



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**THIRTEENTH JUDICIAL
DISTRICT COURT**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Independent Auditor's Report and
Financial Statements
For the Year Ended June 30, 2016**

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**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Independent Auditor's Report and
Financial Statements
For the Year Ended June 30, 2016**

**OFFICIAL ROSTER
June 30, 2016**

Judges

Honorable James L. Sanchez	Division I
Honorable George P. Eichwald	Division II
Honorable Allen R. Smith	Division III
Honorable Pete G. Rael	Division IV
Honorable Louis P. McDonald	Division V
Honorable Cindy M. Mercer	Division VI
Honorable John F. Davis	Division VII
Honorable Cheryl H. Johnston	Division VIII

Administrative Officials

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

INDEPENDENT AUDITOR'S REPORT

Honorable Louis P. McDonald, Presiding Judge
State of New Mexico Thirteenth Judicial District Court
and
Mr. Timothy Keller, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, The aggregate remaining fund information, and the budgetary comparisons for The general fund and major special revenue funds of the Thirteenth Judicial District Court of The State of New Mexico (The Court) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the agency'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and The aggregate remaining fund information of the Court, as of June 30, 2016, and the respective changes in financial position each thereof and the budgetary comparisons for The general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Court's financial statements and the budgetary comparisons. The "Other Supplemental Information" as identified in the table of contents required and presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The *Schedule of Vendor Information*, listed as "Other Supplemental Information (Unaudited)" in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
November 18, 2016,

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2016**

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 2016. 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 11600.

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 Mediation. Fund 11600 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, 2015. 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 decreased, due largely to budget cuts taken in fiscal year 2016. The increase in the liabilities is largely attributable to timing and an increase 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, 2016**

Analysis of District Court's Overall Financial Position
and Results of Operations (Condensed)

Assets:	<u>2016</u>	<u>2015</u>
Current assets	\$ 704,691	731,658
Capital assets, net	<u>300,248</u>	<u>175,368</u>
Total assets	<u><u>1,004,939</u></u>	<u><u>907,026</u></u>
Liabilities:		
Current liabilities	\$ 635,989	573,864
Non-current liabilities	<u>59,059</u>	<u>68,057</u>
Total liabilities	<u><u>695,048</u></u>	<u><u>641,921</u></u>
Net position:		
Net investment in capital assets	300,248	175,368
Unrestricted	<u>(295,293)</u>	<u>(390,287)</u>
Restricted	<u>304,936</u>	<u>480,024</u>
Total net position	<u><u>309,891</u></u>	<u><u>265,105</u></u>
Total liabilities and net position	\$ <u><u>1,004,939</u></u>	<u><u>907,026</u></u>

Statement of Activities

The following represents the revenue and expenses for fiscal year 2016. The changes in net position as shown below are the result of expenditures exceeding current year revenues and the utilization of fund balance from the prior year to operate the foreclosure settlement project.

Revenues:		
Program revenue	\$ 811,040	669,464
Appropriations (net of reversions)	7,291,366	6,981,234
Other	<u>385,900</u>	<u>561,140</u>
Total revenues	<u><u>8,488,306</u></u>	<u><u>8,211,838</u></u>
Expenses:		
Administrative services	8,391,966	8,298,265
Depreciation	<u>51,554</u>	<u>64,704</u>
Total expenses	<u><u>8,443,520</u></u>	<u><u>8,362,969</u></u>
Increase (decrease) in net position	\$ <u><u>44,786</u></u>	<u><u>(151,131)</u></u>

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, 2016**

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:

	2015	Increases	Decreases	2016	Current Portion
Compensated absences payable \$	340,288	617,816	(662,811)	295,293	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 2016 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 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.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2016**

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 piloting the FSP in both Sandoval and Valencia Counties. In fiscal year 2016, the court received \$75,000 from the Attorney General's Office and used roughly \$150,000 in fund balance to continue this program. This program currently receives no state funding; however, the Court is seeking state funding for this program in its fiscal year 2018 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 2016. Fiscal Year 2017 Operating Budget reflects a decrease in general funding. As the economic conditions worsen, this agency has prepared to meet the operating needs by reviewing its budget for any and all possible sources as well as holding vacancies open and curtailing expenses elsewhere.

Going forward, there is some concern as to continued 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 and Presbyterian Medical Services. Should the Court lose these sources of funding, it is likely that these important programs would be dissolved.

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 2018 appropriation request to maintain operations of this project. Without additional state funding, it is likely that the project will be dissolved.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2016**

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, PO Box 1089, Los Lunas, New Mexico 87031.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2016**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
State General Fund Investment Pool	\$ 619,191
Due from other governmental agencies	85,500
Total current assets	<u>704,691</u>
Capital assets, net	<u>300,248</u>
Total assets	<u>\$ 1,004,939</u>
LIABILITIES	
Current liabilities	
Deficiency in the State General Fund Investment Pool (cash overdraft)	\$ 14,835
Accounts payable	118,604
Receipts held in suspense	823
Due to the state general fund	22,651
Accrued salaries and employee benefits	242,842
Compensated absences payable - expected to be paid within one year	236,234
Total current liabilities	<u>635,989</u>
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	<u>59,059</u>
Total liabilities	695,048
NET POSITION (DEFICIT)	
Investment in capital assets	300,248
Unrestricted	<u>(295,293)</u>
Total unrestricted net position (deficit)	4,955
Restricted for:	
Grants	143,455
Alternative Dispute Resolution	89,577
Domestic Relations Mediation	71,904
Total restricted net position	<u>304,936</u>
Total net position	<u>309,891</u>
Total liabilities and net position	<u>\$ 1,004,939</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016**

