



2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

STATE OF NEW MEXICO

TWELFTH JUDICIAL DISTRICT COURT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2016

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

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

OFFICIAL ROSTER
JUNE 30, 2016

JUDGES

Name	Title
<i>Honorable James W. Counts</i>	<i>Chief Judge, Division II</i>
<i>Honorable Jerry H. Ritter, Jr.</i>	<i>Division I</i>
<i>Honorable Daniel Bryant</i>	<i>Division III</i>
<i>Honorable Angie K. Schneider</i>	<i>Division IV</i>

ADMINISTRATIVE OFFICIALS

Name	Title
<i>Katina Watson</i>	<i>Court Executive Officer/CEO</i>
<i>Dorella Molina</i>	<i>Court Financial Administrator/CFO</i>

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller, State Auditor and
Honorable James W. Counts, Chief Judge
State of New Mexico
Twelfth Judicial District Court
Alamogordo, New Mexico

Report on 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 the major special revenue fund of the Twelfth Judicial District Court, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Twelfth Judicial District Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Mr. Tim Keller, State Auditor and
Honorable James W. Counts, Chief Judge
State of New Mexico
Twelfth Judicial District Court
Alamogordo, New Mexico
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Twelfth Judicial District Court, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue 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 Twelfth Judicial District Court, are intended to present the financial position, the changes in financial position, and the respective budgetary comparisons of only that portion of the governmental activities and each major fund of the State of New Mexico that is attributable to the transactions of the Twelfth 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, 2016, 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.

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 5 through 11 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 Twelfth Judicial District Court's financial statements and the budgetary comparisons. The "supplementary information" required by 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Mr. Tim Keller, State Auditor and
Honorable James W. Counts, Chief Judge
State of New Mexico
Twelfth Judicial District Court
Alamogordo, New Mexico
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The additional schedules listed as “supplementary information” required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the “supplementary information” required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information on page 39 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of Twelfth Judicial District Court’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Twelfth Judicial District Court’s internal control over financial reporting and compliance.



Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 4, 2016

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

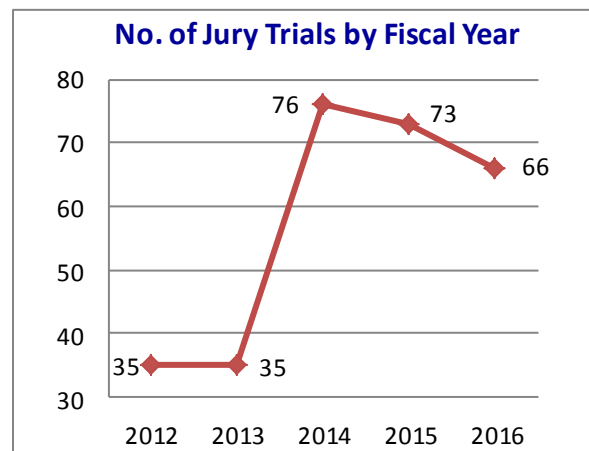
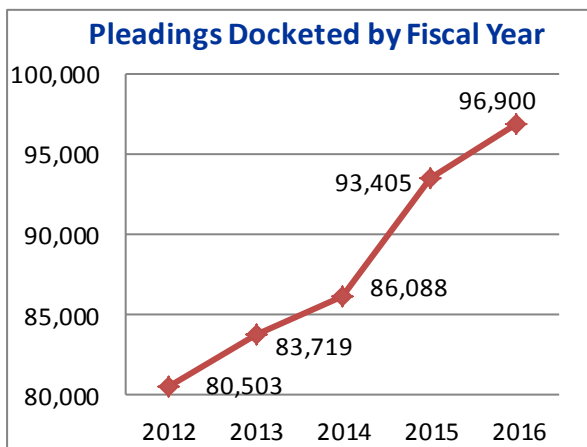
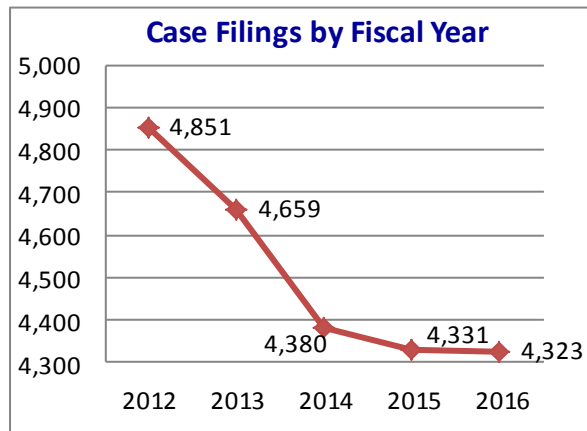
The following is an overview of the financial condition for the office of the Twelfth Judicial District Court (District Court) for the fiscal year ending June 30, 2016. This narrative was prepared by management and highlights the major aspects of the District Court's financial status for this period. This should be considered in conjunction with the financial statements presented, which follows this section.

