



Service plus value, it all adds up.

6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

505 338 0800 office riccicpa.com

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

**FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT**

**FOR YEAR ENDED
JUNE 30, 2018**

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

TABLE OF CONTENTS

June 30, 2018

Table of Contents	i
Official Roster.....	iii
Financial Section	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
<u>Basic Financial Statements:</u>	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	9
Statement of Activities.....	10
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds.....	11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual (Budgetary Basis) - Major Governmental Funds	15
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	19
Notes to Financial Statements.....	20

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

TABLE OF CONTENTS

June 30, 2018

Supplemental Information

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	42
Schedule of Interagency Transfers	43
Schedule of Deposits and Investments	44
Schedule of Pledged Collateral	46

Other Reports

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Summary Schedule of Findings and Responses	49
Exit Conference	54

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

OFFICIAL ROSTER

June 30, 2018

Judges

Honorable James L. Sanchez	Division 1
Honorable George P. Eichwald	Division 2
Honorable Allen R. Smith	Division 3
Honorable Pedro G. Rael	Division 4
Honorable Louis P. McDonald	Division 5
Honorable Cindy M. Mercer	Division 6
Honorable John F. Davis	Division 7
Honorable Cheryl H. Johnston	Division 8

Administrative Officials

Mr. Karl W. Reifsteck	Court Executive Officer
Mr. Christopher Wolf	Court Financial Manager

FINANCIAL SECTION



Service plus value, it all adds up.

6200 Uptown Blvd., NE, Suite 400
Albuquerque, NM 87110
505 338 0800 office www.riccicpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Louis P. McDonald, Chief Judge
State of New Mexico
Thirteenth Judicial District Court
and
Mr. Wayne Johnson, New Mexico State Auditor

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 major special revenue funds of the State of New Mexico, Thirteenth 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

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, the aggregate remaining fund information, and the 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.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Court are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2018, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the Court's financial statements that collectively comprise the Court's basic financial statements. The additional schedules listed as "Supplemental 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 "Supplemental 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 information is 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 a report dated October 19, 2018 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with certain provision 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 Court's internal control over financial reporting and compliance.

Ricci & Company, LLC

Albuquerque, New Mexico
October 19, 2018

**STATE OF NEW MEXICO THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

The following is a summary overview of the Thirteenth Judicial District Court's previous year of operation, including financial information, internal structure, management structure and the financial issues that have impacted this agency in fiscal year 2018. An outline of this agency's approach is to ensure achievement of its future goals and implementation of new projects and improvements.

History

The Thirteenth Judicial District Court (Court) operates under Section 34-6-1, 34-6-2, and 34-6-16 through 34-6-46, NMSA 1978 Compilation. The Court covers Valencia, Sandoval, and Cibola Counties. The Court is comprised of eight divisions as authorized in the above sections. The 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 appropriation.

This management's discussion and analysis is intended to serve as an introduction to the Thirteenth Judicial District Court's basic financial statements. The District Court's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. In addition to the basic financial statements, the report contains other supplementary information.

Internal Funds

The revenue for the Thirteenth Judicial District Court is divided into four (4) funds, which are Fund 15300, Fund 88000, Fund 08300, and Fund 11660.

Fund 15300 is designated as the Court's General Fund and is utilized for general operating costs. Fund 88000 and Fund 08300 are restricted for use for the purpose of Alternative Dispute Resolution and Domestic Relations Mediation. Fund 11660 is used for direct federal funding.

Net Position

The Thirteenth Judicial District Court reported balances in three net position categories for fiscal year ending June 30, 2018. These categories are Invested Capital Assets, Restricted Assets and Unrestricted Assets. State statute regarding restricted net assets is required to be utilized for mediation and arbitration programs that target domestic relations cases. Other restricted assets include gifts and grants from the Office of the State Attorney General, Valencia County, Sandoval County, and Presbyterian Medical Services for operation of the Court's pre-trial services programs per MOU and operation of the Court's foreclosure settlement program. Unrestricted Net Position are negative due to the government's policy to fund compensated absences payable out of current resources as they become due.

Total assets increased, due largely to an increase in capital assets as a result of upgrading court room technology in Sandoval and Valencia County. The decrease in the liabilities is largely attributable to timing and a decrease in accounts payable at year end.

**STATE OF NEW MEXICO THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

Assets:	2018	2017
Current assets	\$ 735,529	\$ 772,131
Capital assets, net	727,270	547,279
Total assets	1,462,799	1,319,410
 Liabilities:		
Current liabilities	673,939	709,718
Non-current liabilities	51,363	72,511
Total liabilities	725,302	782,229
 Net position:		
Net investment in capital assets	727,270	547,279
Unrestricted	(287,597)	(308,745)
Restricted	297,824	298,647
Total net position	737,497	537,181
Total liabilities and net position	\$ 1,462,799	\$ 1,319,410

Statement of Activities

The following represents the revenue and expenses for fiscal year 2018. The changes in net position as shown below are the result of revenues exceeding current year expenditures.

Revenues:		
Program revenue	\$ 689,012	\$ 793,932
Appropriations (net of reversions)	7,386,862	7,410,040
Other	392,238	256,238
Total revenues	8,468,112	8,460,210
 Expenses:		
Administrative services	8,124,295	8,146,891
Depreciation	143,501	86,030
Total expenses	8,267,796	8,232,921
Increase (decrease) in net position	\$ 200,316	\$ 227,289

Expenditures

The Department of Finance and Administration designates three (3) categories for expenditures which are utilized by this agency. These categories are Category 200-*Personal Services and Benefits*, Category 300-*Contractual Services* and Category 400-*Other Costs*.

**STATE OF NEW MEXICO THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

Long Term Debt

This agency had a total long term debt which consists of accumulated leave balances, sick leave balance over 600 hours, and terminal leave eligible employees received upon termination:

	<u>2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>2018</u>	<u>Current Portion</u>
Compensated Absences Payable	\$308,745	332,111	353,259	287,597	236,234

Budgetary Comparison

The required budgetary comparison schedules are for the general fund and major special revenue funds for which this agency has a legally adopted annual budget. This is in compliance with the Office of the State Auditor requirements under 2.2.2 NMAC.

The appropriated balance changes for fiscal year 2018 were due to the requested and approved budget adjustment reallocations to different categories as well as budget adjustment allocations from additional funding sources. Budget adjustment requests to the Department of Finance and Administration were approved and funding was applied in other categories that assisted in the operation of the Court.

Departmental Overview

Court Regular - This department accounts for the vast majority of the general operating expenditures of the Court such as general contracts, supplies and IT equipment, training of Court personnel, etc. The Court also operates its CASA (Court Appointed Special Advocates) program and Child Support program out of Court Regular. Court Regular operations are funded via State General Fund Appropriations and Other Financing Sources from the Administrative Office of the Courts for CASA and Other Financing Sources from HSD for Child Support.

Mediation - 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 fund 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 (40-12-5 NMSA, 1978 Comp.) of the Act. This fund is a major special revenue fund and is non-reverting.

Alternative Dispute Resolution – 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 mediation. To finance the cost of the program, the Court charges a \$15 fee on all new and reopened cases. In accordance with Section 34-6-44, NMSA, 1978 Comp., the fee is deposited into the alternative dispute resolution fund. The fund is a major special revenue fund and is non-reverting.

