Investments (cont'd)

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

The District Court has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in SHARE are correct and to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2019.

Interest Rate Risk

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

Credit Risk

Credit Risk for Investments is the risk that an issuer or other party to an investment will not fulfill its obligations. The STGFIP is not rated for credit risk.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2019.



STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

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

J. Interagency Transfers

The Court had the following interagency transfers for the year ended June 30, 2019.

TRANSFER FROM	TRANSFER FROM		DESCRIPTION	TRANSFER TO		AMOUNT
	AGENCY NUMBER	SHARE FUND NUMBER		AGENCY NUMBER	SHARE FUND NUMBER	
General Fund Appropriation	34101	85300	General fund	24100	15100	\$ 5,128,400
Human Services Department	63000	05200	General fund	24100	15100	335,515
Administrative Office of the Courts	21800	13900	General fund	24100	15100	99,690
Administrative Office of the Courts	21800	51200	General fund	24100	15100	91,721
Compensation Appropriation	34100	62000	General fund	24100	15100	177,700
General Fund Appropriation	34101	85300	Drug Court Fund	24100	33500	74,400
General Fund Appropriation	34101	85300	Drug Court Fund	24100	33500	1,268,300
Administrative Office of the Court	21800	13900	Drug Court Fund	24100	33500	191,525
Compensation Appropriation	34100	62000	Drug Court Fund	24100	33500	31,300
Supreme Court	21600	13800	General Fund Asset Transfer	24100	15100	52,500
Administrative Office of the Courts	21800	44300	General Fund Asset Transfer	24100	15100	39,016
Administrative Office of the Courts	21800	89200	General Fund Asset Transfer	24100	15100	24,464

K. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	BEGINNING	INCREASES	DECREASES	TRANSFER	ENDING
Governmental activities:					
<u>Capital assets being depreciated:</u>					
Improvements	\$ 1,004,461	\$ 223,182	\$ -	\$ 223,181	\$ 1,227,643
Automobiles	248,593	48,161	-	21,345	296,754
Machinery and equipment	356,687	44,900	(27,147)	-	374,440
Information and technology	338,425	55,726	-	55,726	394,151
Furniture and fixtures	243,409	-	-	-	243,409
<i>Total capital assets being depreciated</i>	<u>2,191,575</u>	<u>371,969</u>	<u>(27,147)</u>	<u>300,252</u>	<u>2,536,397</u>
Less accumulated depreciation for:					
Improvements	(318,348)	(54,752)	-	(157,500)	(530,600)
Automobiles	(184,579)	(21,257)	-	(21,345)	(227,181)
Machinery and equipment	(356,687)	(4,490)	27,147	-	(334,030)
Information and technology	(327,250)	(15,747)	-	(5,428)	(348,425)
Furniture and fixtures	(222,970)	(9,015)	-	-	(231,985)
<i>Total accumulated depreciation</i>	<u>(1,409,834)</u>	<u>(105,261)</u>	<u>27,147</u>	<u>(184,273)</u>	<u>(1,672,221)</u>
Total capital assets, net	<u>\$ 781,741</u>	<u>\$ 266,708</u>	<u>\$ -</u>	<u>\$ 115,979</u>	<u>\$ 864,176</u>

Total depreciation for the year was \$105,261.



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

L. Accrued Liabilities

Accrued liabilities as of the year ended June 30, 2019 for the District Court's individual major funds and non major funds in the aggregate, include the following:

	ACCRUED PAYROLL
Major Funds:	
General Funds	\$ 217,877
Drug Court	48,319
Alternative Dispute Resolution	-
Mediation	-
Other Governmental Funds	-
Total	\$ 266,196

M. Compensated Absences

Changes in compensated absences – During the year ended June 30, 2019 the following changes occurred in liabilities:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE	DUE WITHIN ONE YEAR
Compensated absences:					
Compensated vacation	\$ 213,386	\$ 336,480	\$ 310,298	\$ 239,568	\$ 239,568

The liability of compensated absences is liquidated with resources from the general fund.

N. Operating Leases

The District Court leases certain equipment under numerous operating leases. Leases are subject to future appropriation and as such are cancelable by the District Court at the end of the fiscal year. Rental expense for the year ended June 30, 2019, was \$47,535

The schedule of future minimum lease payments required under operating leases that have initial or remaining noncancelable terms in excess of one year as of June 30, 2019, are as follows:

JUNE 30,	AMOUNT
2020	\$ 24,963
2021	15,401
2022	1,632
2023	272
Total	\$ 42,268

O. Federal Revenue and Expenditures

	FEDERAL REVENUE	FEDERAL EXPENDITURES
General Fund	\$ 335,515	\$ 335,515



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

P. Reversions

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the STGFIP within ten days of the audit report. Reverting funds and non-reverting funds are combined in the drug court fund. Reverting funds are spent before non-reverting fund. There were not any reversions due to be paid after the year ended June 30, 2019.