OVERVIEW

The District Court is comprised of Otero and Lincoln Counties. Three district judges preside in Alamogordo (Otero County), one district judge presides in Carrizozo (Lincoln County), and there are two full-time hearing officers that hear domestic violence and child support enforcement matters in both counties. There are approximately 58 miles separating the two courthouses. The district is home to two U.S. Border Patrol checkpoints, Holloman Air Force Base with its Germ Air Force contingent, White Sands National Monument, New Mexico State University - Alamogordo, Eastern New Mexico University - Ruidoso, the Mescalero Apache Indian Reservation, the National Observatory, Lincoln National Forest, Ruidoso Downs race track, and Ski Apache.

The District Court offers a variety of programs to meet public needs. Its Mediation program provides alternative dispute resolution services. The Court also operates two adult drug courts, one juvenile drug courts a pre-trial services program, a self-help center, and has public access terminals at each location.

The new and reopened caseload for the District for fiscal year 2016 was 4,323 which is a .2% decrease since 2015. Although the case filings have decreased, the court continues to see increases in the amount of litigation.



STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

OVERVIEW OF FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

Analysis of Government-Wide Financial Statements

Condensed Statement of Net Position			
Governmental Activities			
	June 30,		June 30,
	2016		2015
Assets:			
Current and other assets	\$ 459,629	\$	263,583
Capital assets, net of accumulated depreciation	387,582		229,758
Total assets	847,211		493,341
Liabilities:			
Current liabilities	365,876		148,681
Long-term liabilities	124,528		120,227
Total liabilities	490,404		268,908
Net Position:			
Net invested in capital assets	387,582		229,758
Restricted for program expenses	93,753		114,897
Unrestricted deficit	(124,528)		(120,222)
Total net position	\$ 356,807	\$	224,433

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District Court's primary government, assets exceeded liabilities by \$356,807 at the close of the most recent fiscal year.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The District Court's activities during the fiscal year increased the District Court's net position by \$132,374. The increase is attributed in large part to the increase in cash on deposit in the State Treasurer General Fund Investment Pool. Net position is composed of investment in capital assets (e.g., furniture, equipment and vehicles) of \$387,582 netted with unrestricted deficit of (\$124,528) and net position restricted for program expense of \$93,753. The District Court uses its capital assets to provide services to the citizens; consequently, these assets are not available for future spending. The District Court had additions to capital assets of \$221,992 during the most recent fiscal year.

Current and other assets consist of cash and investments. The amount increased by \$196,046 due in large part to an increase in amounts invested in the State Treasurer General Fund Investment Pool.

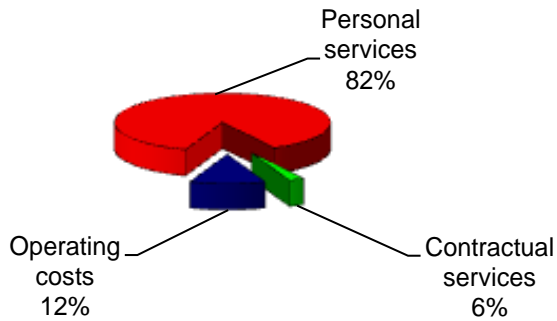
Current liabilities which consist of accounts payable, accrued salaries, and amounts due to the state general fund as of June 30, 2016 equaled \$365,876. At June 30, 2015, the District Court reported current liabilities of \$148,681. The current liability increased by \$217,195, due predominantly to an increase in accounts payable.

Condensed Statement of Activities
Governmental Activities

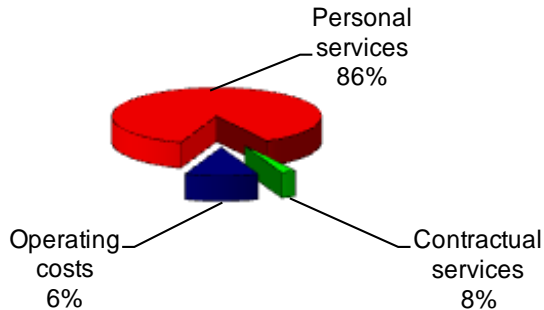
	June 30, 2016	June 30, 2015
Revenues:		
Program revenues:		
Operating grants and contributions	\$ -	\$ -
Charges for services	44,145	45,214
General revenues:		
State general fund appropriations	3,437,700	3,220,700
Gain on asset disposal	16,239	1,250
Capital transfers in	0	85,094
Operating transfers, net	115,705	180,152
Total revenues	3,613,789	3,532,410
Expenses:		
Judicial	(3,481,415)	(3,496,738)
Change in net position	\$ 132,374	\$ 35,672

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Operating Expenses - FYE 6-30-2016



Operating Expenses - FYE 6-30-2015



The statement of activities shows an increase in revenues and a decrease in expenses for fiscal year 2016 from fiscal year 2015. District Court filing fees and cost revenues decreased slightly by \$831, mainly from a decline in the agency's collections of fees from the drug court divisions' participants. State general fund appropriations increased by \$217,000. Other revenue sources decreased by \$63,695. This was due to a non-recurring compensation package we received from the state for \$56,300 for the 1.5% legislative increase in pay given to all state employees in FY15. The remaining decrease was a reduction of DCAC funds not collected for our Juvenile Drug Court. Judicial expenses decreased only slightly by \$4,793.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District Court, like other state agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District Court's funds can be divided into two categories: governmental and fiduciary.