Problem Solving Courts – The Court operates eight specialty Courts. These include juvenile drug Courts in Sandoval, Valencia, and Cibola Counties as well as adult drug Courts in Sandoval, Cibola and Valencia County, a family drug Court in Cibola County, and a mental health Court in Sandoval County. These specialty Courts are funded via a combination of State General Fund Appropriations and Other

**STATE OF NEW MEXICO THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

Financing Sources provided by the Administrative Office of the Courts.

Specialty Courts are a viable alternative to incarceration and they allow the participant to remain in the community while securing substance abuse treatment and counseling as well as regular drug testing.

Pre-trial Services – The Court operates a pre-trial services program in both Sandoval and Valencia Counties. These programs receive no state funding at this time and are funded as per contracts with Sandoval County, and Valencia County.

Pre-trial services are important in that they collect and analyze defendant information for use in determining risk, make recommendations to the Court concerning conditions of release, and supervise defendants who are released from secure custody during the pretrial phase. Pre-trial services programs save tax payers money in that, low risk defendants can be released from costly incarceration while still being supervised and monitored by the Court through trial.

Foreclosure Settlement Project (FSP) – The Court has been operating the FSP in both Sandoval and Valencia Counties. In fiscal year 2018, the court received \$130,619 from the State Bar Association to continue this program; this amount only partially funds the program. This program currently receives no state funding; however, the Court is seeking state funding for this program in its fiscal year 2020 appropriation request. FSP was initially funded by Attorney General Settlement funds which have been exhausted. Failure to receive state funding would likely result in dissolving the program going forward. The cost of the project is roughly \$216,000 annually.

The project focusses on residential foreclosures and requires lenders and participating homeowners to cooperate on the full range of settlement options before Court hearings. Rio Rancho continues to have a very high rate of default, with overall foreclosures continuing to rise in both Sandoval and Valencia counties.

Management Decisions

The Chief Judge is consulted in all major decisions, issues and resolutions. Meetings are also held with the participation of the other judges for involvement, understanding and agreement regarding issues of particular interest to this agency; judges meetings are held monthly to address key Court issues.

There is also communication between the supervisors and the Court Executive Officer on either financial and/or human resource matters that involve subordinates.

Economic Factors and Next Year's Budget

The agency continued to operate with a limited budget during fiscal year 2018 and maintained a higher than normal vacancy rate for much of the year which included some high-level positions. Fiscal Year 2019 Operating Budget reflects an increase in general funding, namely in the form of compensation for employees.

Going forward, there is some concern as to continue funding of the pre-trial services programs. As was noted, these programs are not currently funded with state monies and funding has to be addressed annually with Valencia and Sandoval Counties. Should the Court lose these sources of funding, it is likely that these important programs would be dissolved.

**STATE OF NEW MEXICO THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2018**

Further, as noted above, the FSP currently does not receive any state funding. The funding source for the FSP has dried up and the Court is requesting state funding in its fiscal year 2020 appropriation request to maintain operations of this project. Without additional state funding, it is likely that the project will be dissolved.

The purpose of this financial report is to provide the general public and other interested parties with a general overview of the Thirteenth Judicial District Court's finances and accountability of funds. Questions or concerns resulting from the review of this report should be addressed to the Thirteenth Judicial District Court, Administration Department, P.O. Box 1089, Los Lunas, New Mexico 87031.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF NET POSITION
June 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
Current	
State General Fund Investment Pool	\$ 616,081
Accounts receivable	42,655
Due from federal government	15,032
Due from local governments	<u>61,761</u>
Total current assets	<u>735,529</u>
Capital assets, net	<u>727,270</u>
Total assets	<u><u>\$ 1,462,799</u></u>
LIABILITIES	
Current	
Deficiency in the State General Fund Investment Pool (cash overdraft)	\$ 12,292
Accounts payable	149,988
Stale dated warrants	1,153
Receipts held in suspense	575
Accrued salaries and employee benefits	273,697
Compensated absences payable - expected to be paid within one year	<u>236,234</u>
Total current liabilities	<u>673,939</u>
Non-Current Liabilities	
Compensated absences payable - expected to be paid after one year	<u>51,363</u>
Total liabilities	<u>725,302</u>
NET POSITION (DEFICIT)	
Net Investment in capital assets	727,270
Restricted for:	
Pre-trial services program	143,455
Alternative dispute resolution	82,125
Domestic relations mediation	<u>72,244</u>
Total restricted net position	297,824
Unrestricted(Deficit)	<u>(287,597)</u>
Total net position	<u>737,497</u>
Total liabilities and net position	<u><u>\$ 1,462,799</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2018**

	Governmental Activities
EXPENSES	
General Government	
Administrative services	\$ 8,124,295
Depreciation expense	143,501
	<hr/>
Total program expense	8,267,796
	<hr/>
REVENUES	
Program Revenues	
Court costs	126,881
Charges for services	224,327
Miscellaneous	41,643
Operating grants and contracts	773,626
	<hr/>
Total program revenues	1,166,477
	<hr/>
Net program (expense) revenues	(7,101,319)
	<hr/>
General Revenues	
Transfers:	
State General Fund appropriation	7,096,900
Other financial sources (uses)	208,740
Purchase and transfer-in of capital assets by AOC	19,171
Reversions to State General Fund	(23,176)
	<hr/>
Total net transfers	7,301,635
	<hr/>
Change in net position	200,316
	<hr/>
Net position, beginning	537,181
	<hr/>
Net position, ending	\$ 737,497
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	(11660) Adult Drug Court Fund	Total Governmental Funds
ASSETS					
State General Fund Investment Pool	\$ 461,320	\$ 82,517	\$ 72,244	\$ -	\$ 616,081
Accounts receivable	42,655	-	-	-	42,655
Due from federal government	-	-	-	15,032	15,032
Due from local governments	61,761	-	-	-	61,761
Total assets	<u>\$ 565,736</u>	<u>\$ 82,517</u>	<u>\$ 72,244</u>	<u>\$ 15,032</u>	<u>\$ 735,529</u>
LIABILITIES					
Deficiency in the State General Fund Investment Pool (cash overdraft)	\$ -	\$ -	\$ -	\$ 12,292	\$ 12,292
Accounts payable	147,431	392	-	2,165	149,988
Stale dated warrants	1,153	-	-	-	1,153
Receipts held in suspense	-	-	-	575	575
Accrued salaries and employee benefits	273,697	-	-	-	273,697
Total liabilities	<u>422,281</u>	<u>392</u>	<u>-</u>	<u>15,032</u>	<u>437,705</u>
FUND BALANCES					
Restricted:					
Pre-trial services program	143,455	-	-	-	143,455
Alternative dispute resolution	-	82,125	-	-	82,125
Domestic relations mediation	-	-	72,244	-	72,244
Unassigned	-	-	-	-	-
Total fund balances	<u>143,455</u>	<u>82,125</u>	<u>72,244</u>	<u>-</u>	<u>297,824</u>
Total liabilities and funds balances	<u>\$ 565,736</u>	<u>\$ 82,517</u>	<u>\$ 72,244</u>	<u>\$ 15,032</u>	<u>\$ 735,529</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 June 30, 2018**

