

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT

Annual Financial Report
For the Year Ended June 30, 2018

INTRODUCTORY SECTION

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 TWELFTH JUDICIAL DISTRICT COURT
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STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Official Roster
June 30, 2018

JUDGES

Division 1	Honorable Jerry H. Ritter, Jr. (through August 2017) Honorable Steven E. Blankinship (as of September 2017)
Division 2	Honorable James W. Counts, Chief Judge
Division 3	Honorable Daniel Bryant
Division 4	Honorable Angie K. Schneider

ADMINISTRATIVE OFFICIALS

Katina Watson	Court Executive Officer/CEO
Dorella Molina	Court Financial Administrator/CFO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and the major special revenue funds of the State of New Mexico, Twelfth Judicial District Court (Court), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Court's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Court's fiduciary funds as of and for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 Court's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the respective budgetary comparisons for the general fund and major special revenue funds of the Court, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary funds of the Court as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 Court's basic financial statements. The additional schedules listed as "supplementary information" in the table of contents, which includes 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 additional schedules listed as "supplementary information" in the table of contents, which includes 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 auditing standards generally accepted in the United States of America. In our opinion, the additional

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 25, 2018 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.


Burt & Company CPAs, LLC

October 25, 2018

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Management's Discussion and Analysis
(Unaudited)
June 30, 2018

The following is an overview of the financial condition for the office of the Court for the fiscal year ending June 30, 2018. This narrative was prepared by management and highlights the major aspects of the Court's financial status for this period. This should be considered in conjunction with the financial statements presented, which follows this section.

OVERVIEW

The 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, 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 Court offers a variety of programs to meet public needs. The Court operates a Mediation program and an Alternative Dispute Resolution program. The Court also operates two adult drug courts, one juvenile drug court, a pre-trial services program, a self-help center, and has public access terminals at each location.

The new and reopened caseload for the Court for fiscal year 2018 was 5,267 which is an 8% increase from year 2017. In addition to an increase in case filings, there continues to be significant increases in the amount of litigation. Specifically, the trend shows increases in the number of pleadings filed, the number of hearings held, and the number of jury trials.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Court's basic financial statements. The Court has no business-type activities, but rather solely supports governmental-type activities. These statements reflect basic financial statements and are comprised of: (1) government-wide financial statements, which contain a broad overview of the Court's finances; and (2) fund financial statements, which provide more details of the 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 Court's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the 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 Court is improving or deteriorating.

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Management's Discussion and Analysis (continued)
 (Unaudited)
 June 30, 2018

The statement of activities presents information showing how the Court's net position is reported as soon as underlying event giving rise to the change occurs, regardless of the timing of 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 Statement

Condensed Statement of Net Position
 Governmental Activities

	June 30, 2018	June 30, 2017 Restated
Assets		
Current assets and other assets	\$ 326,654	304,590
Capital assets, net of accumulated depreciation	374,639	411,748
Total current assets	701,293	716,338
Liabilities		
Current liabilities	296,068	208,343
Long-term liabilities	20,149	122,678
Total liabilities	316,217	331,021
Net position		
Net investment in capital assets	374,639	411,748
Restricted for program expenses	124,571	96,162
Unrestricted (deficit)	(114,134)	(122,593)
Total net position	\$ 385,076	385,317

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Court's primary government, assets exceeded liabilities by \$385,076 at the close of the most recent fiscal year.

The Court's activities during the fiscal year decreased the Court's net position by \$241. The decrease is attributed to an increase in net program expenses. Net position is composed of investment in capital assets (e.g., furniture, equipment and vehicles) of \$374,639, unrestricted deficit of \$(114,134) and net position restricted for program expense of \$124,571. The Court uses its capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

Current and other assets consist of cash and investments. The amount decreased by \$15,045 due in large part to a decrease in capital assets.