Governmental Funds

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

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

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

Over the course of the fiscal year, the District Court revised the general fund budget and the other programs fund budget, several times. Budgetary comparison statements for the general and special revenue major funds are located on pages 18 and 19.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Fiduciary Funds

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

Analysis of Individual Governmental Funds

The overall financial position of the District Court is virtually unchanged in that liabilities as a percentage of assets have remained fairly stable and actually decreased slightly. The District Court receives a state appropriation to pay operating costs and any unused balance is reverted at the end of each year.

The increase in net position for the year is primarily due to an increase in amounts held in cash and investments to satisfy liabilities from employee withholdings and accounts payable, which also increased.

Individual Fund Highlights

The general fund balance decreased by \$14,325 for the fiscal year ended June 30, 2016. The special revenues fund balance decreased by \$6,824.

Analysis of Budget Results for the Governmental Funds

The District Court revised its original general fund budget to account for a decrease in the general fund appropriation of \$20,700 which required a decrease in expenditures of the same amount. The unreserved fund balance from state appropriations remaining at the end of the fiscal year that reverts to the general fund of the State of New Mexico is \$7,759.

The District Court revised its original Other Programs fund budget by \$7,436 due to the termination of the Lincoln County Juvenile Drug Court program.

The unreserved fund balance from special state appropriations recorded in this fund and remaining at the end of the fiscal year that reverts to the general fund of the State of New Mexico is \$0. The remaining balances of the unreserved fund balance in this fund does not revert to the general fund of the State of New Mexico as its source is mediation and adult drug court fees.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Capital Assets

The District Court's net investment in capital assets as of June 30, 2016 amounted to \$377,052 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

**Twelfth Judicial District Court
Capital Assets (Net of Accumulated Depreciation)**

	June 30, 2016	June 30, 2015
Equipment	\$ 229,655	\$ 178,210
Vehicles	138,490	51,548
Furniture and fixtures	19,437	-
Data processing	-	-
	\$ 387,582	\$ 229,758

The District Court had \$221,992 of capital additions and disposed of \$18,261 of capital assets (book value) for the fiscal year ended June 30, 2016. Depreciation expense for the year was \$45,907. The District Court does not own any infrastructure assets. Additional information on the District Court's capital assets can be found in note four on page 31 of this report.

Currently Known Facts

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

Request for Information

The District Court financial report is designed to provide citizens, taxpayers, customers, legislators, and creditors with a general overview of the agency and to demonstrate the agency's accountability for the funds it receives. If there are any questions about this report or if additional information is needed contact: Court Executive Officer, Twelfth Judicial District Court, 1000 New York Avenue, Room 209, Alamogordo, New Mexico 88310.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$455,055
Cash on hand	50
Prepaid postage	3,844
Due from other agencies	680
<i>Total current assets</i>	<u>459,629</u>

Noncurrent Assets:

Capital assets	779,948
Less: accumulated depreciation	(392,366)
<i>Total capital assets, net of depreciation</i>	<u>387,582</u>
 <i>Total assets</i>	 <u>847,211</u>

LIABILITIES

Current Liabilities:

Accounts payable	245,730
Accrued payroll and payroll liabilities	102,266
Due to State general fund	14,766
Other liabilities	3,114
<i>Total current liabilities</i>	<u>365,876</u>

Long-Term Liabilities:

Compensated absences - long term	124,528
 <i>Total liabilities</i>	 <u>490,404</u>

NET POSITION

Net investment in capital assets	387,582
Restricted for mandates per state statute	93,753
Unrestricted	(124,528)
 <i>Total net position</i>	 <u><u>\$356,807</u></u>

The Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF ACTIVITIES

JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$3,492,353	\$44,145	\$0	\$0	(\$3,448,208)
Depreciation expense - unallocated	45,907	0	0	0	(45,907)
<i>Total governmental activities and primary government</i>	\$3,538,260	\$44,145	\$0	\$0	(\$3,494,115)

	Primary Government Governmental Activities
Change in Net Position:	
Net (expense) revenue	(\$3,494,115)
General Revenues and Transfers:	
State general fund appropriations	3,437,700
Gain on asset disposal	16,239
Capital transfers in	56,845
Operating transfers, net	123,464
Reversions to State General Fund - 2016	(7,759)
<i>Total revenues and transfers</i>	3,626,489
<i>Change in net position</i>	132,374
Net position - June 30, 2015	224,433
<i>Net position - June 30, 2016</i>	\$356,807

The Notes to Financial Statements are an integral part of these statements.