Total fund balances for governmental funds	\$ 297,824
--	------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets, net	\$ 727,270
---------------------	------------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:

Compensated absences	<u>(287,597)</u>
----------------------	------------------

Net position of governmental activities	<u><u>\$ 737,497</u></u>
--	---------------------------------

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	(11660) Adult Drug Court Fund	Total Governmental Funds
REVENUES					
Federal funds	\$ 313,138	\$ -	\$ -	\$ 69,869	\$ 383,007
Other gifts and grants	390,619	-	-	-	390,619
Court costs	-	77,080	49,801	-	126,881
Other services	224,327	-	-	-	224,327
Miscellaneous	41,643	-	-	-	41,643
Total revenues	969,727	77,080	49,801	69,869	1,166,477
EXPENDITURES					
Current					
General Government:					
Personal services and employee benefits	\$ 6,758,645	\$ -	\$ -	\$ -	\$ 6,758,645
Contractual services	663,865	79,440	46,643	56,153	846,101
Other costs	525,360	1,351	270	13,716	540,697
Capital outlay	304,321	-	-	-	304,321
Total expenditures	8,252,191	80,791	46,913	69,869	8,449,764
Excess (deficiency) of revenues over expenditures	(7,282,464)	(3,711)	2,888	-	(7,283,287)
OTHER FINANCING SOURCES (USES)					
State general fund appropriation	7,096,900	-	-	-	7,096,900
Other financing sources	208,740	-	-	-	208,740
Reversions	(23,176)	-	-	-	(23,176)
Total other financing sources (uses)	7,282,464	-	-	-	7,282,464
Net change in fund balances	-	(3,711)	2,888	-	(823)
Fund balance, beginning	143,455	85,836	69,356	-	298,647
Fund balance, ending	\$ 143,455	\$ 82,125	\$ 72,244	\$ -	\$ 297,824

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2018**

Net change in fund balances - total governmental funds \$ (823)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Depreciation expense	(143,501)
Capital outlay	304,321
Purchase and transfer-in of capital assets by AOC	19,171

Some items 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. These activities consist of:

(Increase) decrease in compensated absences	<u>21,148</u>
---	---------------

Change in net position - governmental activities	<u><u>\$ 200,316</u></u>
---	---------------------------------

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL (BUDGETARY BASIS)
 GENERAL FUND (15300)
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$ 7,096,900	\$ 7,096,900	\$ 7,096,900	\$ -
Other services - interagency:				
Transfers from other state agencies	180,000	180,000	164,327	(15,673)
Federal grants - interagency	313,100	313,100	313,138	38
Other financing sources	208,700	208,700	208,740	40
Other gifts and grants:				
Other gifts and grants	200,000	260,000	390,619	130,619
Miscellaneous	26,000	26,000	41,643	15,643
Other services	-	190,619	60,000	(130,619)
Total revenues	<u>\$ 8,024,700</u>	<u>\$ 8,275,319</u>	<u>\$ 8,275,367</u>	<u>\$ 48</u>
Budgeted fund balance	<u>35,000</u>	<u>35,000</u>		
Total revenues and budgeted fund balance	<u>8,059,700</u>	<u>8,310,319</u>		
EXPENDITURES				
Personal services and benefits	\$ 6,809,200	\$ 6,752,619	\$ 6,758,645	\$ (6,026)
Contractual services	628,700	724,700	663,865	60,835
Other cost	621,800	833,000	525,360	307,640
Capital outlay	-	-	304,321	(304,321)
Total expenditures	<u>8,059,700</u>	<u>8,310,319</u>	<u>8,252,191</u>	<u>58,128</u>
Excess (deficiency) of revenues and budgeted fund balance			\$ 23,176	
Reconciliation to GAAP Basis				
Reversions to state general fund			(23,176)	
Net change in fund balance			<u>\$ -</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (BUDGETARY BASIS)
ALTERNATIVE DISPUTE RESOLUTION FUND (88000)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court fees	\$ -	\$ -	\$ 77,080	\$ 77,080
Total revenues	<u>-</u>	<u>-</u>	<u>\$ 77,080</u>	<u>\$ 77,080</u>
Budgeted fund balance	96,400	96,400		
Total revenues and budgeted fund balance	<u>\$ 96,400</u>	<u>\$ 96,400</u>		
EXPENDITURES				
Contractual services	\$ 94,400	\$ 94,400	\$ 79,440	\$ 14,960
Other costs	2,000	2,000	1,351	649
Total expenditures	<u>\$ 96,400</u>	<u>\$ 96,400</u>	<u>80,791</u>	<u>15,609</u>
Excess (deficiency) of revenues and budgeted fund balance			<u>\$ (3,711)</u>	
Reconciliation to GAAP Basis				
Net change in fund balance			<u>-</u> <u>(3,711)</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL (BUDGETARY BASIS)
 DOMESTIC RELATIONS MEDIATION FUND (08300)
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court fees	\$ -	\$ -	\$ 49,801	\$ 49,801
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>49,801</u>	<u>\$ 49,801</u>
Budgeted fund balance	<u>49,500</u>	<u>49,500</u>		
Total revenues and budgeted fund balance	<u>\$ 49,500</u>	<u>\$ 49,500</u>		
EXPENDITURES				
Contractual services	\$ 47,500	\$ 47,500	\$ 46,643	\$ 857
Other costs	<u>2,000</u>	<u>2,000</u>	<u>270</u>	<u>1,730</u>
Total expenditures	<u>\$ 49,500</u>	<u>\$ 49,500</u>	<u>46,913</u>	<u>\$ 2,587</u>
Excess (deficiency) of revenues and budgeted fund balance			<u>\$ 2,888</u>	
Reconciliation to GAAP Basis				
Net change in fund balance			<u>-</u> <u>\$ 2,888</u>	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (BUDGETARY BASIS)
ADULT DRUG COURT FUND (11660)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal funds	\$ 116,000	\$ 116,000	\$ 69,869	\$ (46,131)
Total revenues	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>69,869</u>	<u>\$ (46,131)</u>
EXPENDITURES				
Contractual services	\$ 102,000	\$ 102,000	\$ 56,153	\$ 45,847
Other costs	14,000	14,000	13,716	284
Total expenditures	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>69,869</u>	<u>\$ 46,131</u>
Excess (deficiency) of revenues and budgeted fund balance			<u>\$ -</u>	
Reconciliation to GAAP Basis			-	
Net change in fund balance			<u>\$ -</u>	

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 June 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
State Treasurer accounts	\$ -
Cash in authorized bank accounts	<u>3,686,700</u>
Total assets	<u><u>\$ 3,686,700</u></u>
LIABILITIES	
Due to others	\$ -
Due to litigants	<u>3,686,700</u>
Total liabilities	<u><u>\$ 3,686,700</u></u>

The Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 1. NATURE OF BUSINESS AND FINANCIAL REPORTING ENTITY

The Thirteenth Judicial District Court (Court) operates under Section 34-6-1, 34-6-2 and 34-6-16 through 34-6-46, NMSA 1978 Compilation. The Court covers Valencia, Sandoval, and Cibola Counties. The Court is comprised of eight divisions as authorized in the above sections. The 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 appropriation.