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Management's Discussion and Analysis (continued)
 (Unaudited)
 June 30, 2018

Condensed Statement of Activities
 Governmental Activities

	June 30, 2018	June 30, 2017 Restated
Expenses:		
Program expenses	\$ 3,467,482	3,398,953
Depreciation expense	91,599	74,788
Total expenses	3,559,081	3,473,741
Program revenues	112,304	87,255
Net program expenses	(3,446,777)	(3,386,486)
General revenues and transfers:		
State general fund appropriation	3,369,700	3,326,100
Gain on asset disposal	-	6,500
Operating transfers, net	83,496	83,496
State general fund reversion	(6,660)	(1,100)
Total revenues	3,446,536	3,414,996
Change in net position	(241)	28,510
Net position, beginning of year	385,317	356,807
Net position, end of year	\$ 385,076	385,317

The statement of activities shows an increase in program revenues and an increase in expenses for fiscal year 2018 from fiscal year 2017. State general fund appropriations increased by \$43,600. Other revenue sources decreased by \$6,500. State general fund reversion increased by \$5,560.

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 Court, like other state agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the 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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Management's Discussion and Analysis (continued)
(Unaudited)
June 30, 2018

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 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 Court maintains three other individual governmental funds that are classified as a special revenue funds. Information for the General Fund, Mediation Fund, Alternative Dispute Resolution Fund, and Other Programs Fund, all 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 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 Court revised the general fund budget and the other programs fund budget. Budgetary comparison statements for the general and special revenue major funds are located on pages 15 through 18.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

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 Court's own programs.

Analysis of Individual Governmental Funds

The overall financial position of the Funds are largely unchanged except for the Alternative Dispute Resolution Fund, which recognized revenues but did not incur expenditures. The Court receives a state appropriation to pay operating costs and any unused balance is reverted at the end of each year.

Capital Assets

The Court's net capital assets as of June 30, 2018 amounted to \$374,639 (net of accumulated depreciation). The capital assets includes furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Management's Discussion and Analysis (continued)
 (Unaudited)
 June 30, 2018

Capital Assets (Net of Accumulated Depreciation)

	June 30, 2018	June 30, 2017
Equipment	\$ 228,227	258,464
Vehicles	133,560	136,979
Data processing	9,688	-
Furniture and fixtures	3,164	16,305
	\$ 374,639	411,748

The Court had \$54,490 of capital additions for the fiscal year ended June 30, 2018. Depreciation expense for the year was \$91,599. The Court does not own any infrastructure assets. Additional information on the Court's capital assets can be found in Footnote 4.

Currently Known Facts

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

Request for Information

The 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, NM 88310.

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Net Position
 June 30, 2018

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash on hand	\$ 50
Investment in State General Fund Investment Pool	<u>326,604</u>
Total current assets	<u>326,654</u>
Non-current assets:	
Capital assets	683,565
Less: Accumulated depreciation	<u>(308,926)</u>
Total capital assets, net of depreciation	<u>374,639</u>
Total assets	\$ <u>701,293</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 85,663
Accrued payroll and payroll liabilities	116,420
Compensated absences - short term	<u>93,985</u>
Total current liabilities	<u>296,068</u>
Long-Term liabilities:	
Compensated absences - long term	<u>20,149</u>
Total liabilities	316,217
Net position	
Net investment in capital assets	374,639
Restricted	124,571
Unrestricted	<u>(114,134)</u>
Total net position	\$ <u>385,076</u>

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

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Activities
 For the Year Ended June 30, 2018

	<u>Governmental Activities</u>
Expenses	
Judicial:	
Administrative services	\$ 3,467,482
Depreciation expense	<u>91,599</u>
Total expenses	3,559,081
 Program revenues:	
Charges for services	78,087
Other gifts and grants	<u>34,217</u>
Total program revenues	<u>112,304</u>
Net program expenses	(3,446,777)
 General revenues and transfers	
State general fund appropriations	3,369,700
Operating transfers, net	83,496
State general fund reversion FY 18	<u>(6,660)</u>
Total general revenues and transfers	<u>3,446,536</u>
 Change in net position	(241)
 Net position, beginning of year as previously stated	389,161
Prior period adjustment	<u>(3,844)</u>
Net position, beginning of year as restated	<u>385,317</u>
 Net position, end of year	 \$ <u>385,076</u>

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

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Balance Sheet – Governmental Funds
 June 30, 2018