	<u>Governmental Activities</u>
EXPENSES	
General government	
Administrative services	\$ 8,391,966
Depreciation expense	<u>51,554</u>
Total program expenses	8,443,520
 REVENUES	
Program revenues	
Court fees	92,971
Charges for services	93,337
Operating grants and contracts	<u>624,732</u>
Total program revenues	<u>811,040</u>
Net program (expenses)/revenue and changes in net position	<u>(7,632,480)</u>
 General revenues	
Transfers:	
State General Fund appropriation FY 16	7,163,700
Purchase of capital assets by AOC	99,993
Special appropriation	50,000
Reversions to State General Fund	<u>(22,327)</u>
Total net transfers	7,291,366
Other financial sources (uses)	385,900
Gain (loss) on disposition of capital asset	<u>-</u>
Total net general revenue and other financial sources (uses)	<u>7,677,266</u>
Change in net position	44,786
Net position, beginning	<u>265,105</u>
Net position, ending	<u>\$ <u>309,891</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2016**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	(11660) Adult Drug Court Fund	Total Govern- mental Funds
ASSETS					
State General Fund Investment Pool	\$ 449,042	98,245	71,904	-	619,191
Due from other governmental agencies	61,250	-	-	24,250	85,500
Total assets	<u>\$ 510,292</u>	<u>98,245</u>	<u>71,904</u>	<u>24,250</u>	<u>704,691</u>
LIABILITIES					
Deficiency in the State General Fund Investment Pool (cash overdraft)	\$ -	-	-	14,835	14,835
Accounts payable	101,096	8,668	-	8,840	118,604
Accrued salaries and employee benefits	242,842	-	-	-	242,842
Receipts held in suspense	248	-	-	575	823
Due to state general fund	22,651	-	-	-	22,651
Current liabilities	<u>366,837</u>	<u>8,668</u>	<u>-</u>	<u>24,250</u>	<u>399,755</u>
FUND BALANCES					
Restricted:					
Dispute and mediation programs and grants	<u>143,455</u>	<u>89,577</u>	<u>71,904</u>	<u>-</u>	<u>304,936</u>
Unassigned:					
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>143,455</u>	<u>89,577</u>	<u>71,904</u>	<u>-</u>	<u>304,936</u>
Total liabilities and fund balance	<u>\$ 510,292</u>	<u>98,245</u>	<u>71,904</u>	<u>24,250</u>	<u>704,691</u>

Reconciliation of the Governmental Fund Balance To The Statement of Net Position

Total fund balance governmental funds	\$ 304,936
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	300,248
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds.	(295,293)
Rounding	<u>-</u>
Net position of governmental activities	<u>\$ 309,891</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICITS) - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016**

	(15300)	(88000)	(08300)	(16600)	Total
	General	Alternative Dispute Resolution	Domestic Relations Mediation	Adult Drug Court	Governmental
	Fund	Fund	Fund	Fund	Funds
REVENUES					
Federal funds	\$ 313,120	-	-	61,612	374,732
Other grants	250,000	-	-	-	250,000
Court fees	16	44,242	48,713	-	92,971
Miscellaneous revenue	93,337	-	-	-	93,337
Total revenues	<u>656,473</u>	<u>44,242</u>	<u>48,713</u>	<u>61,612</u>	<u>811,040</u>
EXPENDITURES					
Current					
General government:					
Personal services and employee benefits	7,005,777	-	-	-	7,005,777
Contractual services	678,003	71,340	46,989	48,323	844,655
Other costs	573,239	-	-	13,289	586,528
Capital outlay	76,441	-	-	-	76,441
Total expenditures	<u>8,333,460</u>	<u>71,340</u>	<u>46,989</u>	<u>61,612</u>	<u>8,513,401</u>
Excess (deficiency) of revenue over (under) expenditures	(7,676,987)	(27,098)	1,724	-	(7,702,361)
OTHER FINANCING SOURCES (USES)					
State general fund appropriation	7,163,700	-	-	-	7,163,700
Special appropriation	50,000	-	-	-	50,000
Transfer - Other financing sources	385,900	-	-	-	385,900
Less: Transfer reversion of FY 16	(22,327)	-	-	-	(22,327)
Net other financing sources (uses)	<u>7,577,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,577,273</u>
Net change in fund balance	(99,714)	(27,098)	1,724	-	(125,088)
Fund balance, beginning	243,169	116,675	70,180	-	430,024
Fund balance, ending	<u>\$ 143,455</u>	<u>89,577</u>	<u>71,904</u>	<u>-</u>	<u>304,936</u>

Reconciliation Of Statement Of Revenues, Expenditures, And Changes In Fund Balances Of Governmental Funds To Statement Of Activities

Net change fund balance in governmental funds \$ (125,088)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of In the current period, these amounts are:

Depreciation expense (51,554)
Additions to capital assets 176,434

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, These activities consist of:

(Increase) decrease in compensated absences 44,994
Rounding
Change in net position - governmental activities \$ 44,786