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

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	Major Funds		Total
	General Fund	Other Programs	
ASSETS			
Investment in the State Treasurer General Fund Investment Pool	\$288,487	\$166,568	\$455,055
Cash on hand	50	0	50
Prepaid postage	3,844	0	3,844
Due from other agencies	680	0	680
<i>Total assets</i>	\$293,061	\$166,568	\$459,629
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$174,754	\$70,976	\$245,730
Accrued payroll and payroll liabilities	97,445	4,821	102,266
Due to State general fund	14,766	0	14,766
Other liabilities	2,167	947	3,114
<i>Total liabilities</i>	289,132	76,744	365,876
FUND BALANCES			
Assigned	3,929	0	3,929
Restricted for mandates per state statute	0	89,824	89,824
<i>Total fund balances</i>	3,929	89,824	93,753
<i>Total liabilities and fund balances</i>	\$293,061	\$166,568	\$459,629

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

FUND BALANCE of Governmental Funds	\$93,753
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	387,582
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(124,528)
<hr/>	
<i>Net position of governmental activities</i>	\$356,807
<hr/>	

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
GOVERNMENTAL FUNDS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Major Funds		Total
	General Fund	Other Programs	
REVENUES			
Court fees	\$0	\$14,970	\$14,970
Miscellaneous revenue	26,348	3,065	29,413
<i>Total revenues</i>	26,348	18,035	44,383
EXPENDITURES			
Current:			
Personal services	2,830,728	147,223	2,977,951
Contractual services	42,354	174,032	216,386
Other costs	255,340	39,868	295,208
Capital outlay	77,392	52,000	129,392
<i>Total expenditures</i>	3,205,814	413,123	3,618,937
OTHER FINANCING SOURCES (USES)			
State general fund appropriations	3,172,900	264,800	3,437,700
Transfers from (to) other state agencies	0	123,464	123,464
Transfers - reversion to State General Fund 2015	(7,759)	0	(7,759)
<i>Total other financing sources (uses)</i>	3,165,141	388,264	3,553,405
<i>Net change in fund balance</i>	(14,325)	(6,824)	(21,149)
Fund balance, beginning of year	18,254	96,648	114,902
<i>Fund balance, end of year - June 30, 2015</i>	\$3,929	\$89,824	\$93,753

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Governmental Funds (\$21,149)

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays and depreciation in the current period are:

Depreciation expense	(45,907)
Capital outlay additions	221,992
Capital outlay deletions	(18,261)

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

Change in compensated absences (4,301)

Change in net position of governmental activities **\$132,374**

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

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$3,193,600	\$3,172,900	\$3,172,900	\$0
Miscellaneous revenue	30,000	30,000	26,348	(3,652)
Other financing sources	0	0	0	0
<i>Total revenues</i>	<u>3,223,600</u>	<u>3,202,900</u>	<u>3,199,248</u>	<u>(3,652)</u>
EXPENDITURES				
Personal services	2,936,400	2,833,700	2,830,728	2,972
Contractual services	59,600	43,600	42,354	1,246
Other costs	227,600	325,600	318,407	7,193
<i>Total expenditures</i>	<u>3,223,600</u>	<u>3,202,900</u>	<u>3,191,489</u>	<u>11,411</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>\$7,759</u>	<u>\$7,759</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$7,759
Adjustments for current year reversions	(7,759)
Adjustment for prepaid expenses	(14,325)
<u>Net change in fund balance</u>	<u>(\$14,325)</u>

The Notes to Financial Statements are an integral part of these statements.

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

OTHER PROGRAMS FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court costs	\$0	\$0	\$14,970	\$14,970
Miscellaneous revenues	22,000	22,000	2,827	(19,173)
General fund appropriation	264,800	264,800	264,800	0
Other financing sources	130,900	123,464	123,464	0
<i>Total revenues</i>	417,700	410,264	406,061	(4,203)
EXPENDITURES				
Current:				
Personal services	226,200	205,200	147,223	57,977
Contractual services	213,000	177,564	174,032	3,532
Other costs	48,200	97,200	91,630	5,570
<i>Total expenditures</i>	487,400	479,964	412,885	67,079
<i>Excess (deficiency) of revenues over expenditures</i>	(69,700)	(69,700)	(6,824)	62,876
<i>Budgeted fund balance</i>	69,700	69,700	0	0
	\$0	\$0	(\$6,824)	\$62,876

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$6,824)
Adjustments for current year reversions	0
Adjustment for unrealized gains - investments	0
Net change in fund balance	(\$6,824)

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash	\$734,942
<i>Total assets</i>	<i>\$734,942</i>
LIABILITIES	
Deposits held in custody for others	\$734,942
Due to other agencies	0
<i>Total liabilities</i>	<i>\$734,942</i>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The District Court is given its authority under Section 13 of the New Mexico State Constitution and Sections 34-6-1, 34-6-2, 34-6-12 and 36-5-17 through 34-6-47 of the New Mexico State Statutes Annotated, 1978 Compilation, and is a component unit of the state of New Mexico. The agency code assigned by the Department of Finance and Administration for the District Court is 24200. The District Court judges are elected to their position in a partisan election prior to being eligible for a nonpartisan retention election. Thereafter, each judge is subject to retention or rejection on a nonpartisan ballot every sixth year. The Twelfth Judicial District Court is the state court of general jurisdiction and is authorized to hear and determine all civil and criminal cases which are not specifically exempted from its jurisdiction. Financing of the District Court is by state appropriations.