Q. Fund Balances

The District Court’s fund balances represent: 1) Restricted due to constraints placed on the use of resources externally imposed by creditors, grantors, contributors or laws and regulations or imposed by law through constitutional provisions. 2) Committed for specific purposes pursuant to constraints imposed by the formal action of the Legislature and the Executive branches. 3) Assigned by the District Court for specific purposes but are neither restricted nor committed. A summary by fund type for the year ended June 30, 2019 is as follows:

	FUND BALANCE
General Fund	
Non-spendable	\$ 21,909
Unassigned	16,347
Restricted Special Revenue	
Drug Court	100,530
Alternative Dispute Resolution	87,961
Mediation	169,443
Total	\$ 396,190

IV. OTHER INFORMATION

R. Risk Management

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



IV. OTHER INFORMATION (cont'd)

S. PERA Retirement Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2019. The Court, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501

T. JRA RETIREMENT PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2019. The Court, as part of the primary government of the State of New Mexico, is a single employer defined benefit pension plan (Judicial Retirement) administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

U. Post-Retirement Health Care Benefits

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

Eligible retirees are:

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

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

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



IV. OTHER INFORMATION (cont'd)

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

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 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 Court's contributions to the RHCA for the years ended June 30, 2019, was \$90,486, which equal the required contributions for each year.

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

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

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



IV. OTHER INFORMATION (cont'd)

E. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

F. Subsequent Events

Subsequent events were evaluated through October 18, 2019 which is the date the financial statements were available to be issued.

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OTHER SUPPLEMENTAL INFORMATION

(STATE REQUIRED DISCLOSURES)

Supplemental schedules required by the State of
New Mexico to provide additional analysis.

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STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

FIDUCIARY FUNDS
Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2019

<u>ASSETS</u>	Balance <u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2019</u>
Cash and cash equivalents:				
District Court Trust Fund	\$ 486,747	\$ 293,123	\$ 402,055	\$ 377,815
First Bank vs. Joe Solar	423	-	423	-
Countywide Funding vs. Mohan	256	-	256	-
First Nationwide vs. Estate of Navel	11,624	-	11,624	-
Chase Mortgage vs. Gary Wilson	2,369	-	2,369	-
WMC Mtg. vs Lou Horvat	9,676	-	9,676	-
Midfirst Bank vs. Tony Williams	3,657	-	3,657	-
Mellon Mtg. vs. James Anderson	10,240	-	10,240	-
Chase Mortgage vs. Kristina Reinhar	3,874	-	3,874	-
State Treasurer, District Court	<u>108,973</u>	<u>82,618</u>	<u>35,673</u>	<u>155,918</u>
Pooled cash and investments	<u>\$ 637,839</u>	<u>\$ 375,741</u>	<u>\$ 479,847</u>	<u>\$ 533,733</u>
 <u>LIABILITIES</u>				
Deposits held for others	<u>\$ 637,839</u>	<u>\$ 375,741</u>	<u>\$ 479,847</u>	<u>\$ 533,733</u>

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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

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Schedule of Findings and Responses:
Summary of Auditor's Results
Financial Statement Findings

§

Summary Schedule of Prior Year Audit Findings

§

Required Disclosure

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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., State Auditor and
Chief Judge Karen Townsend of
Eleventh Judicial District Court

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund, of the Eleventh Judicial District Court as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Eleventh Judicial District Court's basic financial statements of Eleventh Judicial District Court and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Brian S. Colón, Esq., State Auditor and
Chief Judge Karen Townsend of
Eleventh Judicial District Court

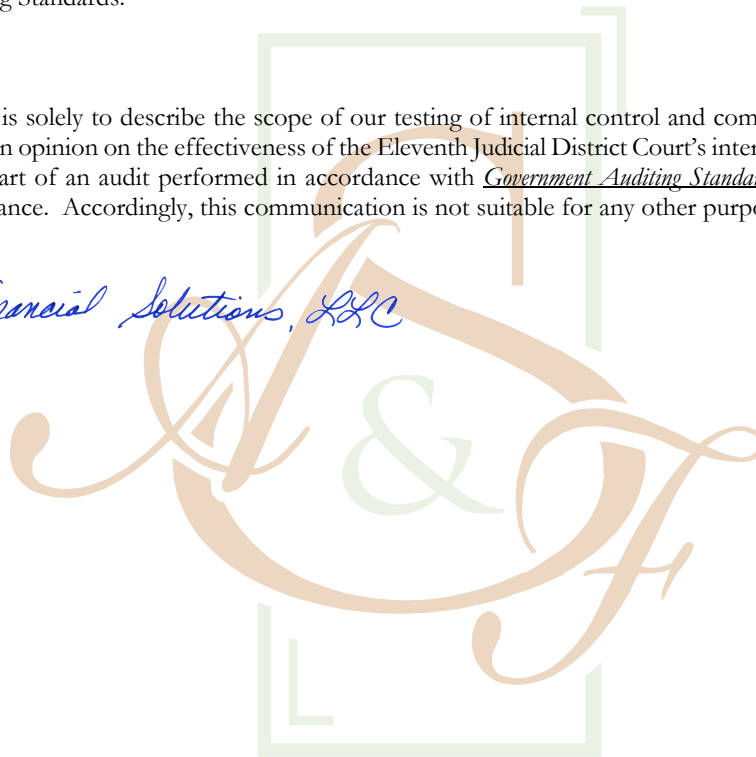
Compliance and other matters

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

Purpose of this Report

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

Accounting + Financial Solutions, LLC
Farmington, NM
October 18, 2019





I. SUMMARY OF AUDIT RESULTS

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



II. FINDINGS RELATED TO FINANCIAL STATEMENTS

There were not any findings to be reported from the current year.



I. NOT RESOLVED

There were not any findings to be reported from the prior year.

II. RESOLVED

There were no findings to be reported from the prior year.



STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

The independent public accountants assisted in the preparation of the financial statements.

An exit conference was held October 25, 2019 and was attended by the following individuals:

ELEVENTH JUDICIAL DISTRICT COURT

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

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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