The financial reporting entity as defined by The Governmental Accounting Standards Board (GASB) Statement 14 and 61 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

These financial statements include all funds and activities over which the Court has oversight responsibility. The Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. Additionally, the Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State when it issues an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statements 14 and 61.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Court is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units identified or excluded from the reporting entity.

The Court is separate and fiscally independent of other state agencies. The Court is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State.

Presently, the State of New Mexico issues an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. Included within the reporting entity is the Court as described above.

B. Basis of Presentation

The basic financial statements include both government-wide (based on the Court as a whole) and fund financial statements. The reporting model focus is on either the Court as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Position both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources measurement focus basis, which incorporates long-term assets, deferred outflows and receivables, as well as long-term debt and obligations. The court did not have any business-type activities during the year ended June 30, 2018.

General Revenues (General Fund appropriation, transfers in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Grant revenues are recognized as soon as the eligibility requirements are met.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

This government-wide focus is more on the sustainability of the Court as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Court's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the government-wide presentation.

Generally the effect of interfund activity is eliminated from the government-wide financial statements to minimize the double-counting of internal activities. The court had no interfund activity for elimination.

Government-wide statements provide information about the primary government (the Court). The statements include a statement of net position and a statement of activities. These statements report the overall Court's financial activities, except for fiduciary 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 specific function or segment. The Court does not allocate indirect expenses to programs or functions. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement. The only charges for services are for photocopies and small miscellaneous charges.

The financial transactions of the Court are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, expenditures and other financing sources or uses.

Government resources are allocated to, and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type and reported by generic classification in the accompanying financial statements.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures. The general fund is always considered a major fund. The Court has elected to consider all of their special revenue funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

The following are the Court's major funds:

General Fund (15300) - The general operating fund of the Court is used to account for all financial resources except those required to be accounted for in other funds. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the State of New Mexico, with the exception of what is noted as unencumbered balances presented on the schedule of special, deficiency, specific and capital appropriation located in the other supplementary information section of the audit report, if applicable. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame. Please refer to the schedule of interagency transfers for details of state appropriations and other financing sources. The Court receives all State of New Mexico appropriations in their General Fund.

Alternative Dispute Resolution Special Revenue Fund (88000) - The Court has established an alternative dispute resolution program pursuant to Section 34-6-45, NMSA, 1978 Compilation. The purpose of the program is to resolve disputes through alternative means, including, but not limit to, arbitration, mediation, settlement mediation. To finance the cost of the program, the Court charges a \$15 fee on all new and reopened cases. In accordance with Section 34-6-44, NMSA, 1978 Compilation, the fee is deposited into the alternative dispute resolution fund. The fund is a special revenue fund and is non-reverting. For purposes of financial statement presentation, the fund is considered a major fund.

Domestic Relations Mediation Special Revenue Fund (08300) - The Court has established a domestic relations mediation program pursuant to Section 40-12-5 NMSA, 1978 Compilation of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made through the imposition of a sliding fee scale pursuant to Section 40-12-5, NMSA, 1978 Compilation of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 40-12-6, NMSA, 1978 Compilation of the Act. The fund is a special revenue fund and is non-reverting. For purposes of financial statement presentation, the fund is considered a major fund.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Adult Drug Court Special Revenue Fund (11660) - The program's mission is to strive to prevent and/or reduce substance abuse problems in Sandoval and Cibola Counties by providing treatment, continuum of care services and development of collaborative efforts within the communities of the Counties. This program is in part funded by federal grant monies. This fund was created by and is utilized at the discretion of the Court to track direct federal expenditures related to these programs. For purposes of financial statement presentation, the fund is considered a major fund.

Agency Fund (96840) - The Court also has an agency fund used to account for assets held by the Court in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is used to collect and distribute Court fees assessed per State Statute.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and the fiduciary financial statements are presented 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities. Therefore, fiduciary funds are excluded from the government-wide financial statements.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Court considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Nonexchange transactions, in which the Court receives value without directly giving equal value in return, includes grants. Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Court must provide state resources to be used for specified purpose; and expenditure requirements, in which the resources are provided to the Court on a reimbursement basis. Under the modified accrual basis of accounting, revenue from a nonexchange transaction must also be available before it is recognized.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds".

Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column on the government-wide presentation.

D. Budgets and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to the Court. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the legal level of budgetary control which is the appropriation program level (P-Code). Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

1. No later than September 1, the Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the legislature as the Supreme Court's recommended appropriation request for the Court.
3. Budget hearings are scheduled before the New Mexico House Appropriation and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Act is signed in to law by the Governor of the State of Mexico within the legally prescribed time limit. The Court submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by Legislature. The DFA Budget Division reviews and approves the operating budget, which becomes effective on July 1.
5. Budgetary control is exercised at the appropriation program (P-Code) level of the Department as a whole and changes are approved by DFA.
6. All subsequent budget adjustments must be approved by the JBO and the Director of the DFA Budget Division. The Court's budget for the fiscal year ending June 30, 2018 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
8. Appropriations lapse at the end of the year except for those amounts encumbered, with the exception of appropriations presented in the "schedule of special, deficiency, specific and capital outlay appropriation" as referenced in the table of contents of this report, if applicable. The Courts General Fund is a reverting fund (funds revert back to the State General Fund).
9. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis accounting. Encumbrances related to single year appropriations, lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single appropriations must be reclassified as unreserved fund balance and liability recorded to recognize any amount subject to reversion. Accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), must be paid out of next year's budget.
10. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. The Court has no encumbrance funds outstanding as of June 30, 2018.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration during the year in the governmental funds. So long as the appropriation period has not lapsed and budget exists, an encumbrance can be charged against the budget. However, when the appropriation period lapses, the budget authority is non-existent and the encumbrance can no longer be charged to that budget.

Encumbrances outstanding at year-end related to single year appropriations are classified as unreserved fund balance and as a liability recorded to recognize any amounts subject to reversion to State General Fund.

F. Capital Assets

Capital assets are tangible assets, including software, that are used in operations and that have initial useful lives that extend beyond a single reporting period. In accordance with Section 12-6-10 NMSA 1978 and Section 2.2.2.10.W NMAC, the Court capitalizes assets with a cost of \$5,000 or greater. Assets capitalized under previous lower thresholds can be removed from the capital asset listing. Capital assets including software, are reported in the Statement of Net Position at historical cost or estimated fair value if donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. However, all capital outlay purchases may not necessarily be capitalized. The Court does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Court depreciation guidelines. There is no debt related to capital assets.

Machinery and equipment	5 – 15 years
Furniture and fixtures	5 – 15 years
Aircraft, autos and trucks	5 years
Library and museum acquisitions	3 years
Information technology equipment	5 years
Buildings and improvements	5 – 15 years

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned per Month	Days Earned per Month	Days of Maximum Accrual
1 month - 3 years	10	1 1/4	30
Over 3 - 7 years	12	1 1/2	30
Over 7 - 14 years	14	1 3/4	30
Over 14 years/beyond	16	2	30

The maximum 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 at their current hourly rate.

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. 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 which has been accrued represents the hours earned at June 30, 2018 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the governmental-wide financial statements. As of June 30, 2018, there were no employees of the Court with accrued leave benefits in excess of 600 hours.

H. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or fund balance that applies to future periods and will be recognized as a revenue in future periods. The Court had no deferred outflows or inflows.