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)
GENERAL FUND (15300)
For The Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ 313,100	313,100	313,120	20
Other grants	194,900	194,900	250,000	55,100
Miscellaneous revenue	<u>26,000</u>	<u>26,000</u>	<u>93,353</u>	<u>67,353</u>
Total revenues	<u>534,000</u>	<u>534,000</u>	<u>656,473</u>	<u>122,473</u>
EXPENDITURES				
Current:				
General government				
Personal services	6,514,600	7,007,600	7,005,777	1,823
Contractual services	1,009,361	712,761	678,003	34,758
Other costs	627,500	586,459	573,239	13,220
Capital outlay	<u>-</u>	<u>76,441</u>	<u>76,441</u>	<u>-</u>
Total expenditures	<u>8,151,461</u>	<u>8,383,261</u>	<u>8,333,460</u>	<u>49,801</u>
Excess (deficiency) of revenues over (under) expenditures	(7,617,461)	(7,849,261)	(7,676,987)	172,274
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	7,206,900	7,163,700	7,163,700	-
Special appropriation	50,000	50,000	50,000	-
Interagency transfers in	<u>410,561</u>	<u>535,561</u>	<u>385,900</u>	<u>(149,661)</u>
Total Other financing sources	7,667,461	7,749,261	7,599,600	(149,661)
Reversion to SGF	-	-	-	-
Reversions to SGF - other	<u>-</u>	<u>-</u>	<u>(22,327)</u>	<u>(22,327)</u>
Net interagency transfers and financial sources (uses)	<u>7,667,461</u>	<u>7,749,261</u>	<u>7,577,273</u>	<u>(171,988)</u>
Net change in fund balance	50,000	(100,000)	(99,714)	286
Fund balance, beginning			<u>243,169</u>	
Fund balance, ending			<u>\$ 143,455</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)
ALTERNATIVE DISPUTE RESOLUTION FUND (88000)
For The Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Court fees	\$ 96,400	96,400	44,242	(52,158)
Miscellaneous revenue	-	-	-	-
Total revenues	<u>96,400</u>	<u>96,400</u>	<u>44,242</u>	<u>(52,158)</u>
EXPENDITURES				
Current:				
General government				
Contractual services	94,400	94,400	71,340	23,060
Other costs	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>96,400</u>	<u>96,400</u>	<u>71,340</u>	<u>25,060</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(27,098)	(27,098)
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(27,098)	(27,098)
Fund balance, beginning			<u>116,675</u>	
Fund balance, ending			<u>\$ 89,577</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)
 DOMESTIC RELATIONS MEDIATION FUND (08300)
 For The Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Court fees	\$ 49,500	49,500	48,713	(787)
Total revenues	<u>49,500</u>	<u>49,500</u>	<u>48,713</u>	<u>(787)</u>
EXPENDITURES				
Current:				
General government				
Contractual services	47,500	47,500	46,989	511
Other costs	<u>2,000</u>	<u>2,000</u>	-	<u>2,000</u>
Total expenditures	<u>49,500</u>	<u>49,500</u>	<u>46,989</u>	<u>2,511</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,724	1,724
Fund balance, beginning			<u>70,180</u>	
Fund balance, ending			<u>\$ <u>71,904</u></u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)
ADULT DRUG COURT FUND (11660)
For The Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ 116,000	116,000	61,612	(54,388)
Total revenues	<u>116,000</u>	<u>116,000</u>	<u>61,612</u>	<u>(54,388)</u>
EXPENDITURES				
Current:				
General government				
Contractual services	102,000	102,000	48,323	53,677
Other costs	<u>14,000</u>	<u>14,000</u>	<u>13,289</u>	<u>711</u>
Total expenditures	<u>116,000</u>	<u>116,000</u>	<u>61,612</u>	<u>54,388</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statement

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
 As of June 30, 2016**

	<u>Agency Fund</u>
ASSETS	
State Treasurer accounts	\$ -
Cash in authorized bank account	<u>2,973,733</u>
TOTAL ASSETS	<u>\$ <u>2,973,733</u></u>
LIABILITIES	
Due to others	\$ -
Due to litigants	<u>2,973,733</u>
TOTAL LIABILITIES	<u>\$ <u>2,973,733</u></u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

NATURE OF BUSINESS AND 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 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.

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 Statement 14 and 61.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements

The financial statements of the Court have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

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.

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 fund (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, 2016.

For its government-wide activities, the Court has elected to apply all applicable GASB pronouncements. 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.

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

Grant revenues are recognized as soon as the eligibility requirements are met.

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.

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. *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.

2. Basis of Presentation

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.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

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.

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 their special revenue funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, per GASB Statement No. 54, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See Note 6 for additional information about fund balances.

The following are the Court's major funds:

General Fund—(15300) The general operating fund of the Court. It 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, the Court's additional funds are as follows:

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

Alternative Dispute Resolution—(88000) 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 special revenue fund and is non-reverting. For purposes of financial statement presentation, the fund is considered a major fund.

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NOTES TO FINANCIAL STATEMENTS
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Adult Drug Court—(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.

The Court also has fiduciary funds (trust and agency funds) 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. Trust and 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.