The District Court's basic financial statements include all activities and accounts of the District Court's "financial reporting entity."

The financial reporting entity consists of the primary government and any other organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for fiscally dependent governmental organizations.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The District Court's office has no component units.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. All assets, all liabilities and deferred outflows and inflows of resources are included on the statement of net position. At June 30, 2016, the Court did not have any deferred outflows or inflows of resources. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District Court does not have any business-type activities.

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

Separate financial statements are provided for the governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary funds 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.

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. For this purpose, the District Court considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for certain compensated absences that are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and unrestricted resources are available for use, it is the Court's policy to use restricted resources first and then unrestricted resources as they are recorded.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District Court reports the following major governmental funds:

General Fund

The *general fund* is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unreserved fund balance from state appropriations remaining at the end of the fiscal year reverts to the general fund of the state of New Mexico. The SHARE fund number and description for the general fund of the District Court is 15200 - Twelfth Judicial District Court.

Other Programs Fund

The Court receives special appropriations and federal grants to operate certain special programs including the CASA program, Juvenile Drug Court and Adult Drug Court. In addition, the Court provides, or on a fee basis, a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The authority for the creation and maintenance of the fund is given under New Mexico State Statutes 34-6-47 and 40-12-4 and, as such, the fund balance will not revert to the state of New Mexico's general fund. However, because the Court co-mingles non-reverting funds with reverting appropriations, it is the Court's policy to account for and record direct expenses of each program separately, so as to facilitate the calculation of reversions. The District Court has determined that the *Other Programs fund* is a major fund whose SHARE fund number is 92900.

Fiduciary Funds

Agency Funds

Agency funds are used to account for assets held by the District Court in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The District Court has two agency funds:

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

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

1. Prior to September 15th, the District Court submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1st. The appropriation request includes proposed expenditures and the means of financing those expenditures.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The governor of the state of New Mexico signs the Act into law, within the legally prescribed time limit.
4. The District Court submits, no later than May 1st 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 1st. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal budget control for expenditures is by the appropriation program level.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The General Appropriation Act, Laws of 2008, Section 3, Subsection F establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the state of New Mexico. So long as the appropriation period has not lapsed and a budget has been approved by the DFA, an encumbrance can be charged against that budget. However, when the appropriation period lapses, so does the authority for the budget. The result is the encumbrance can no longer be charged to that budget. If the Legislature has provided a new appropriation, the encumbrance is carried forward to a new appropriation period to be charged against the new budget. If the Legislature has not provided a new appropriation, the encumbrance is no longer authorized and the amount of the encumbrance must be restored to unreserved fund balance. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of the appropriation period.
8. There is one statutory exception to the modified accrual basis for budget. That exception addresses accounts payable accrued at the end of the fiscal year that are not paid by the statutory deadline, per Section 6-10-4 NMSA 1978. Accounts payable that are not paid timely must be paid out of the following year's budget.
9. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year that the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Liabilities and Net Position or Equity

Cash

The District Court has defined cash to include cash on hand and demand deposits.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable or not available, expendable financial resources.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Prior to June 17, 2005, the District Court defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with Section 12-6-10 NMSA 1978, the District Court changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the District Court remain on the financial and accounting records of the District Court.

Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded at estimated fair market value at the date of the donation. Costs other than personnel expenses for computer software developed internally, are capitalized and depreciated over the useful life of the software. Purchased computer software is recorded at historical cost.

Depreciation is provided over assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture and fixtures	7 years
Equipment and machinery	7 years
Automobiles	7 years
Data processing	5 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

District Court employees may accumulate limited amounts of vacation pay, which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements. District Court employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

Net Position

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as follows:

1. *Net investment in capital assets* - This category reflects the portion of net position that is associated with capital assets less outstanding capital asset-related debt.
2. *Restricted* - This category reflects the portion of net position that has third party limitations on their use.
3. *Unrestricted* - This category reflects net position of the District Court not restricted for any project or other purpose.

Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – i.e., prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Court - the entity's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Court Executive Officer removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balance - This classification reflects the amounts constrained by the District Court's "intent" to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Court, or through the Court delegating this responsibility to the Court Executive Officer through the budgetary process. Assigned fund balances include any remaining amounts (except negative balances) that are reported in governmental funds other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District Court's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order, as needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District Court. Deposits may be made to the extent that they are insured by an agency of the United States of America, by collateral deposited as security, or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Idle cash may be invested in a wide variety of instruments including money market accounts, certificates of deposit, the New Mexico State Treasurers investment pool, or in securities which are issued by the state or by the United States government or their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments. Cash includes cash on hand and cash deposits in financial institutions. The District Court's deposits are carried at cost.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

As of June 30, 2016, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

Type of Account	Per Financial Institution	Reconciling Items	Per Financial Statements
Agency Funds:			
<u>Otero County Trust Account:</u>			
Wells Fargo Bank 200 Lomas Blvd. NW Albuquerque, New Mexico	\$485,900	(\$19,457)	\$466,443
 <u>Lincoln County Trust Accounts:</u>			
Wells Fargo Bank 200 Lomas Blvd. NW Albuquerque, New Mexico	268,499	0	268,499
Wells Fargo Bank 200 Lomas Blvd. NW Albuquerque, New Mexico	0	0	0
	<u>\$754,399</u>	<u>(\$19,457)</u>	<u>\$734,942</u>

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of net position - cash equivalent	\$455,055
Statement of fiduciary net position	734,942
	<u>\$1,189,997</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the District Court. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Court's carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes, is held in each respective depository bank's collateral pool at a Federal Reserve Bank or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation. Wells Fargo Bank with whom the Court maintains their agency accounts pledges collateral for uninsured balances on a state-wide basis; for further information see the State of New Mexico's Comprehensive Annual Financial Report (CAFR).

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. INVESTMENTS

New Mexico State statutes require that the New Mexico State Treasurer hold and manage all operating funds on behalf of the District Court. Such funds are held in the State’s General Fund Investment Pool. Those funds are reflected as investments on the District Court’s statement of financial position. The District Court’s interest in the pool is considered to be a cash equivalent. At June 30, 2016, the balance is as follows:

	Share Fund	Fund	Maturities	Fair Value
State General Fund Investment Pool	15200	General	1 day to 3 years	\$288,487
State General fund Investment Pool	92900	Other Programs	1 day to 3 years	\$166,568

Interest Rate Risk – The District Court does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The State’s General Fund Investment Pool is not rated.

For additional GASB 40 disclosure information related to the State’s General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer for the fiscal year ended June 30, 2016.

General Fund Investment Pool Not Reconciled

In June 2013, an independent diagnostic report revealed that the State of New Mexico General Fund Investment Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer.

The Financial Control Division (FCD) in collaboration with the State Treasurer’s Office implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer’s Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico’s Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For FY 2016 the following assertions are provided,

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months;
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP
3. All claims will be honored at face value.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. INVESTMENTS (CONTINUED)

The Court's general operating bank account is under the oversight of the State Treasurer's Office. Since SHARE was implemented, the Court has performed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are, in fact, transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are addressed with the Financial Control Division at DFA and corrected. Monthly reconciliation procedures throughout the Fiscal Year include, but are not limited to, validation of deposits, expenditures, all general entries, operating transfers, and payroll expenditures/liabilities by fund. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides court management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other assets and liability accounts on the Balance Sheet of each fund. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

NOTE 4. CAPITAL ASSETS

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

	Balance June 30, 2015	Reclassifications	Increases	Decreases	Balance June 30, 2016
Capital assets, being depreciated:					
Furniture and fixtures	\$39,725	\$0	\$19,601	\$17,075	\$42,251
Equipment	436,217	0	89,497	10,500	515,214
Data processing	22,802	0	0	0	22,802
Vehicles	182,488	0	112,894	95,701	199,681
<i>Total capital assets, being depreciated</i>	<u>681,232</u>	<u>0</u>	<u>221,992</u>	<u>123,276</u>	<u>779,948</u>
Less accumulated depreciation for:					
Furniture and fixtures	(39,725)	0	(164)	(17,075)	(22,814)
Equipment	(258,007)	0	(36,677)	(9,125)	(285,559)
Data processing	(22,802)	0	0	0	(22,802)
Vehicles	(130,940)	0	(9,066)	(78,815)	(61,191)
<i>Total accumulated depreciated</i>	<u>(451,474)</u>	<u>0</u>	<u>(45,907)</u>	<u>(105,015)</u>	<u>(392,366)</u>
<i>Total capital assets, net</i>	<u>\$229,758</u>	<u>\$0</u>	<u>\$176,085</u>	<u>\$18,261</u>	<u>\$387,582</u>

The District Court recorded a depreciation expense of \$45,907 for the year ended June 30, 2016. The depreciation expense is a direct expense of the judicial administration function. The District Court does not have any debt related to capital assets. The cost of certain asset additions have been adjusted for trade-in values of \$34,500. Therefore, a gain on asset disposal of \$16,239 (\$34,500 - \$18,261) has been recorded. In addition, two vehicles purchased included cash paid to vendor of \$41,405 directly from Administrative Office of the Courts (AOC) and a third asset (equipment of \$15,440) was paid by AOC. These payments by AOC have been recorded as capital transfers in of \$56,845.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. DUE TO STATE OF NEW MEXICO GENERAL FUND