I. Reversions

Reverting funds are all funds that are not identified as non-reverting. Unexpended or unencumbered balances of the State General Fund appropriation shall revert to the State General Fund. Accordingly, reversions are normally recorded in the current year for unexpended General Fund appropriations. Also, unexpended balances of special appropriations are reverted when required by law.

J. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Consists of amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted: Consists of amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government). The Court's restricted funds in the general fund represent monies received for the pre-trial services program, and in the special revenue funds the restricted funds represent funds held for the Court's dispute and mediation programs.

Committed: Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. The Courts highest level of decision-making authority is the Court Commission.

Assigned: Consists of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Court's policy to use restricted fund balance first. It is the Court's policy to use committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts

K. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized in three components as follows:

Net Investment in Capital Assets - portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt.

Restricted Net Position - liquid assets which have third-party (statutory, bond covenant or granting agency) limitation on their use.

Unrestricted (Deficit) Net Position – represents net position of the Court that is not restricted for any project or other purpose.

The government-wide statement of net position reports restricted net position. All the restricted net position is considered restricted by enabling legislation under the alternative dispute resolution and domestic relations mediation act and the grants. The enabling legislation has been determined to be legally enforceable. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable. At June 30, 2018, the amount of \$297,824 was restricted by enabling legislation.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets, deferred outflows, liabilities and deferred inflows at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. INTEREST IN STATE GENERAL FUND INVESTMENT POOL

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP. The STO maintains their investments at fair value in accordance with GASB statement No. 31.

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. 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 State General Fund Investment Pool to the associated resources held by the State Treasurer's Office is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the State General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department is fully compliant with the requirements of the monthly process.

Interest Rate Risk – 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.

Credit Risk – The New Mexico State Treasurer pools are not rated.

Custodial Credit Risk is the risk that in the event of a bank failure, the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. The Court's Agency Fund bank balances were not exposed to custodial credit risk at year end.

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Court. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Court is not permitted to have any investments other than what is held at the State Treasurer's Office and the Court did not have any other investments during the year ended June 30, 2018. There is no custodial risk at the Court level since the cash amount is under the contract of the New Mexico State Treasurer.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 3. INTEREST IN STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Refer to the Schedule of Deposits and Investments on page 44 for the Court's interest in the State General Fund investment pool bank and book balances.

For additional disclosure information regarding the investment in the State Treasurer's SGFIP, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2018, review the State Treasurer's Investment Policy at <http://www.nmsto.gov/> reports-and-resources and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

NOTE 4. CASH IN AUTHORIZED BANK ACCOUNTS

Cash in authorized bank accounts as reported in agency funds include amounts in demand deposits and savings accounts. Refer to the Schedule of Deposits and Investments on page 44 for bank and book balances and the Schedule of Pledged Collateral on page 46 for information on the Court's Custodial Credit Risk for its bank deposits.

NOTE 5. ACCOUNTS RECEIVABLE AND DUE FROM

Accounts Receivable – Reported receivable of \$42,655 consists of \$32,655 due from the New Mexico State Bar Foundation for foreclosure settlement and mediation services, and \$10,000 due from Falling Colors for the jail diversion program.

Due from Federal Government – Consists of \$15,032 related to a grant reimbursement request for services performed in the year under audit.

Due from Local Governments – Reported receivable of \$61,761 consists of \$30,511 due from Sandoval County and \$31,250 due from Valencia County for pre-trial services related.

An allowance for doubtful accounts of \$400 has not been established for general fund other receivables. All other receivables are considered fully collectible.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 6. CAPITAL ASSETS

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

	Balance			Balance
	2017	Additions	Deletions	2018
Capital assets depreciated:				
Furniture and fixtures	\$ 296,878	-	(122,261)	174,617
Machinery and equipment	612,355	-	(107,290)	505,065
Aircraft, autos and trucks	285,179	54,990	(53,199)	286,970
Library and museum acquisitions	85,061	-	-	85,061
Information technology equipment	-	268,502	-	268,502
Buildings and improvements	603,901	-	(101,841)	502,060
Total capital assets depreciated	<u>1,883,374</u>	<u>323,492</u>	<u>(384,591)</u>	<u>1,822,275</u>
Less accumulated depreciation for:				
Furniture and fixtures	(298,257)	(54)	122,261	(176,050)
Machinery and equipment	(357,871)	(105,449)	107,290	(356,030)
Aircraft, autos and trucks	(233,569)	(19,665)	53,199	(200,035)
Library and museum acquisitions	(85,061)	-	-	(85,061)
Information technology equipment	-	-	-	-
Buildings and improvements	(361,337)	(18,333)	101,841	(277,829)
Total Accumulated depreciation	<u>(1,336,095)</u>	<u>(143,501)</u>	<u>384,591</u>	<u>(1,095,005)</u>
Total capital assets, net	<u>\$ 547,279</u>	<u>179,991</u>	<u>-</u>	<u>727,270</u>

The Court is a single function organization and depreciation expense is recorded as a direct expense to its only activity, general government, in the amount of \$143,501.

During the year ended June 30, 2018, the Administrative Office of the Courts purchased equipment on behalf of the Court. The value was \$19,171, and is included in the additions to information technology equipment.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 7. CHANGES IN LONG-TERM OBLIGATIONS

The compensated absence balance represents the estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination. These are expected to be paid from the General Fund.

The long-term liability for compensated absences for the year ended June 30, 2018 was as follows:

	<u>2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>2018</u>	<u>Current Portion</u>
Compensated absences payable	\$308,745	332,111	353,259	287,597	236,234

NOTE 8. RISK MANAGEMENT

Risk of Loss. The Court 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, the Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workers' compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and were not included in this report. However, the Court is not liable for more than the premiums paid.

NOTE 9. REVERSIONS AND DUE TO STATE GENERAL FUND

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund by September 30 of each year. An agency may adjust the reversion within forty-five days of release of the audit report. The current year reversion and amounts due to the State General Fund from the Court general fund are as follows:

Fiscal year general appropriation reversion (budget basis surplus)	
FY 2018 unexpended balance,	\$ 23,176
Reversions submitted by September 30, 2018	<u>(23,176)</u>
Total Due to State General Fund	<u>\$ -</u>

All amounts in the general fund of the Court's fund balance revert except what is noted as restricted for the pre-trial services program, on the balance sheet-governmental funds.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 10. PERA PENSION PLAN

The Thirteenth 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.

Plan Description. Substantially all of the State of New Mexico, Thirteenth Judicial District 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 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. The report is available on PERA's website at www.nmpera.org.

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 \$650,496, \$638,422, and \$674,760 which equal the amount of the required contributions for each fiscal year.

NOTE 11. JRA RETIREMENT PLAN

The Thirteenth Judicial District Court, as part of the primary government of the State of New Mexico, is a contributing employer to 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 CAFR of the State of New Mexico.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 11. JRA RETIREMENT PLAN (CONTINUED)

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 Court is required to contribute 15% of the gross covered salary. The Court's contributions to JRA for each of the years ending June 30, 2018, 2017 and 2016 were \$142,340, equal to the amount of the required contributions for each year.

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act 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 \$233,772 in filing fees for the year ending June 30, 2018.

NOTE 12. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to a Deferred Compensation Plan. Neither the Court nor the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Court have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

NOTE 13. POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN

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

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

**NOTE 13. POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

The Thirteenth 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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the 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, New Mexico, 87501.