	General Fund #15200	Mediation Fund #50240	Alternative Dispute Resolution Fund #50570	Other Programs #92900	Total
Assets					
Cash on hand	\$ 50	-	-	-	50
Investment in the State General Fund Investment Pool	<u>173,450</u>	<u>66,538</u>	<u>36,335</u>	<u>50,281</u>	<u>326,604</u>
Total assets	<u>\$ 173,500</u>	<u>66,538</u>	<u>36,335</u>	<u>50,281</u>	<u>326,654</u>
Liabilities and fund balances					
Accounts payable	\$ 59,707	406	-	25,550	85,663
Accrued payroll and payroll liabilities	<u>113,708</u>	<u>-</u>	<u>-</u>	<u>2,712</u>	<u>116,420</u>
Total liabilities	<u>173,415</u>	<u>406</u>	<u>-</u>	<u>28,262</u>	<u>202,083</u>
Fund balances					
Assigned	85	-	-	-	85
Restricted	-	66,132	36,335	22,019	124,486
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>85</u>	<u>66,132</u>	<u>36,335</u>	<u>22,019</u>	<u>124,571</u>
Total liabilities and fund balances	<u>\$ 173,500</u>	<u>66,538</u>	<u>36,335</u>	<u>50,281</u>	<u>326,654</u>

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

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 June 30, 2018

Total fund balances for governmental funds	\$	124,571
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		374,639
<p>Liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated absences		<u>(114,134)</u>
Net position of governmental activities	\$	<u><u>385,076</u></u>

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

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
 For the Year Ended June 30, 2018

	General Fund #15200	Mediation Fund #50240	Alternative Dispute		Total
			Resolution Fund #50570	Other Programs #92900	
Revenues					
Court fees	\$ -	19,600	26,250	-	45,850
Miscellaneous revenue	28,797	-	-	3,440	32,237
Other services - AOC	-	-	35	34,182	34,217
Total revenues	<u>28,797</u>	<u>19,600</u>	<u>26,285</u>	<u>37,622</u>	<u>112,304</u>
Expenditures					
Current:					
Personal services	2,880,587	36,779	-	71,836	2,989,202
Contractual services	69,832	7,258	-	151,027	228,117
Other costs	227,647	1,164	-	29,896	258,707
Capital outlay	<u>54,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,490</u>
Total expenditures	<u>3,232,556</u>	<u>45,201</u>	<u>-</u>	<u>252,759</u>	<u>3,530,516</u>
Excess (deficiency) of revenues over expenditures	(3,203,759)	(25,601)	26,285	(215,137)	(3,418,212)
Other financing sources (uses)					
State general fund appropriation	3,210,200	24,200	-	135,300	3,369,700
Transfers from (to) other state agencies	-	-	-	83,496	83,496
Reversion FY 18	<u>(6,441)</u>	<u>-</u>	<u>-</u>	<u>(219)</u>	<u>(6,660)</u>
Total other financing sources (uses)	<u>3,203,759</u>	<u>24,200</u>	<u>-</u>	<u>218,577</u>	<u>3,446,536</u>
Net change in fund balance	-	(1,401)	26,285	3,440	28,324
Fund balance, beginning of year, as previously stated	3,929	67,533	10,050	18,579	100,091
Restatement	<u>(3,844)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,844)</u>
Fund balance, beginning of year, as restated	<u>85</u>	<u>67,533</u>	<u>10,050</u>	<u>18,579</u>	<u>96,247</u>
Fund balance, ending	<u>\$ 85</u>	<u>66,132</u>	<u>36,335</u>	<u>22,019</u>	<u>124,571</u>

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

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds \$ 28,324

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.