3. 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 on a full-accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

The statement of net position and the statement of activities are prepared 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. By definition, the resources of fiduciary funds are not available to support Court programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

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

4. Budgetary Data

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 appropriation unit level. 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 date 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.
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

**STATE OF NEW MEXICO
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For The Year Ended June 30, 2016**

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 Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Court's budget for the fiscal year ending June 30, 2016 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
5. The Act is signed into law by the Governor of the State of New 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 the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective on July 1.
6. All subsequent budget adjustments must be approved by the JBO and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
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. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts. The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts except as noted in Note F of this report.
9. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2016. The Court's General Fund is a reverting fund (funds revert back to the State General Fund).
10. 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.
11. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of 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 year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
12. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget. See Note F for amounts paid out of different budget years.
13. 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. This State Agency has no encumbered funds outstanding as of June 30, 2016.
14. The legal level of budgetary control is at the appropriation program level.

5. Encumbrances

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 the State General Fund.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

6. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) – is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset-related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Court did not have any related debt during the year ended June 30, 2016.

Restricted Net Position – is intended to reflect the portion of net position that has third party limitations on their use.

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

7. GASB Statement #54

GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as nonspendable, restricted, or unrestricted (committed, assigned or unassigned).

8. Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Court's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Court's policy to spend committed resources first.

9. Net Position Restricted by Enabling Legislation

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 enabling legislation, reviewing determinations made for similar legislation of the government or 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.

**STATE OF NEW MEXICO
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For The Year Ended June 30, 2016**

10. Fund Balance

The Court's fund balance is classified under the following GASB Statement 54 components:

- **Nonspendable:** Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Court does not have any nonspendable fund balance for the year ended June 30, 2016.
- **Restricted:** Restricted fund balance represents 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 restricted grants and in the special revenue funds the restricted funds represent funds held for The Court's dispute and mediation programs for the year ended June 30, 2016.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The Court does not have any committed fund balance for the year ended June 30, 2016.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The Court does not have any assigned fund balance for the year ended June 30, 2016.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The Court does not currently have a minimum fund balance policy. The Court does not have any unassigned fund balance for the year ended June 30, 2016 and has a deficit of unassigned fund balance due to an overspending of a special appropriation in prior years.

11. Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Court, the provider should recognize liabilities, deferred inflows and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue/unearned revenue by the recipient.

The interfund transactions are eliminated. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either

**STATE OF NEW MEXICO
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For The Year Ended June 30, 2016**

“transfers in or out from other funds”. If the New Mexico State Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

12. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. The only revenues that the Court receives other than State appropriations are state and federal operating grants and other contracts.

Expenditures are recognized when the related fund liability is incurred.

13. 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.

14. Inter-fund Activity

Inter fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

15. Program Revenues

Program revenues include federal and state grants, charges for tapes and copies of Court proceedings and Court fees collected per statute designated for Court operations.

16. Receivables

Receivables consist of amounts due from federal, and other state and local governments. No allowance for doubtful accounts is established, since all amounts are considered collectible in the subsequent fiscal year.

17. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that is applied to a future period, and so will not be recognized as an expense or expenditure until then. The Court has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that is applied to a future period, and so will not be recognized until then. The Court has no items that meet this criterion.

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18. Schedule of Net Position/Fund Balance

Per Balance Sheet: Governmental Funds

Amount	Description
\$ 143,455	Per Balance Sheet: General Fund Balance: Grants - Governmental Funds
89,577	Per Balance Sheet: Special Revenue Fund Balance: ADR - Governmental Funds
<u>71,904</u>	Per Balance Sheet: Special Revenue Fund Balance: DRM - Governmental Funds
<u>\$ 304,936</u>	Per Balance Sheet - Governmental Funds

Per: Governmental Wide Statement of Net Position

Amount	Description
\$ 300,248	Investment in capital assets
(59,059)	Long-term compensated absences payable as of year end
<u>(236,234)</u>	Current portion of compensated absences payable as of year end
4,955	Total of net position investment in capital assets and compensated absences
<u>304,936</u>	Per balance sheet - governmental funds net position
<u>\$ 309,891</u>	Grand total net position at year end

A total of \$295,293 was related to compensated absences payable which is expected to be financed by future state appropriations. A total of \$300,248 was the net position invested in capital assets.

19. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments.

20. Capital Assets

Property and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. 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. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the Court's capital assets schedule. 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 related debt relating to capital assets.

Machinery and equipment	5—15 years
Furniture and fixtures	5—15 years
Vehicles	5 years
Library	3 years
Leasehold improvements	5—15 years

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For The Year Ended June 30, 2016**

21. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned per Month</u>	<u>Days Earned per Month</u>	<u>Days of Maximum Accrual</u>
1 month – 3 years	10	1 ¼	30
Over 3 – 7 years	12	1 ½	30
Over 7 – 14 years	14	1 ¾	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. At June 30, 2016, accrued compensated absences payable for accumulated annual leave can be seen in the note for long-term debt.

22. Accrued Sick Leave

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, 2016 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, 2016, Zero (0) employees of The Court have accrued leave benefits in excess of 600 hours.

B. CASH AND INVESTMENTS POLICY

Investments in the State Treasurer’s General Fund Investment Pool (GFIP)

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. Please see the “Schedule of Deposits and Investments” in the “Other Supplementary Information” section of the audit report. Below are required disclosures regarding credit and interest risk.

Custodial Credit Risk—Investment Accounts

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Court. Therefore, collateralization of the Court’s accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. 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, 2016. There is no custodial risk at the Court’s level since the Court’s investments are under the contract of the Office of the State Treasurer.