For the year ending June 30, 2016, the amounts due to the State of New Mexico general fund is as follows:

	General Fund	Other Programs Fund	Total
Fiscal year 2015 reversions	\$7,007	\$0	\$7,007
Fiscal year 2016 reversions	7,759	0	7,759
	<u>\$14,766</u>	<u>\$0</u>	<u>\$14,766</u>

NOTE 6. COMPENSATED ABSENCES

Accrued Annual Leave

Qualified employees accumulate annual leave at a rate of:

Year of Service	Hours Earned Per Pay Period	Hours of Maximum Accrual
Pay 1 – 3 years	4.62	240
Over 3 – 7 years	5.54	240
Over 7 – 14 years	6.46	240
Over 14 years and beyond	7.39	240

A maximum of 240 hours of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums.

Accrued Sick Leave

Under provisions of NMSA 1978, Section 10-7-10, employees who accumulate more than 600 hours of sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to 50% of the employee’s hourly rate of pay for up to 120 hours of sick leave. Payments may be made only once per fiscal year in either July or January. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave.

Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave that has been accrued represents the hours earned at June 30, 2016, over 600 hours. Expenditures for accumulated sick leave pay for less than 600 hours will be recognized as employees take such absences.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. COMPENSATED ABSENCES (CONTINUED)

The amount recorded as a long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Accrued annual leave	\$117,576	\$117,374	\$113,738	\$121,212	\$0
Accrued sick leave	2,651	80,131	79,466	3,316	0
	<u>\$120,227</u>	<u>\$197,505</u>	<u>\$193,204</u>	<u>\$124,528</u>	<u>\$0</u>

NOTE 7. OPERATING LEASES

The District Court has operating leases for two postage machines. The leases have 4-year terms and are payable on a quarterly basis. Each individual lease can be terminated due to lack of funding from the legislature with no penalty to the District Court. Minimum future rental payments under operating leases having terms in excess of one year as of June 30, 2016 and for the next two years, in the aggregate are:

Period Ending	Amounts
June 30, 2017	\$4,705
June 30, 2018	0
	<u>\$4,705</u>

The District Court recorded rental of equipment expense of \$5,096 for the year ending June 30, 2016.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

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

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Twelfth Judicial District Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Twelfth Judicial District Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Twelfth Judicial District Court's contributions to PERA for the fiscal years ending June 30, 2016, 2015 and 2014 were \$260,951, \$234,261, and \$217,647, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9. PENSION PLAN – JUDICIAL RETIREMENT ACT (JRA)

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

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

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

Funding Policy. Plan members are required to contribute 10.5% of their gross salary. The District Court is required to contribute 15.0% of the gross covered salary. The District Court's contributions to JRA for the years ending June 30, 2016, 2015, and 2014 were \$68,364, \$68,562, and \$49,771, respectively, which equal to the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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 the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five 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, 2016, the statutes required each participating employer to contribute 2.5 of each participating employee's annual salary; and each participating employee was required to contribute 1.25 of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, 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, 2015, 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 Twelfth Judicial District Court's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$42,503, \$40,661, and \$38,288, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11. RISK OF LOSS

The District Court’s Office is insured through the 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 funds to provide unemployment compensation, tort liability insurance, workman’s compensation, 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 is not liable for more than the premiums paid.

NOTE 12. UNRESTRICTED DEFICIT NET POSITION

GASB 34 requires recording of capitalized assets, net of accumulated depreciation and long term liabilities, which results in an unrestricted net position deficit of \$124,528. The deficit is created by compensated absence liabilities which are expected to be paid from subsequent years state general fund appropriations.

NOTE 13. STATEMENT OF INTER-AGENCY TRANSFERS

	From/To Fund No.	Transfer In	Transfer Out
General Fund – 15200			
Department of Finance and Administration State General Fund Appropriation Laws of 2010, 2nd SS, Chap 6, Sec. 14	85300	\$3,172,900	\$0
Department of Finance and Administration Compensation Increases	85300	0	0
Department of Finance and Administration Fiscal year 2016 reversion	85300	0	7,759
		<u>\$3,172,900</u>	<u>\$7,759</u>
Other Programs Fund – 92900			
Department of Finance and Administration State General Fund Appropriation Laws of 2010, 2nd SS, Chap 6, Sec. 14	85300	\$264,800	\$0
Department of Finance and Administration Compensation Increases	85300	0	0
Administrative Office of the Courts Problem-Solving Court Program Funding	13900	38,300	0
Administrative Office of the Courts Court Appointed Special Advocates (CASA) for Children Grant	13900	85,164	0
Department of Finance and Administration Fiscal year 2016 reversion	-	0	0
		<u>\$388,264</u>	<u>\$0</u>
General Fund – 15200			
Administrative Office of the Courts (Capital Transfers)	13900	\$56,845	\$0