Depreciation expense	(91,599)
Capital outlay	54,490

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	<u>8,544</u>
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Change in net position of governmental activities	\$ <u><u>(241)</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Revenues and Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund (#15200)
 For Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts (Non-GAAP Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
General fund appropriation	\$ 3,210,200	3,210,200	3,210,200	-
Miscellaneous revenues	<u>27,000</u>	<u>27,000</u>	<u>28,797</u>	<u>1,797</u>
Total revenues	3,237,200	3,237,200	3,238,997	1,797
Fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and fund balance	\$ <u>3,237,200</u>	<u>3,237,200</u>	3,238,997	1,797
Expenditures				
Administrative services:				
Personal services	2,962,500	2,882,500	2,880,587	1,913
Contractual services	36,300	72,300	69,832	2,468
Other services	238,400	282,400	227,647	54,753
Capital Outlay	<u>-</u>	<u>-</u>	<u>54,490</u>	<u>(54,490)</u>
Total expenditures	\$ <u>3,237,200</u>	<u>3,237,200</u>	<u>3,232,556</u>	<u>4,644</u>
Excess (deficiency) of revenues over expenditures			\$ 6,441	6,441
Budgetary - GAAP reporting reconciliation:				
Excess (deficiency) revenues over expenditures and other financing sources (uses)			6,441	
Adjustments for current year reversions			<u>(6,441)</u>	
Net change in fund balance			\$ <u>-</u>	

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

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Revenues and Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Mediation Fund (#50240)
 For Year Ended June 30, 2018

		<u>Budgeted Amounts</u>		Actual Amounts (Non-GAAP Budgetary Basis)	Variance with Final Budget Positive (Negative)
		<u>Original</u>	<u>Final</u>		
Revenues					
General fund appropriation	\$	24,200	24,200	24,200	-
Court fees		<u>19,000</u>	<u>19,000</u>	<u>19,600</u>	<u>600</u>
Total revenues		43,200	43,200	43,800	600
Fund balance		<u>47,700</u>	<u>47,700</u>	-	(47,700)
Total revenues and fund balance	\$	<u>90,900</u>	<u>90,900</u>	43,800	(47,100)
Expenditures					
Administrative services:					
Personal services	\$	55,700	55,700	36,779	18,921
Contractual services		10,000	10,000	7,258	2,742
Other services		<u>25,200</u>	<u>25,200</u>	<u>1,164</u>	<u>24,036</u>
Total expenditures	\$	<u>90,900</u>	<u>90,900</u>	<u>45,201</u>	<u>45,699</u>
Excess (deficiency) of					
revenues over expenditures				\$ (1,401)	(1,401)
Budgetary - GAAP reporting reconciliation:					
Excess (deficiency) revenues over expenditures					
and other financing sources (uses)				(1,401)	
Adjustments for current year reversions				<u>-</u>	
Net change in fund balance	\$			<u>(1,401)</u>	

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

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Revenues and Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Alternative Dispute Resolution Fund (#50570)
 For Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts (Non-GAAP Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u></u>
Revenues				
Court fees	\$ -	-	26,250	26,250
Other financing sources	-	-	<u>35</u>	<u>35</u>
Total revenues	-	-	26,285	26,285
Fund balance	-	-	-	-
Total revenues and fund balance	\$ -	-	26,285	26,285
Expenditures				
Administrative services:				
Personal services	\$ -	-	-	-
Contractual services	-	-	-	-
Other services	-	-	-	-
Total expenditures	\$ -	-	-	-
Excess (deficiency) of revenues over expenditures			\$ 26,285	26,285
Budgetary - GAAP reporting reconciliation:				
Excess (deficiency) revenues over expenditures and other financing sources (uses)			26,285	
Adjustments for current year reversions			<u>-</u>	
Net change in fund balance			\$ <u>26,285</u>	

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

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Revenues and Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Other Programs Fund (#92900)
 For Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Non-GAAP Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	Original	Final		
Revenues				
General fund appropriation	\$ 135,300	135,300	135,300	-
Miscellaneous revenues	2,000	2,000	3,440	1,440
Other financing sources	<u>121,400</u>	<u>118,067</u>	<u>117,678</u>	<u>(389)</u>
Total revenues	258,700	255,367	256,418	1,051
Fund balance	<u>12,500</u>	<u>12,500</u>	-	<u>(12,500)</u>
Total revenues and fund balance	\$ <u>271,200</u>	<u>267,867</u>	256,418	(11,449)
Expenditures				
Administrative services:				
Personal services	\$ 76,500	76,500	71,836	4,664
Contractual services	164,700	161,367	151,027	10,340
Other services	<u>30,000</u>	<u>30,000</u>	<u>29,896</u>	<u>104</u>
Total expenditures	\$ <u>271,200</u>	<u>267,867</u>	<u>252,759</u>	<u>15,108</u>
Excess (deficiency) of revenues over expenditures			\$ 3,659	3,659
Budgetary - GAAP reporting reconciliation:				
Excess (deficiency) revenues over expenditures and other financing sources (uses)			3,659	
Adjustments for current year reversions			<u>(219)</u>	
Net change in fund balance			\$ <u>3,440</u>	