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For The Year Ended June 30, 2016**

General Fund Investment Pool Reconciliation

On August 8, 2016, the New Mexico Department of Finance and Administration, Financial Control Division issued a memorandum regarding the reconciliation of the State General Fund Investment Pool. It stated that the Financial Control Division in collaboration with the State Treasurer's Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For fiscal year 2016 the following assertions are provided;

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

To the extent possible, the Court does informally reconcile all deposits and transfers that come into its possession. The cash transactions processed by the Court flow through the state general fund investment pool. Since SHARE was implemented, the Court recognized potential concerns related to the statewide cash reconciliation issue, and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities by fund, and review of outstanding warrants of the Department. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

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.

Credit Risk for Investments

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

**STATE OF NEW MEXICO
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For The Year Ended June 30, 2016**

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Court does not have an investment policy that limits investment interest rate risk. The Court does not have an investment policy that limits investment interest rate risk.

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

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, 2016. There is no custodial risk at the Court level since the cash amount is under the contract of the New Mexico State Treasurer.

See the “Schedule of Pledged Collateral” for information on Court’s Custodial Credit Risk for its bank deposits as reference in the table of contents.

C. RECEIVABLES

As of June 30, 2016, receivables consist of:

Due from Governmental Unit/Agency	Due To SHARE Fund	Due From SHARE Fund	Purpose	Amount
Department of Justice	11660	N/A	Adult Drug Court program	\$ 24,250
OptumHealth	15300	N/A	Jail diversion	30,000
Valencia County	15300	N/A	Pre-trial services	31,250
				<u>\$ 85,500</u>

An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

D. DUE TO OTHER GOVERNMENTS

As of June 30, 2016, no funds were due to other governments.

E. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the Court keeps their budget on the modified GAAP basis there is no need to reconcile the budget financial statements to the fund financial statements. There were no outstanding accounts payable that were applied against the subsequent year’s budget.

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For The Year Ended June 30, 2016**

F. 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 within ten days of the audit report. The amount due to the State General Fund as of June 30, 2016 is as follows:

<u>Description</u>	<u>General Fund</u>	<u>Due To SHARE Fund</u>	<u>Due From SHARE Fund</u>
Current year collection for tapes and copies less amount spent per DFA authority	\$ 22,327	34100	15300
Reversion of appropriations FY 16	-	34100	15300
Total due to State General Fund	<u>\$ 22,327</u>		

All amounts in the general fund of the Court's fund balance revert except what is noted as grants, on the balance sheet-governmental funds per the table of contents.

G. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2016 is as follows:

	<u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>2016</u>	<u>Current Portion</u>
Compensated absences payable \$	<u>340,288</u>	<u>617,816</u>	<u>(662,811)</u>	<u>295,293</u>	<u>236,234</u>

Prior year compensated absences have been liquidated by the general fund.

H. CONTINGENCIES

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, 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.

I. INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS

Interfund receivables and payables reflect short-term (current) borrowings among the Court's funds in the normal course of business. There were no due to/from other funds as of June 30, 2016.

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For The Year Ended June 30, 2016**

J. CAPITAL ASSETS

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

	Balance			Balance
	2015	Additions	Deletions	2016
Capital assets depreciated:				
Furniture and fixtures	\$ 296,605	-	-	296,605
Machinery and equipment	360,880	133,484	-	494,364
Vehicles	280,903	-	-	280,903
Library	85,061	-	-	85,061
Leasehold Improvements	371,754	42,950	-	414,704
Total capital assets depreciated	1,395,203	176,434	-	1,571,637
Less accumulated depreciation for:				
Furniture and fixtures	(298,043)	(214)	-	(298,257)
Machinery and equipment	(294,714)	(18,230)	-	(312,944)
Vehicles	(208,756)	(23,367)	-	(232,123)
Library	(85,061)	-	-	(85,061)
Leasehold Improvements	(333,261)	(9,743)	-	(343,004)
Total accumulated depreciation	(1,219,835)	(51,554)	-	(1,271,389)
Total capital assets, net	\$ 175,368	124,880	-	300,248

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 \$51,554.

During FY16, the Administrative Office of the Courts purchased equipment on behalf of the Court. The value was \$99,993, and is included in the additions to machinery and equipment.

The Court has idle capital assets as follows: equipment and machinery of \$107,291 with a book basis of \$0, furniture and fixtures of \$188,076 with a book basis of \$0 and Library of \$85,061 with a book basis of \$0.

K. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

The 13th Judicial District Court, as part of the primary government of the State of New Mexico, has a single employer defined benefit pension plan (Judicial Retirement) administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund

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For The Year Ended June 30, 2016**

and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Funding Policy: Plan members are required to contribute 8.92% of their gross salary. The 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, 2016, 2015 and 2014 were \$817,100, \$781,113, and \$674,782 less the amounts disclosed in the JRA Pension plan shown below respectively, which equal the amount of the required contributions for each fiscal year.

L. JRA PENSION PLAN

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

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

Funding Policy of The JRA Pension Plan

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 the years ending June 30, 2016, 2015 and 2014 were \$142,340, \$136,934, and \$184,224, respectively, 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 \$141,617 in filing fees for the year ending June 30, 2016.

M. 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.

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For The Year Ended June 30, 2016**

N. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

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

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

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.

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers 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, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1,

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For The Year Ended June 30, 2016**

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, 2016, 2015 and 2014 were \$103,158, \$98,786 and \$89,643, respectively, which equal the required contributions for each year.