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.

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, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

**NOTE 13. POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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.org.

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 who choose to become participating employers after January 1, 1998, are required to make contributions to 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 the 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 statute required each participating employer to contribute 2.5% of each participating employee's annual salary; 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, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Court's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$100,296, \$98,904 and \$103,158, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 14. LEASES

The Court has equipment leases and associated maintenance agreements, which can be terminated with no penalty to the Court, if the Legislature does not appropriate money to the Court. All leases may be terminated at any time with sixty-days of notice if the New Mexico Legislature does not grant sufficient appropriation for the lease, or if the Court decides that termination is necessary to protect the best interests of the State of New Mexico. The leases are accounted for as operating leases and the future minimum rental payments for the years ended June 30 are as follows:

2019	\$ 35,216
2020	35,216
2021	35,216
2022	<u>8,804</u>
Total	<u>\$ 114,452</u>

Lease expenditures and related expenses for the year ended June 30, 2018 were \$52,864.

NOTE 15. NEW ACCOUNTING STANDARDS

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. This statement is not applicable to the Court.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The Court has implemented this standard accordingly in the current year.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016 (FY 2018). Earlier application is encouraged. This statement is not applicable to the Court.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The Court has implemented this standard accordingly in the current year.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 15. NEW ACCOUNTING STANDARDS (CONTINUED)

The following standards have been issued but have future implementation dates:

In August 2018, the GASB issued Statement No. 90, *Majority Interests in an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged. This statement is not applicable to the Court.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is not applicable to the Court.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the Court.

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is applicable to the Court. This standard will be implemented in a subsequent period.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged. This standard will be implemented in a subsequent period.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This statement is not applicable to the Court.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

NOTE 16. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Court recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Court's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Court has evaluated subsequent events through October 19, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 June 30, 2018**

	<u>2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2018</u>
ASSETS				
State Treasurer accounts	\$ -	\$ 952,407	\$ (952,407)	\$ -
Cash in authorized bank accounts	3,444,247	5,065,231	(4,822,778)	3,686,700
Total assets	<u>\$ 3,444,247</u>	<u>\$ 6,017,638</u>	<u>\$ (5,775,185)</u>	<u>\$ 3,686,700</u>
LIABILITIES				
Due to others	\$ -	\$ 952,407	\$ (952,407)	\$ -
Due to litigants	3,444,247	5,065,231	(4,822,778)	3,686,700
Total liabilities	<u>\$ 3,444,247</u>	<u>\$ 6,017,638</u>	<u>\$ (5,775,185)</u>	<u>\$ 3,686,700</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 SCHEDULE OF INTERAGENCY TRANSFERS
 June 30, 2018

Description	Agency Transferred From	Agency # Transferred From	From Fund	To Fund	Reference	Amount Transferred In
State Appropriations						
General Fund Appropriation	State General Fund	34101	85300	15300	Laws 2016, Ch 6, Sec 2-C	\$ 7,096,900
Total state general fund						
Other Financing Sources						
CASA	Administrative Office of the Courts	21800	13900	15300	Laws 2016, Ch 6, Sec 2-C	208,740
Capital outlay	Administrative Office of the Courts	21800	89200	15300	Assets bought on behalf of Courts	19,171
Total other financing sources						<u>227,911</u>

Description	Agency Transferred to	Agency # Transferred to	From Fund	To Fund	Reference	Amount Transferred Out
Reversion	State General Fund	34101	15300	85300	Reversion of FY18 misc. income	(23,176)
						<u>(23,176)</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS
June 30, 2018

Type of Account	Bank/ Treasurer Balance	Deposit In Transit	Outstanding Warrants Checks	Book Balance
General Fund				
New Mexico State Treasurer 243-15300	SGFIP	\$ 461,320	-	461,320
Special Revenue Funds				
New Mexico State Treasurer 243-88000	SGFIP	82,517	-	82,517
New Mexico State Treasurer 243-08300	SGFIP	72,244	-	72,244
New Mexico State Treasurer 243-11660	SGFIP	(12,292)	-	(12,292)
Total Special Revenue Funds		142,469	-	142,469
Total interest in State General Fund Investment Pool		603,789	-	603,789
Agency Funds: Wells Fargo Bank of New Mexico N.A.				
Court Registry - Valencia	Checking	296,030	500	138,405
Court Registry - Sandoval	Checking	240,911	-	240,435
Court Registry - Cibola	Checking	225,767	-	224,767
Subtotal for Wells Fargo Registry Accounts		762,708	500	603,607
243-614D-1314-CV-14-0800 NMDOT vs C. Apodaca	Savings	27,782	-	27,782
243-660D-1314-CV-2017-0430 NMDOT vs Furman	Savings	250	-	250
243-661D-1314-CV-2017-0429 NMDOT vs Mowad	Savings	250	-	250
243-688D-1314-CV-2015-0677 JP Morgan vs Hathaway	Checking	17,548	-	17,548
243-524D-1329-CV-09-2886 Residential vs Sapeta	Savings	16,126	-	16,126
243-531D-1329-CV-10-1051 GMAC Mortgage LLC vs Alan J. Zingler	Savings	6,409	-	6,409
243-533D-1329-CV-05-0930 NMDOT vs Keith Langerman, Sr.	Savings	19,446	-	19,446
243-546D-1329-CV-12-0551 NMDOT vs Mattie Goode	Savings	90,279	-	90,279
243-551D-1329-CV-12-0927 RR Bd of Educ vs Andrykowski	Savings	297,602	-	297,602
243-552D-1329-CV-12-1483 NMDOT vs Mandalla	Savings	2,655	-	2,655
243-582D-1329-CV-12-1135 JP Morgan Chase vs Wayne Brown	Savings	10,040	-	10,040
243-594D-1329-CV-13-2221 NMDOT vs Miller	Savings	501	-	501
243-596D-1329-CV-13-2237 NMDOT vs Gary Smith	Savings	751	-	751
243-597D-1329-CV-13-2167 SSCAFCA vs Yu Tian	Savings	8,210	-	8,210
243-598D-1329-CV-14-0162 SSCAFCA vs Paul Vassell	Savings	5,420	-	5,420
243-619D-1329-CV-12-0044 BOKF, N.A. vs Michaela M. Higgins	Savings	12,672	-	12,672
243-627D-1329-CV-13-2181 Cook-Martin vs Todd	Savings	32,275	-	32,275
243-638D-1329-CV-15-1390 City of RR vs Robert Moriarity	Savings	45,338	-	45,338
243-641D-1329-CV-12-1285 BOA vs Serafina Eichwald	Savings	112,767	-	112,767
243-649D-1329-CV-16-0761 City of RR vs Raymond Cordova et. Al.	Savings	2,051	-	2,051
243-650D-1329-CV-16-0852 Board of Educ. vs AB Southwest LLC	Savings	149,125	-	149,125
243-658D-1329-CV-2017-0642 NMDOT vs Vista NM	Savings	39,946	-	39,946
243-659D-1329-CV-2017-0649 NMDOT vs Bongiorno	Savings	700,800	-	700,800
243-663D-1329-CV-2017-1386 NMDOT vs Baca, et. al.	Savings	500	-	500
243-668D-1329-CV-2017-1894 NMDOT vs Rustebakke	Savings	4,904	-	4,904
243-669D-1329-CV-2017-2024 NMDOT vs Marjorie McDonald	Savings	16,861	-	16,861
243-671D-1329-CV-2017-2077 RR Bd of Educ vs Melissa Baca, et al	Savings	80,060	-	80,060
243-674D-1329-CV-2017-2257 City of RR vs Rancho Vista Development*	Savings	2,201	-	2,201
243-675D-1329-CV-2017-2398 RR Bd of Educ vs Dorn	Savings	18,848	-	18,848
243-679D-1329-CV-2014-2451 State vs Sandoval County Bd of Cnty Comm	Savings	11,305	-	11,305
243-686D-1329-CV-2018-0918 RR vs Fleming	Checking	8,001	-	8,001
243-689D-1329-CV-2018-0378 Urioste vs Lovato	Checking	50,003	-	50,003
243-690D-1329-CV-2014-0260 Nasise vs Nasise	Checking	-	41,000	41,000
243-694D-1329-CV-2016-0089 LSF9 vs Wilson	Checking	-	7,050	7,050
243-696D-1329-CV-2016-01638 Federal National vs Padilla	Checking	-	25	25
243-697D-1329-CV-2017-0740 Kwapich vs Arrow	Checking	-	3,000	3,000
243-620D-1333-CV-14-0190 US Currency	Savings	28,081	-	28,081
243-664D-1333-CV-2017-0150 Village of Milan vs HPT PSC Properties, et. al.	Savings	67,558	-	67,558
243-685D-1333-SW-2017-0017 IMO: \$7,980.21	Checking	7,981	-	7,981
Subtotal for Wells Fargo Trust Accounts		1,894,546	51,075	1,945,621
Total Wells Fargo Bank of New Mexico N.A.		2,657,254	51,575	2,549,228