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

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Statement of Fiduciary Assets and Liabilities – Agency Fund
June 30, 2018

Assets	<u>Agency Fund</u>
Cash and cash equivalents	\$ <u>707,599</u>
Total assets	\$ <u><u>707,599</u></u>
 Liabilities	
Deposits held in custody for others	\$ <u>707,599</u>
Total liabilities	\$ <u><u>707,599</u></u>

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

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies

The financial statements of the Twelfth Judicial District Court (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 Court's accounting policies are described below.

A. Financial Reporting Entity

The 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 department of the state of New Mexico. The agency code assigned by the Department of Finance and Administration for the Court is 24200. The 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. 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 Court is by state appropriations.

The Court's basic financial statements include all activities and accounts of the 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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The Court's office has no component units.

B. 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, 2018, 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 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

C. Measurements 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 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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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.

Governmental Funds

The Court reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the Court and is considered a major fund. 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 revenues and expenditures of the Court are regularly accounted for in this fund. The SHARE fund number and description for the general fund of the Court is 15200 - Court Regular.

Mediation Fund

The Court has established a domestic relations mediation program pursuant to Section 5 (40-12-5 NMSA, 1978 Comp.) of the Domestic Relations Mediation act. Deposits to the funds shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 (40-12-5, NMSA, 1978 Comp.) of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 (40-12-6, NMSA, 1978 Comp.) of the Act. The Mediation Fund is a special revenue fund and is non-reverting. The SHARE number of the Mediation Fund is 50240. For purposes of financial statement presentation, the fund is considered a major fund.

Alternative Dispute Resolution Fund

The Court has established an alternative dispute resolution program pursuant to Section 34-6-45 NMSA, 1978 Comp. The purpose of the program is to resolve disputes through alternative means, including, but not limited to, arbitration, mediation, and settlement facilitation. To finance the cost of the program, a fee of fifteen dollars (\$15) is collected on all new and re-opened civil cases. In accordance with section 34-6-44, NMSA, 1978 Comp., the fee is deposited into alternative dispute resolution fund. The fund is special revenue fund and is non-reverting. For purposes of financial statement presentation, the fund is considered a major fund. The SHARE fund number is 50570.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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. 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. For purposes of financial statement presentation, the 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 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 Court has two agency funds:

1. Litigant's Fund – These monies are amounts collected from persons involved in pending lawsuits. The Court has custody and, if directed by the 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 Court. These monies are remitted intact to the New Mexico State Treasurer.

Budgets

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

1. Prior to September 15th, the 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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Budgets (continued)

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 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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

1. Measurements Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Budgets (continued)

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.

D. Assets Liabilities and Net Position or Equity

Cash

The 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 government-wide financial statements to indicate that they are not available for appropriation and are not expendable or not available, expendable financial resources.

Capital Assets

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. 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. Capital assets with a value exceeding \$5,000 are capitalized.

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:

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2018

1. Summary of Significant Accounting Policies (continued)

D. Assets Liabilities and Net Position or Equity (continued)

Capital Assets (continued)

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.

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.

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. 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.

Years of Service	Hours Earned Per Pay Period	Hours of Maximum Accrual
1-3 years	4.62	240
Over 3-7	5.54	240
Over 7-14	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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

D. Assets Liabilities and Net Position or Equity (continued)

Compensated Absences (continued)

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.

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, 2018, over 600 hours. Expenditures for accumulated sick leave pay for less than 600 hours will be recognized as employees take such absences.

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 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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

D. Assets Liabilities and Net Position or Equity (continued)

Fund Equity Reservation and Designations (continued)

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.

Assigned fund balance - This classification reflects the amounts constrained by the 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 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.