O. 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. The leases are for 12 copy machines. 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 are as follows:

<u>For the Year Ended June 30</u>	<u>Office Equipment</u>
2017	\$ 42,880
2018	32,160
Thereafter	-
Total	<u>\$ 75,040</u>

Lease expenditures and related expenses for the year ended June 30, 2016 were \$57,122.

P. JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

The Court's has 5 memorandums of understanding as follows:

Participant:	Court and Valencia County (VC)
Responsible Party:	The Court
Description:	Pre-Trial Services for District and Magistrate Courts of Valencia County
Term:	Begins July 1, 2013 and terminates upon written notice.
Amount Involved:	\$125,000
Revenue/Expenditures Reported:	Revenue on the Court's books, expense on VC's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

Participant:	Court and Sandoval County (SC)
Responsible Party:	The Court
Description:	Pre-Trial Services for District and Magistrate Courts of Sandoval County.
Term:	Begins July 1, 2015 and terminates June 30, 2016
Amount Involved:	\$50,000
Revenue/Expenditures Reported:	Revenue on the Court's books, expense on SC's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

Participant:	Administrative Office of the Courts (AOC)
Responsible Party:	The Court
Description:	Drug Court
Term:	Begins July 1, 2015 and terminates June 30, 2016
Amount Involved:	\$182,075
Revenue/Expenditures Reported:	Revenue on the Court's books, expense on AOC's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

Participant:	New Mexico Office of the Attorney General (OAG)
Responsible Party:	The Court
Description:	For SFPP
Term:	Begins July 1, 2015 and terminates June 30, 2016
Amount Involved:	\$425,000
Revenue/Expenditures Reported:	Revenue on the Court's books, expense on OAG's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

Participant:	Governmental Services Agreement (GSA)
Responsible Party:	The Court
Description:	Child Support Enforcement Division
Term:	Begins July 1, 2012 and terminates June 30, 2016
Amount Involved:	\$313,120
Revenue/Expenditures Reported:	Revenue on the Court's books, expense on OAG's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

Q. DETERMINATION OF SINGLE AUDIT

During fiscal year 2016, the Court was awarded federal funds of \$116,000 and spent \$61,612. Therefore, the threshold for a Single Audit as described in the Uniform Guidance was not met.

R. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

U.S. generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. No funds exceeded approved budgetary authority for the year ended June 30, 2016.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2015 except the budget deficit in the general fund identified from a prior year under the Fund Balance note in this report.

S. CONCENTRATIONS

The Court depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Court is subject to changes in specific flows of intergovernmental revenues based upon modifications to Federal and State laws and Federal and State appropriations.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016**

T. 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 November 18, 2016, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES-AGENCY FUNDS
For The Year Ended June 30, 2016**

	<u>2015</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>2016</u>
ASSETS				
State Treasurer accounts	\$ 30,580	-	(30,580)	-
Cash in authorized bank accounts	<u>3,160,039</u>	<u>5,265,996</u>	<u>(5,452,302)</u>	<u>2,973,733</u>
	<u>\$ 3,190,619</u>	<u>5,265,996</u>	<u>(5,482,882)</u>	<u>2,973,733</u>
LIABILITIES				
Due to others	\$ 30,580	-	(30,580)	-
Due to litigants	<u>3,160,039</u>	<u>5,265,996</u>	<u>(5,452,302)</u>	<u>2,973,733</u>
	<u>\$ 3,190,619</u>	<u>5,265,996</u>	<u>(5,482,882)</u>	<u>2,973,733</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS
As of June 30, 2016**