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)
 June 30, 2018

	Type of Account	Bank/Treasurer Balance	Deposit In Transit	Outstanding Warrants Checks	Book Balance	
Agency Funds: My Bank/Belen						
243-144D-1314-CV-94-0425	SHD vs Alumco	Savings	1,959	-	-	1,959
243-145D-1314-CV-92-0337	Tierra Grande vs Watkins	Savings	14,737	-	-	14,737
243-172D-1314-CV-95-0009	Mid Century vs Davenport	Savings	5,153	-	-	5,153
243-221D-1314-CV-98-0592	Federal Na'l Mortgage vs Jones	Savings	11,821	-	-	11,821
243-232D-1314-CV-99-0375	Lawyers vs Murphy, Pancoast	Savings	5,320	-	-	5,320
243-246D-1314-CV-00-0031	SHD vs Allen	Savings	18,212	-	-	18,212
243-487D-1314-CV-09-0817	PNM vs Allwood	Savings	13,884	-	-	13,884
243-534D-1314-CV-08-0072	Malcom S. Major	Savings	279,875	-	-	279,875
	Total My Bank/Belen		<u>350,961</u>	<u>-</u>	<u>-</u>	<u>350,961</u>
Agency Funds: U.S. Bank						
243-191D-1329-CV-97-0906	Patricia E Cook vs Donald L. Staufenberg	Savings	11,808	-	-	11,808
243-211D-1329-CV-97-1137	Charter Bank vs John G. Amador	Savings	3,817	-	-	3,817
243-266D-1329-CV-01-0733	Hall T. Sippy vs David L. Giles	Savings	12,003	-	-	12,003
243-283D-1329-CV-03-0980	City of RR vs George Martindell	Savings	95,831	-	-	95,831
243-290D-1329-CV-04-0224	Charter Bank vs Diana K Slotness	Savings	10,290	-	-	10,290
243-292D-1329-CV-03-0546	Assoc of Gldn West Apts vs Unknown Heirs	Savings	2,890	-	-	2,890
243-299D-1329-CV-05-0077	State of NM vs D J T	Savings	21,627	-	-	21,627
243-300D-1329-CV-04-0470	GE Mortgage Services LLC vs Maria D. Jacquez	Savings	5,003	-	-	5,003
243-390D-1329-CV-06-0719	NMDOT vs Denise Gilman	Savings	40,535	-	-	40,535
243-394D-1329-CV-06-0735	City of RR vs Louis Kailey	Savings	34,937	-	-	34,937
243-404D-1329-CV-06-0818	Board of Educ vs Arlene Derise	Savings	28,731	-	-	28,731
243-408D-1329-CV-06-0984	City of RR vs Mike J. Merten	Savings	40,700	-	-	40,700
243-422D-1329-CV-06-1403	Bd of Educ vs Rancho Vista Development	Savings	36,740	-	-	36,740
243-439D-1329-CV-07-0277	City of RR vs Melvin Pasley	Savings	25,421	-	-	25,421
243-440D-1329-CV-07-0278	City of RR vs John O'Halloran	Savings	31,905	-	-	31,905
243-455D-1329-CV-05-1429	Countrywide Hm Loans vs Albert S Esquibel	Savings	8,742	-	-	8,742
243-478D-1329-CV-08-1885	PNM vs One Purpose	Savings	10,218	-	-	10,218
243-489D-1329-CV-09-1652	Arroyo vs Estelle Beane Gillman	Savings	68,256	-	-	68,256
243-491D-1329-CV-09-2408	Sandoval Cnty vs Tesoro Properties	Savings	242,167	-	-	242,167
243-496D-1329-CV-09-2873	PNM vs Lawrence Andreassen	Savings	26,351	-	-	26,351
243-508D-1329-CV-05-0639	NMDOT vs Hardall Holding Corporation	Savings	28,539	-	-	28,539
	Total U.S. Bank		<u>786,511</u>	<u>-</u>	<u>-</u>	<u>786,511</u>
	Grand total of deposits		<u>4,398,515</u>	<u>51,575</u>	<u>159,601</u>	<u>4,290,489</u>
Reconciled to the Financial Statements as Follows:						
Statement of Net Position:						
	State General Fund Investment Pool					616,081
	Deficiency in the State General Fund Investment Pool (cash overdraft)					(12,292)
Statement of Fiduciary Assets and Liabilities:						
	Agency fund - cash in authorized bank accounts					3,686,700
	Total					<u>4,290,489</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2018**

Account	Account Type	Bank Balance	Book Balance
Governmental Funds			
Cash at State Treasurer	SGFIP	\$ <u>603,789</u>	<u>603,789</u>
Agency Fund			
Wells Fargo Bank	Checking	\$ 846,241	738,215
Wells Fargo Bank	Savings	1,811,013	1,811,013
My Bank/Belen	Savings	350,961	350,961
U.S. Bank	Savings	<u>786,511</u>	<u>786,511</u>
Total		<u><u>3,794,726</u></u>	<u><u>3,686,700</u></u>
Total amount of deposit in banks		\$ 3,794,726	<u>3,686,700</u>
FDIC Coverage		<u>(750,000)</u>	
Total uninsured public funds		<u><u>\$ 3,044,726</u></u>	
50% Collateral Retirement (Section 6-10-17 NMSA 1978)		<u><u>\$ 1,522,363</u></u>	

Collateralization of Court's bank deposits is as follows:

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the office of the state treasurer's collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

The Notes to the Financial Statements are an integral part of this statement.