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2018

2. Cash and Cash Equivalents

At June 30, 2018, cash and cash equivalents consisted of the following checking accounts:

	<u>Type</u>	<u>Interest Bearing</u>	<u>Per Financial Institution</u>	<u>O/S Deposits</u>	<u>O/S Checks</u>	<u>Per Financial Statements</u>
Agency Funds:						
Litigant - Wells Fargo (Otero)	Checking	Y	\$ 457,908	-	-	457,908
Litigant - Wells Fargo (Lincoln)	Checking	Y	<u>249,691</u>	<u>-</u>	<u>-</u>	<u>249,691</u>
Total agency funds in bank			707,599	-	-	707,599
Less FDIC insurance			<u>(250,000)</u>			
Total uninsured Public Funds			457,599			
50% collateral requirement			(228,800)			
Pledged security			\$ *			

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned. Currently, all of the above listed accounts are either insured or collateral has been pledged by the financial institution for amounts exceeding Federal Deposit Insurance Corporation (FDIC) insurance.

*Section 6-10-14, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Court's bank accounts is monitored by the State Treasurer's Office (STO). The STO cash and investments, and can be accessed at the State Treasurer's website, www.nmsto.gov.

3. Investment in the State General Fund Investment Pool (SGFIP)

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The STO acts as the state's bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs, they are placed into short-term investments. When agencies make payments to vendors and employees, they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the STO is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the Comprehensive Annual Fi-

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2018

3. Investment in the State General Fund Investment Pool (SGFIP) (continued)

financial Report (CAFR). The reviews have deemed the process to be sound and the Court fully compliant with the requirements of the monthly process.

The purpose of this memo is to provide the following assertions:

1. As of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

At June 30, 2018, the Court had the following invested in the SGFIP:

Share Fund #	Fund	Maturity	Account Balance	Fair Value
State General Fund Investment Pool				
15200	General	1 day	\$ 173,450	173,450
50240	Mediation	1 day	66,538	66,538
50570	ADR	1 day	36,335	36,335
92900	Other Programs	1 day	<u>50,281</u>	<u>50,281</u>
Total state general fund investment pool			\$ <u>326,604</u>	<u>326,604</u>

Interest Rate Risk

The STO 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.

Concentration of Credit Risk

The New Mexico State Treasurer pools are not rated.

Custodial Credit Risk - Deposit

The STO monitors the collateral for deposits it holds, which would include the investment accounts of the Court. Therefore, collateralization of the Court's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. There is no custodial risk at the Court's level since the Court's investments are under the contract of the STO.

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2018

3. Investment in the State General Fund Investment Pool (SGFIP) (continued)

Custodial Credit Risk – Deposit (continued)

For further information regarding the SGFIP, please see the State Treasurer’s annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer’s Office, P.O. Box 608, Santa Fe, NM 87504-0708.

4. Capital Assets

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

	Balance June 30, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
Capital assets being depreciated:					
Furniture and fixtures	\$ 42,251	-	-	(36,442)	5,809
Equipment	512,749	32,101	-	(82,065)	462,785
Data processing	22,802	-	-	(9,010)	13,792
Vehicles	178,790	22,389	-	-	201,179
Total capital assets being depreciated	<u>756,592</u>	<u>54,490</u>	<u>-</u>	<u>(127,517)</u>	<u>683,565</u>
Less accumulated depreciation:					
Furniture and fixtures	(25,946)	(1,483)	-	24,784	(2,645)
Equipment	(254,285)	(62,338)	-	82,065	(234,558)
Data processing	(22,802)	(1,970)	-	20,668	(4,104)
Vehicles	(41,811)	(25,808)	-	-	(67,619)
Total accumulated depreciation	<u>(344,844)</u>	<u>(91,599)</u>	<u>-</u>	<u>127,517</u>	<u>(308,926)</u>
Total capital assets, net	<u>\$ 411,748</u>	<u>(37,109)</u>	<u>-</u>	<u>-</u>	<u>374,639</u>

The Court recorded a depreciation expense of \$91,599 for the year ended June 30, 2018. The depreciation expense is a direct expense of the judicial administration function. The Court does not have any debt related to capital assets.