	Type of Account	Bank/ Treasurer Balance	Deposits In Transit	Outstanding Warrants/ Checks	Book Balance
GENERAL FUND					
New Mexico State Treasurer 243-15300	SGFIP	\$ 449,042	-	-	449,042
SPECIAL REVENUE FUNDS					
New Mexico State Treasurer 243-88000	SGFIP	98,245	-	-	98,245
New Mexico State Treasurer 243-08300	SGFIP	71,904	-	-	71,904
New Mexico State Treasurer 243-11660	SGFIP	(14,835)	-	-	(14,835)
Total Special Revenue Funds		155,314	-	-	155,314
AGENCY FUNDS					
Wells Fargo Bank of New Mexico N.A.					
Court Registry - Valencia	Checking	238,275	1,500	44,456	195,319
Court Registry - Sandoval	Checking	204,951	17,450	29,450	192,951
Court Registry - Cibola	Checking	201,970	3,550	500	205,020
Subtotal for Wells Fargo Checking Accounts		645,196	22,500	74,406	593,290
243-614 CV-14-0800 - NMDOT vs C. Apodaca	Savings	27,764	1	-	27,765
243-645 PB-2015-00021 IMO: Francis M Thatcher, deceased	Savings	77,761	2	-	77,763
243-648 PB-2015-00050 IMO: The Estate of Mary L. Martinez	Savings	6,658	41,257	-	47,915
243-524 CV-09-2886 - Residential vs Sapeta	Savings	16,115	1	-	16,116
243-531 CV-10-1051 - GMAC Mortgage LLC vs Alan J. Zingler	Savings	6,405	-	-	6,405
243-533 CV-05-0930 - NMDOT vs Keith Langerman, Sr.	Savings	19,434	1	-	19,435
243-546 CV-12-0551 - NMDOT vs Mattie Goode	Savings	90,223	2	-	90,225
243-551 CV-12-0927 - RR Bd of Educ vs Andrykowski	Savings	297,416	7	-	297,423
243-552 CV-13-1483 - NMDOT vs Mandalla	Savings	2,653	-	-	2,653
243-580 CV-11-2697 - Muruga vs Soule	Savings	30,331	1	-	30,332
243-582 CV-12-1135 - JP Morgan Chase vs Wayne Brown	Savings	10,034	-	-	10,034
243-585 CV-13-1552 - NMDOT vs GPZ Construction	Savings	67,654	2	-	67,656
243-590 CV-13-1932 - NMDOT vs AMREP	Savings	4,253	-	-	4,253
243-594 CV-13-2221 - NMDOT vs Miller	Savings	500	11	11	500
243-596 CV-13-2237 - NMDOT vs Gary Smith	Savings	751	11	11	751
243-597 CV-13-2167 - SCAFCA vs Yu Tian	Savings	8,205	-	-	8,205
243-598 CV-14-0162 - SCAFCA vs Paul Vassell	Savings	5,417	-	-	5,417
243-619 CV-12-0044 - BOKF, N.A. vs Michaela M. Higgins	Savings	12,664	-	-	12,664
243-627 CV-13-2181 - Cook-Martin vs Todd	Savings	25,506	750	-	26,256
243-634 CV-15-1184 RR vs Eagle Land	Savings	5,601	5,001	-	10,602
243-635 CV-15-1272 RR vs Richard Castillo	Savings	48,211	2	-	48,213
243-637 CV-15-1275 RR vs Vista NM LLC	Savings	73,917	2	-	73,919
243-638 CV-15-1390 RR vs Robert Moriarty	Savings	45,310	1	-	45,311
243-640 CV-15-1424 RR vs Ashok Kaushal	Savings	9,802	-	-	9,802
243-641 CV-2012-1285 BOA vs Serafina Eichwald	Savings	112,697	3	-	112,700
243-644 CV-2014-0826 Rosie Sandoval vs Amantina Sanchez	Savings	115,512	3	-	115,515
243-646 CV-2016-00384 SCAFCA vs Effinger	Savings	13,151	-	-	13,151
243-649 CV-2016-00761 RR vs Raymond Cordova et. Al.	Savings	-	8,200	-	8,200
243-620 CV-14-0190 - US Currency	Savings	28,063	1	-	28,064
243-622 CV-14-0227 - IMO: \$6,100.00	Savings	6,103	-	-	6,103
Subtotal for Wells Fargo Savings Accounts		1,168,111	55,259	22	1,223,348
Total Wells Fargo Bank of New Mexico N.A.		1,813,307	77,759	74,428	1,816,638

The accompanying notes are an integral part of these schedules

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS - Continued
As of June 30, 2016**

	<u>Type of Account</u>	<u>Bank/ Treasurer Balance</u>	<u>Deposits In Transit</u>	<u>Outstanding Warrants/ Checks</u>	<u>Book Balance</u>
AGENCY FUNDS - Continued					
My Bank/Belen					
243-144 CV-94-0425 - SHD vs Alumco	Savings	1,957	-	-	1,957
243-145 CV-92-0337 - Tierra Grande vs Watkins	Savings	14,720	2	-	14,722
243-172 CV-95-0009 - Mid Century vs Davenport	Savings	5,147	1	-	5,148
243-221 CV-98-0592 - Federal Na'tl Mortgage vs Jones	Savings	11,808	1	-	11,809
243-232 CV-99-0375 - Lawyers vs Murphy, Pancoast	Savings	5,314	1	-	5,315
243-246 CV-00-0031 - SHD vs Allen	Savings	18,191	2	-	18,193
243-487 CV-09-0817 - PNM vs Allwood	Savings	13,869	1	-	13,870
243-534 CV-08-0072 - Malcom S. Major	Savings	279,294	23	-	279,317
Total My Bank/Belen		350,300	31	-	350,331
U.S. Bank					
243-191 CV-97-0906 - Patricia E Cook vs Donald L. Staufenberg	Savings	11,795	1	-	11,796
243-211 CV-97-1137 - Charter Bank vs John G. Amador	Savings	3,813	-	-	3,813
243-266 CV-01-0733 - Hall T. Sippy vs David L. Giles	Savings	11,991	-	-	11,991
243-283 CV-03-0980 - City of RR vs George Martindell	Savings	95,672	6	-	95,678
243-290 CV-04-0224 - Charter Bank vs Diana K Slotness	Savings	10,279	-	-	10,279
243-292 CV-03-0546 - Assoc of Gldn West Patio Apts vs Unknown Heirs	Savings	2,887	-	-	2,887
243-299 CV-05-0077 - State of NM vs D J T	Savings	21,591	1	-	21,592
243-300 CV-04-0470 - GE Mortgage Services LLC vs Maria D. Jacquez	Savings	4,998	1	-	4,999
243-365 CV-06-0405 - City of RR vs Ronald J. Lofy	Savings	21,563	2	-	21,565
243-390 CV-06-0719 - NMDOT vs Denise Gilman	Savings	40,467	3	-	40,470
243-394 CV-06-0735 - City of RR vs Louis Kailey	Savings	34,879	3	-	34,882
243-404 CV-06-0818 - Board of Educ vs Arlene Derise	Savings	28,683	2	-	28,685
243-408 CV-06-0984 - City of RR vs Mike J. Merten	Savings	40,633	2	-	40,635
243-422 CV-06-1403 - Bd of Educ vs Rancho Vista Development	Savings	36,679	3	-	36,682
243-439 CV-07-0277 - City of RR vs Melvin Pasley	Savings	25,379	2	-	25,381
243-440 CV-07-0278 - City of RR vs John O'Halloran	Savings	31,852	2	-	31,854
243-455 CV-05-1429 - Countrywide Hm Loans vs Albert S Esquibel	Savings	8,733	1	-	8,734
243-478 CV-08-1885 - PNM vs One Purpose	Savings	10,207	1	-	10,208
243-489 CV-09-1652 - Arroyo vs Estelle Beane Gillman	Savings	68,143	4	-	68,147
243-491 CV-09-2408 - Sandoval Cnty vs Tesoro Properties	Savings	241,663	20	-	241,683
243-496 CV-09-2873 - PNM vs Lawrence Andreassen	Savings	26,307	2	-	26,309
243-508 CV-05-0639 - NMDOT vs Hardall Holding Corporation	Savings	28,492	2	-	28,494
Total U.S. Bank		806,706	58	-	806,764
Grand total of deposits	\$	3,574,669	77,848	74,428	3,578,089