SUPPLEMENTARY INFORMATION

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

AGENCY FUND

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2016

	June 30, 2015	Additions	Deletions	June 30, 2016
LITIGANTS FUND:				
ASSETS				
Cash - Litigant Accounts	\$804,170	\$521,314	(\$590,542)	\$734,942
Cash - Court Clerk Accounts	5,852	341,899	(347,751)	0
<i>Total assets</i>	\$810,022	\$863,213	(\$938,293)	\$734,942
LIABILITIES				
Deposits held in custody of others	\$804,170	\$521,314	(\$590,542)	\$734,942
Due to other agencies	5,852	341,899	(347,751)	0
<i>Total liabilities</i>	\$810,022	\$863,213	(\$938,293)	\$734,942

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
SCHEDULE OF CASH / INVESTMENT ACCOUNTS
JUNE 30, 2016

	Type of Account	Per Bank Balance June 30, 2015	Reconciling Items	Reconciled Balance June 30, 2016
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$288,487	\$0	\$288,487
OTHER FUNDS				
New Mexico State Treasurer	Checking	166,568	0	166,568
Cash on hand		50	0	50
<i>Balance per statement of net position</i>		\$455,105	\$0	\$455,105
AGENCY FUNDS				
Litigant's Fund:				
New Mexico State Treasurer	LGIP	\$0	\$0	\$0
New Mexico State Treasurer-Reserve Contingency Fund	LGIP	0	0	0
Wells Fargo Bank	Checking	485,900	(19,457)	466,443
Wells Fargo Bank	Checking	268,499	0	268,499
Wells Fargo Bank	Checking	0	0	0
<i>Total Litigant's Fund</i>		\$754,399	(\$19,457)	\$734,942

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2016

	* Wells Fargo Bank
Total amount of deposits	\$754,399
Less FDIC coverage	(250,000)
<hr/>	
Total uninsured public funds	\$504,399
<hr/>	
 Collateral requirement 50%	 \$252,200

Wells Fargo Bank with whom the Court maintains their agency accounts pledges collateral for uninsured balances on a state-wide basis; for further information see the State of New Mexico's Comprehensive Annual Financial Report (CAFR).

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
 SCHEDULE OF VENDOR INFORMATION
 for Purchases Exceeding \$60,000 (excluding GRT)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: Katina Watson

Title: CEO

Date: November 21, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor win contract?
242	Twelfth Judicial District Court	Courts	NONE			

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
 SCHEDULE OF VENDOR INFORMATION
 for Purchases Exceeding \$60,000 (excluding GRT) (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: Katina Watson

Title: CEO

Date: November 21, 2016

\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of Vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit

**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 Auditor's Report

Mr. Tim Keller, State Auditor and
Honorable James W. Counts, Chief Judge
State of New Mexico
Twelfth Judicial District Court
Alamogordo, New Mexico

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

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Twelfth 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 the Twelfth Judicial District Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Twelfth 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Tim Keller, State Auditor and
Honorable James W. Counts, Chief Judge
State of New Mexico
Twelfth Judicial District Court
Alamogordo, New Mexico
Page Two

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Twelfth 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2016-001.

The Twelfth Judicial District Court's Response to Findings

The Twelfth Judicial District Court's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Twelfth Judicial District Court's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 4, 2016

TWELFTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT YEAR FINDINGS:

2016-001 Reversion not Transferred – Compliance

Statement of Condition – The calculated reversion of \$7,007 for June 30, 2015 (which was timely and properly recorded) was not transferred back to the State General Fund as of June 30, 2016.

Criteria – Section 6-5-10(A) NMSA 1978 requires the reversion of unexpended general fund appropriations each fiscal year by September 30.

Cause – The Court Financial Manager was new to the position and did not clearly understand the reversion process.

Effect – The Court is not in compliance with the state appropriation reversion requirements.

Recommendation – The Court Financial Officer should seek clarification of requirements when processes are not clear.

Management's Response – The monies were accrued during the fiscal year, however, the transfer did not occur until after the fiscal year. Management will ensure that all monies will be both accrued and transferred during the same fiscal year.

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:

2015-001 Disbursement Procedures Not Followed – Significant Deficiency

Resolved and not repeated.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2016

EXIT CONFERENCE:

The exit conference was held November 29, 2016 and was attended by the following:

From Twelfth Judicial District Court:

Honorable James W. Counts, Chief Judge
Katina Watson, Court Executive Officer
Dorella Molina, Court Financial Administrator

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Rebecca Pott, In Charge Auditor
Leo Ramirez, Staff Auditor

FINANCIAL STATEMENT PREPARATION

The auditing firm of Kriegel/Gray/Shaw & Co., P.C., with the aid of responsible Twelfth Judicial District Court personnel, prepared the financial statements of the Twelfth Judicial District Court as of and for the year ended June 30, 2016.