5. Compensated Absences

The amount recorded as a current and long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave. The following is a summary of changes in compensated absences:

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2018

5. Compensated Absences (continued)

	Balance			Balance	Amounts	Amounts
	June 30,	Increases	Decreases	June 30,	Due within	Due after
	2017			2018	one year	one year
Accrued annual leave	\$ 119,862	130,641	138,797	111,706	93,985	17,721
Accrued sick leave	2,816	6,453	6,841	2,428	-	2,428
Total compensated absences	\$ 122,678	137,094	145,638	114,134	93,985	20,149

Compensated absences are liquidated with available financial resources out of the general fund. The State of New Mexico does not have, in the current year, funds to pay any portion of the compensated absence liability at the end of the year; therefore, the current portion of compensated absences is not recorded in the fund financial statements. The Court has no other debt.

6. Operating Leases

The 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 Court. None of the operating leases had terms in excess of one year as of June 30, 2018.

The Court recorded rental of equipment expense of \$4,897 for the year ending June 30, 2018.

7. Pension Plan - Public Employee Retirement Association

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 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, NM 87501.

Plan Description. Substantially all of the Court's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

7. Pension Plan - Public Employee Retirement Association (continued)

multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Court's contributions to PERA for the fiscal years ending June 30, 2018, 2017 and 2016 were \$267,198, \$253,911, and \$260,951, respectively, which equal the amount of the required contributions for fiscal year.

8. Pension Plan - Judicial Retirement Act (JRA)

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, NM 87501.

Plan Description. All of the Court's Judges or Justices participate in a public employee retirement system authorized under the JRA. PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA: P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 10.5% of their gross salary. The Court is required to contribute 15.0% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2018, 2017, and 2016 were \$70,895, \$71,304, and \$68,364, 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, 2018

8. Pension Plan - Judicial Retirement Act (JRA) (continued)

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the JRA plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$86,336, \$72,048, and \$57,646 in filing fees for the years ending June 30, 2018, 2017, and 2016, respectively.

9. Post-Employment Benefits - State Retiree Health Care Plan

Plan Description. The 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.

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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

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

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, 2018, 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, 2018, 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, 2016, 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.

Compliant with the requirements of GASB 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 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 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 RHCA of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the 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 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, NM 87501.

The Court's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$43,269, \$42,110, and \$42,503, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

10. Risk of Loss

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, worker's compensation, law enforcement liability, civil rights, property, and vehicle. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1 through June 30. There are no pending or known threatened legal proceedings involving material matters to which the Court is a party.

11. 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 \$(114,134). The deficit is created by compensated absences liabilities which are expected to be paid from subsequent years state general fund appropriations.

12. Restatement of Net Position

The Alternative Dispute Resolution Fund was reported as a non-major fund in the prior year, but has been reported as a major fund in the current year. The beginning fund balance for the major fund has increased by \$10,050 and non-major funds have decreased by the same amount.

13. New Accounting Standards

GASB 75

Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18). The Court adopted GASB Statement No. 75 during fiscal year 2018, with no significant impact to the Court's financial statement.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2018

13. New Accounting Standards (continued)

GASB 85

GASB Statement No. 85, Omnibus 2017, address as practice issues identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (OPEB). GASB 85 is effective for fiscal years beginning after June 15, 2017 (FY18). The Court adopted GASB Statement No. 85 during fiscal year 2018, with no significant impact to the Court's financial statement.

14. Prior Year Adjustments

The prior period statements were restated as a result of prepaid postage in the amount of \$3,844 which should have been expensed in accordance with the State of New Mexico, Manual of Model Accounting Practices, FIN 10.1 Recording Inventory D.1.