The accompanying notes are an integral part of these schedules

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF PLEDGED COLLATERAL
BY BANK AND ACCOUNT
As of June 30, 2016**

Account Name	Account Type	Bank Balance	Book Balance
Governmental Funds			
Cash at State Treasurer	SGFIP	\$ <u>604,356</u>	<u>604,356</u>
Agency Funds			
Wells Fargo Bank	Checking	\$ 645,196	593,290
Wells Fargo Bank	Savings	1,168,111	1,223,348
My Bank/Belen	Savings	350,300	350,331
U.S. Bank	Savings	<u>806,706</u>	<u>806,764</u>
Total Agency Funds		\$ <u>2,970,313</u>	<u>2,973,733</u>
Total amount of deposit in banks		\$ 2,970,313	<u>2,973,733</u>
FDIC coverage		<u>(750,000)</u>	
Total uninsured public funds		\$ <u>2,220,313</u>	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		\$ <u>1,110,157</u>	

Collateralization of the Court's bank deposits is as follows:

The uninsured public funds is as shown above. Collateral information for the deposits at My Bank/Belen, Grants State Bank, Wells Fargo Bank and U.S. Bank is not available because the banks commingle pledged collateral for all of the State funds they hold. The collateralization of these accounts is monitored by the State Treasurer's office. These banks provide proof of collateral sufficient to cover all State funds deposited. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure amounts held by the State Treasurer.

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 exposed to custodial credit risk as follows:

As of June 30, 2016:

Uninsured and uncollateralized as pledged collateral is commingled for all state funds	<i>Unknown</i>
Uninsured, collateral held by the pledging banks, but not in the name of the Court or the State of New Mexico	\$ <u>2,220,313</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF INTERAGENCY TRANSFERS
For The Year Ended June 30, 2016**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
State Appropriations					
General Fund Appropriation	SGF	34101	15300	Laws 2014, Ch 63, Sec 4	\$ 7,163,700
Special Appropriation	SGF	34101	15300	Laws 2016, Ch 11, Sec 6	50,000
Total State General Fund					\$ 7,213,700
Other Financing Sources					
Interagency Transfers In	DFA	34101	15300	Laws 2014, Ch 63, Sec 4	\$ 385,900
Capital Outlay	AOC	21800	15300	Assets bought on behalf of Courts	99,993
Total Other Financing Sources					\$ 485,893
Description	Agency Transferred To	From Fund	To Fund	Reference	Amount Transferred Out
General Fund Appropriation	DFA	15300	34100	Reversion of current year miscellaneous income	\$ 22,327
Total Department of Finance and Administration					\$ 22,327

*Note: The reversions presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds are expected to be reverted in FY 17

STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 SCHEDULE OF VENDOR INFORMATION
 As of June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFBI/RFPI (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
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NONE



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

Honorable Louis P. McDonald, Presiding Judge
State of New Mexico Thirteenth Judicial District Court
and
Mr. Timothy Keller, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 of the general fund and major special revenue funds of the Thirteenth Judicial District Court, of the State of New Mexico (The Court) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and have issued our report thereon dated November 18, 2016.

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 agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

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

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

November 18, 2016

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, PC
Albuquerque, NM
November 18, 2016

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Schedule of Findings and Responses
For the Year Ended June 30, 2016**

SUMMARY OF FINDINGS AND RESPONSES

Current and prior year findings are as follows:

Reference FY- Finding #	Findings	Status of Current and Prior Year Findings	Type of Finding*
<i>Prior Year</i>			
2003-002 [03-02]	State Treasurer's Account Balance	RESOLVED	D
2015-001	Chief Procurement Officer	RESOLVED	D

Current Year
None

* Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Other Matters Involving Internal Control Over Financial Reporting
- D.** Non-compliance with State Audit Rule, NM state statutes, NMAC or other entity compliance

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
For The Year Ended June 30, 2016**

An exit conference was held in a closed session on November 18, 2016 at the Court's Offices in Sandoval County, New Mexico. In attendance were the following:

Representing the Thirteenth Judicial District Court:

Honorable Louis P. McDonald	Chief Judge
Karl W. Reifsteck	Court Executive Officer
Chris Wolf	Court Financial Officer

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	President
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FINANCIAL STATEMENTS

The financial statements of the Court as of June 30, 2016, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.