OTHER REPORTS



Service plus value, it all adds up.

6200 Uptown Blvd., NE Suite 400
Albuquerque, NM 87110
505 338 0800 office www.riccipa.com

**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

Honorable Louis P. McDonald, Chief Judge
State of New Mexico
Thirteenth Judicial District Court
and
Mr. Wayne Johnson, New Mexico State Auditor

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, and the budgetary comparisons for the general fund and major special revenue funds, of the State of New Mexico, Thirteenth 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 19, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-003 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-002, 2018-004, and 2018-005.

Court's Response to Findings

The Court's response to the findings identified in our audit is described in the accompanying Summary 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.

Ricci & Company LLC

Albuquerque, New Mexico
October 19, 2018

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018**

A. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

B. FINDINGS AND RESPONSES

2018-001 – Internal Controls over Gas Cards (Significant Deficiency)

CONDITION: During our testing of gas cards used by the Court, we noted missing gas receipts which is against the Court's policies and procedures. We tested 3 months of transactions; October 2017, January 2018, and March 2018. For the month of October 2017, there were 6 missing gas receipts totaling \$149.29; for January 2018, there were 8 missing gas receipts totaling \$165.72; and for March 2018 there were 8 missing gas receipts totaling \$211.17.

CRITERIA: The *Codification of Statements on Auditing Standards (AU-C)* Section 200 paragraph .05 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

CAUSE: The policy of requiring saved, signed gas receipts was not being enforced.

EFFECT: There may be abuse of public funds which could go undetected.

RECOMMENDATION: We recommend the Court enforce its policy of requiring gas receipts.

MANAGEMENT RESPONSE: The court has created an affidavit of lost receipt form that will be filled out when a receipt is lost or otherwise not provided, and has updated the vehicle policy to clearly require employees to either provide the actual receipt or a lost receipt form.

ESTIMATED TIMELINE TO CORRECT: Implementation by July 1, 2019

RESPONSIBLE OFFICIAL: Business Specialist

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2018**

2018-002 – Certification of Physical Inventory of Capital Assets (Other Non-Compliance)

CONDITION: During our capital asset testwork, we noted a lack of a certification of a physical inventory count for capital assets.

CRITERIA: Pursuant to 2.2.2.10 (W) NMAC, “Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency’s auditors.”

CAUSE: Section 12-6-10 NMSA 1978 was not being followed.

EFFECT: An additional \$347,155 of assets not found on the capital asset listing had to be removed.

RECOMMENDATION: We recommend the Court perform a physical inventory every year, provide a certification to the accountant and update the capital asset listing.

MANAGEMENT RESPONSE: The court has performed a physical inventory of items in excess of \$5,000. Going forward, a physical inventory will be performed on all items on the listing. In addition, the items that were not found were all beyond their useful life, and had a present actual value of \$0.00.

ESTIMATED TIMELINE: Implementation during fiscal year 2019

RESPONSIBLE OFFICIAL: Court Financial Officer

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2018**

2018-003 – Agency Fund Cash Reconciliations (Material Weakness)

CONDITION: During our testwork over cash, we noted that reconciliations from the bank balance to the book balance were not being performed.

CRITERIA: Best practices as established pursuant to 2.20.5.8 (10) NMAC, require that all reporting of financial information must be timely, complete and accurate, to management and to oversight agencies and entities.

CAUSE: The Court was not performing reconciliations to account for outstanding checks and deposits in transit.

EFFECT: An additional adjustment of \$108,026 to cash had to be made by the auditors.

RECOMMENDATION: We recommend the Court revise its reconciliation procedures to include accounting for outstanding checks and deposits in transit on a monthly basis.

MANAGEMENT RESPONSE: The adjustment made by auditors involved solely outstanding checks and deposits in transit from non-operational accounts. The Court's reconciliation procedure has been revised to include accounting for outstanding checks and deposits in transit.

ESTIMATED TIMELINE TO CORRECT: Implementation by July 1, 2019

RESPONSIBLE OFFICIAL: Budget Analyst

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2018**

2018-004 – Chief Procurement Officer Reporting and Certification (Other Non-Compliance)

CONDITION: The Court's chief procurement officer's certification expired in February 2018 and was not renewed. Total expenditures incurred between March and June 30, 2018 were \$936,080.

CRITERIA: In accordance with Section 13-1-95.2(A) NMSA 1978, state agencies are required to designate and report the name of their chief procurement officer. In accordance with Section 13-1-95.2(E) NMSA 1978, only chief procurement officers certified by the New Mexico State General Services Department Purchasing Division may approve procurements and issue purchase orders.

CAUSE: The current chief procurement officer allowed the certification to expire and did not have the requisite amount of training hours required to renew in a timely manner.

EFFECT: The Court may experience increased risk of not complying with the State Procurement Code and thus there is an increased potential for disputes with those bidding on contracts.

RECOMMENDATION: We recommend the Court revise its policies and procedures to require ongoing training of a chief procurement officer, and monitor and review the status to ensure the certification is in good standing.

MANAGEMENT RESPONSE: The Court did have a certified Chief Procurement Officer for most of the year and was unaware of the expiration. The Court will be sending an individual to the next available training in February 2019 for certification. The Court did not issue any requests for proposal during the time the Chief Procurement Officer certification was expired.

ESTIMATED TIMELINE TO CORRECT: Implementation by February, 2019

RESPONSIBLE OFFICIAL: Court Financial Officer

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2018**

2018-005 – Disposal of Vehicles Without Notification to State Auditor (Other Non-Compliance)

CONDITION: Disposals in current year and prior years were not reported to State Auditor and not removed from the capital asset listing.

CRITERIA: Sections 13-6-1 and 13-6-2 NMSA 1978 require state agencies to notify the State Auditor, in writing, 30 days in advance of disposition of property included on the agency inventory listing.

CAUSE: The Court was unaware of the requirement to report various disposals to the State Auditor.

EFFECT: The Court is out of compliance with the above mentioned statute and is at greater risk of disposing property incorrectly.

RECOMMENDATION: We recommend the Court revise its policies and procedures to require notification of the State Auditor of dispositions of property.

MANAGEMENT RESPONSE: Going forward the court will report capital asset disposals to the State Auditor. Court employees have been informed that they need to inform finance if they intend to dispose of anything to ensure that it isn't an item on the asset listing. The Court is currently researching as to whether or not a trade in of a vehicle constitutes a disposal as the Court trades in a vehicle almost annually and the State Auditor has never said anything in reviewing our audits in the past.

ESTIMATED TIMELINE TO CORRECT: Implementation during fiscal year 2019

RESPONSIBLE OFFICIAL: Court Financial Officer

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
June 30, 2018**

The contents of this report were discussed at an exit conference held on October 19, 2018 with the following in attendance:

Thirteenth Judicial District Court

Honorable Louis P. McDonald, Chief Judge

Karl Reifsteck, Court Executive Officer

Christopher Wolf, Fiscal Services Director

Ricci & Company, LLC Personnel

Rob Koehler, CPA, Audit Supervisor

A. PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared with the assistance of Ricci & Company, LLC from the books and records of the State of New Mexico Public Thirteenth Judicial District Court. The financial statements and related footnotes remain the responsibility of management.