15. Evaluation of Subsequent Events

Subsequent events were evaluated through October 25, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund
 June 30, 2018

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Agency Funds:				
Assets				
Cash - Litigant Accounts	\$ 1,007,178	1,045,110	1,344,689	707,599
Cash - Court Clerk Accounts	<u>-</u>	<u>387,478</u>	<u>387,478</u>	<u>-</u>
Total Assets	<u>\$ 1,007,178</u>	<u>1,432,588</u>	<u>1,732,167</u>	<u>707,599</u>
Liabilities				
Deposits held in custody of others	\$ 1,007,178	1,045,110	1,344,689	707,599
Due to Other Agencies	<u>-</u>	<u>387,478</u>	<u>387,478</u>	<u>-</u>
Total Liabilities	<u>\$ 1,007,178</u>	<u>1,432,588</u>	<u>1,732,167</u>	<u>707,599</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT COURT
 Schedule of Operating Transfers
 For the Year Ended June 30, 2018

Description	Agency Transferred From	From Fund	To Fund	Reference	Transfer	
					In	Out
State Appropriations						
General Fund Appropriation	State General Fund	85300	24200	Laws 2017, Ch 135, Sec 4 B (5)	\$ 3,369,700	-
Total State Appropriations					\$ 3,369,700	-
Other Financing Sources						
Court Appointed Special Advocates (CASA) for Children	Administrative Office of the Courts	13900	24200	Laws 2017, Ch 135, Sec 4, Item 4A & C	\$ 83,496	-
Drug Court/Interlock DWI Grant (LETF)	Administrative Office of the Courts	13900	24200	Laws 2017, Ch 135, Sec 4, Item 4(i)	34,182	-
Total Other Financing Sources					\$ 117,678	-
Reversion						
General Fund Appropriation	Department of Finance & Administration	24200	85300	Laws 2017 Ch 135, Sec 3E & 9 - Reversion of current year miscellaneous income	\$ -	6,660
Total Reversion					\$ -	6,660

See Independent Auditors' Report.

INDEPENDENT AUDITORS' 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*

Honorable James W. Counts, Chief Judge
and
Mr. Wayne Johnson, New Mexico State Auditor
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 budgetary comparisons of the general fund and major special revenue funds, of the Twelfth Judicial District Court (Court) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements and have issued our report thereon dated October 25, 2018. We have also audited the financial statements of the Court's fiduciary funds as of and for the year ended June 30, 2018, as listed in the table of contents.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Court's financial statements are free from 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 which is described in the accompanying schedule of findings and responses as item 2018-001.

State of New Mexico, Twelfth Judicial District Court's Response to Finding

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

Purpose of this Report

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



Burt & Company CPAs, LLC

October 25, 2018

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Summary Schedule of Findings and Responses
June 30, 2018

Current Year Findings

2018-001 Controls Over Agency Funds

Prior Year Findings

None.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Schedule of Findings and Responses
June 30, 2018

2018-001 Controls Over Agency Funds – Other Noncompliance

Condition: The Court has the following control deficiencies over Agency Funds:

- the Court has approximately \$191,028 in seized currency drug funds from the years of 1993-2013 that is subject to forfeiture but no resolution of the disposition of funds has been determined.
- the Court has approximately \$73,544 in litigant bond funds from the years of 1994-2014 that final disposition of the case file has not been determined with respect to monies due back to the litigant.

Criteria: The New Mexico Forfeiture Act requires the return of seized property to the owner of the property within a reasonable period of time as provided for within the Act. NMSA Statute 34-6-36 requires the Court to dispose of litigant monies as provided for within the Act.

Cause: The Court does not have timely resolution over Agency Funds.

Effect: The Court is not in compliance with state statutes.

Recommendation: The Court should research and document the required disposition of seized currency drug funds and litigant bond funds to determine the Court's requirements to dispose of said funds. The Court should monitor these funds on a periodic basis. The Court should comply with state statute requirements concerning compliance over Agency Funds.

Response: The CFO has contacted the Otero County Sheriff's office and District Attorney's office to start the process of resolving several cases involving litigant money. This research and documentation will be completed by the end of FY19. Any amounts which are determined to be due back to the owner of the property or litigant will be remitted in FY19. Records of the status of disposition of funds will be maintained on an on-going basis.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
Exit Conference
June 30, 2018

The contents of this report were discussed at the exit conference held October 25, 2018 and was attended by the following:

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

Burt & Company CPAs was represented by:

Ronald E. Schranz, CPA, CVA

The financial statements were prepared by the auditors of Burt & Company CPAs, LLC with the assistance of the Court's personnel. However, the financial statements are the responsibility of management.