

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

**Financial Statements  
With Independent Auditors Report Thereon  
June 30, 2009**

## **INTRODUCTORY SECTION**

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

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June 30, 2009**

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FIFTH JUDICIAL DISTRICT COURT**

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

**Official Roster  
June 30, 2009**

Judges

Honorable James R. Brown	Division 1
Honorable Freddie Romero	Division 2
Honorable William G. W. Shoobridge	Division 3
Honorable Don Maddox	Division 4
Honorable Jane Shurler-Gray	Division 5
Honorable Ralph Shamas	Division 6
Honorable Gary Clingman - Chief Judge	Division 7
Honorable Charles Currier	Division 8
Honorable Thomas Rutledge	Division 9
Honorable Steven Bell	Division 10

Administrative Officials

Bee J. Clem	Court Executive Officer
Linda Worley	Deputy Court Executive Officer
Kennon Crowhurst	District Court Clerk, Chaves County
Eric Ellis	District Court Clerk, Eddy County
Nelda Cuellar	District Court Clerk, Lea County
Rita G. Johnson	Court Financial Manager/Chief Financial Officer

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Gary Clingman, Chief Judge  
Fifth Judicial District Court  
And  
Hector Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, aggregate remaining fund information and budgetary comparisons of the State of New Mexico, Fifth Judicial District Court (the "Court"), as of and for the year ended June 30, 2009 which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the State of New Mexico, Fifth Judicial District Court are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2009 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, aggregate remaining fund information of the Court as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparisons for the general fund, domestic relations medication fund, and capital projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis of pages 3 through 6 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Court and on the budgetary comparison presented as supplemental information. The supporting schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Court. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Miller & Associates, CPA, P.C.*

Miller & Associates, CPA, P.C.

December 11, 2009



**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis (MD&A) for the Fifth Judicial District Court will provide an overview of the Court's activities and programs by (1) evaluating the operating results for the year, (2) assessing its financial position and condition, (3) helping to understand its sources and uses of financial resources, (4) helping to determine if budgets were met, and (5) identifying budget issues or concerns. Finally, the MD&A will provide comparative data from fiscal year 2008 and 2009.

This section provides an analysis of the Court's financial activities based on currently known facts, decisions, or conditions. It also provides an analysis of the Court's overall financial position and results of operations to assist users in assessing whether the financial position has improved or if changes have occurred as a result of the year's activities.

The Court has only one activity - Judicial Services - which is a governmental activity. The Court does not have any business-type activities or any component units.

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

The two government-wide financial statements report information about the Court as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets includes all of the Court's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the Court's net assets and how they have changed. Net assets - the difference between the Court's assets and liabilities - is one way to measure the Court's financial health or position. Over time, increases or decreases in the Court's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

***FUND FINANCIAL STATEMENTS***

The Fund Financial Statements provide a more detailed look at the Court's significant funds. Funds are accounting devices that the court uses to keep track of specific sources of funding and spending for a particular purpose. The Court operates on its General Fund Appropriations received from the State Legislature each year. The Court also reports on its agency funds. These funds represent trust responsibilities to litigants and the assets are restricted for that purpose and are not part of the Court's assets. These assets are not presented in any part of the Government-Wide Financial Statements. The funds also present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

***NOTES TO THE FINANCIAL STATEMENTS***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 29 of this report.

***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**Statement of Net Assets:** Below is a summary of the Court's net assets for the fiscal year ending June 30, 2009. The Court reports balances in the following three categories of net assets: (1) invested in capital assets, (2) restricted, and (3) unrestricted. Restricted net assets are created by State statute and are required to be used

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

for the domestic relations mediation program. Unrestricted net assets are negative because it is the government's policy to fund compensated absences payable out of current resources as they become due. See page 7 of this report for a more detailed look at the Statement of Net Assets. There is a decrease in current assets of \$102,412 as a result of a reduction in payables carried forward to the next fiscal year. The decrease of \$107,782 in current liabilities is mainly the result of a decrease in accounts payable for FY09 payments made in FY10

**FIFTH JUDICIAL DISTRICT COURT  
Net Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current assets	\$ 783,121	\$ 885,533
Capital assets	<u>224,542</u>	<u>195,634</u>
Total assets	<u>1,007,663</u>	<u>1,081,167</u>
Current liabilities	632,046	739,828
Other liabilities	<u>66,431</u>	<u>16,992</u>
Total liabilities	<u>632,046</u>	<u>756,820</u>
Net assets:		
Invested in capital assets	224,542	195,634
Restricted	268,666	324,695
Unrestricted	<u>(184,022)</u>	<u>(195,982)</u>
Total net assets	<u>\$ 309,186</u>	<u>\$ 324,347</u>

**Statement of Activities:** The following represents the revenues and expenses for fiscal year 2009. See page 8 for a more detailed look at the Statement of Activities. The increase in revenues is mainly the result of an increase in the State Appropriation of \$46,771 when compared to the prior year. The increase in expenses of \$183,452 is also a direct result of additional appropriations being made during the year and increased supplies purchases made during FY09.

**Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
General revenues		
State General Fund Appropriation (net of reversions)	\$6,306,477	\$6,166,375
Other Financing Sources\Transfers In	451,200	546,016
Program Revenues	<u>89,340</u>	<u>87,855</u>
Total Revenues	6,847,017	6,800,246
Expenses:		

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Judicial	<u>6,862,178</u>	<u>6,678,726</u>
Change in net assets	(15,161)	121,520
Net assets - Beginning	<u>324,347</u>	<u>202,827</u>
Net assets - Ending	<u>\$ 309,186</u>	<u>\$ 324,347</u>

The Fifth Judicial District Court is a reverting agency with the exception of the Mediation Fund. The ending balance in the Mediation fund for FY09 it was \$95,050 and for FY08 it was \$111,695. This is a decrease of fund balance of \$16,645. This decrease in fund balance is due to an increased usage of the Mediation program. Expenditures have over shadowed revenue in this fund for the past few years and this is expected to be the case in years to come. This will require the Court to eventually ask for General Fund support for the program.

***FUND FINANCIAL ANALYSIS***

**Governmental Funds.** The focus of the Court's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. For the current year the Court had three governmental funds, the General Fund, the Domestic Relations Mediation Fund and a Capital Projects Fund. As of year-end, the General Fund reported a fund balance of \$300. This amount is petty cash that is required to provide change in our cash drawers in the Clerk's offices.

The Domestic Relations Mediation Fund reported a fund balance of \$95,050 which is comprised of accumulated domestic relations filing fees that have not yet been expended. This fund balance is reserved for expenditure on the program in future years.

The Capital Project Fund balance was \$173,616 for furniture and fixture expenditures in future years.

***BUDGETARY COMPARISONS***

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government's budgetary basis. As required by the Office of the State Auditor under 2.2.2 NMAC, the budgetary comparison statement is presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

The variance in the General Fund original FY09 budget and final FY09 budget is due to general fund budget reduction of \$72,900 imposed by the 2009 Legislature. Also the agency moved budget from operating cost savings in the Other Cost category in our Court Regular activity to the Personal Services category.

***CAPITAL ASSET AND DEBT ADMINISTRATION***

**Capital Assets.** The Court's investment in capital assets for its government activities as of June 30, 2009 amounted to \$224,542 (net of accumulated depreciation). This investment in capital assets consists of office equipment, and furniture. Major capital asset events during the current year included capital outlay purchases of office, equipment, and furniture in the amount of \$77,688 and depreciation expense of \$48,780.

Additional information on the Court's capital assets can be found in Note 3 on page 25 of this report.

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Long-Term Debt:** At the end of the current fiscal year, the Court had a total long-term debt outstanding of \$66,431. This amount consists of accumulated balances for terminal leave eligible for payment to employees upon termination of their employment.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Accumulated leave balances:		
Compensated		
Absences Payable	\$66,431	\$16,992

Additional information on the court's long-term debt can be found in Note 4 on page 25 of this report.

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS***

The fiscal year 2010 appropriation will be reduced \$87,200 more than the revised and reduced FY09 budget. The 2009 First Special Session in October of the Legislature further reduced the FY10 budget by 2% amounting to another \$125,184 reduction bringing the total reduction to \$212,384. The Agency anticipates yet another 2% reduction to be imposed by the FY10 Legislature bringing the overall anticipated reduction to \$337,568. These budgetary reductions are forcing the agency to eliminate or reduce special programs, i.e. Family Drug Court of Lea County, Teen Court Programs in Chaves and Lea Counties, and Supervised Visitation Programs in Lea and Eddy Counties. The Agency is also forced to leave two vacant positions unfilled for the entire fiscal year.

**AGENCY HIGHLIGHTS**

The Fifth Judicial District Court operates under Sections 34-6-1, 34-6-12, and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The district covers Chaves, Eddy, and Lea Counties and is comprised of ten divisions, four in Chaves County, three in Eddy County, and three in Lea County. The Fifth Judicial District Court funds a variety of support programs to the community including a CASA program in each county, Teen Court programs in Chaves and Lea Counties, and a Family Drug Court in Lea County. The Mediation Program offers a formal conflict resolution in domestic relations cases involving custody of children. It is a court-mandated process that culminates in a written agreement that is later processed via attorneys through the court system.

***REQUESTS FOR INFORMATION***

The purpose of this financial report is to provide the general public and other interested parties with a general overview of this Court's finances and accountability of funds. Questions concerning this report or requests for additional information should be addressed to the Fifth Judicial District Court, Administrative Office, 400 N. Virginia Ave., P.O. Box 1776, Roswell, NM 88202-1776.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Statement of Net Assets  
Government -Wide  
June 30, 2009**

<b>ASSETS</b>	<u>Governmental Activities</u>
Current assets:	
Investment in the State Treasurer general fund investment pool	\$ 782,821
Petty cash	300
Total current assets	<u>783,121</u>
Noncurrent assets:	
Capital assets:	
Property, plant & equipment	706,301
Less: accumulated depreciation	<u>(481,759)</u>
Total noncurrent assets	<u>224,542</u>
Total Assets	<u><u>\$ 1,007,663</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 203,368
Accrued payroll and related expenses	220,208
Due to State General Fund - reversion	87,623
Due to State General Fund - court fees	2,956
Compensated absences - current	<u>117,891</u>
Total current liabilities	632,046
Noncurrent liabilities:	
Compensated absences	<u>66,431</u>
Total liabilities	<u>698,477</u>
<b>NET ASSETS</b>	
Invested in capital assets	224,542
Restricted for:	
Domestic Relations Mediation	95,050
Capital outlay	173,616
Unrestricted (deficit)	<u>(184,022)</u>
Total net assets	<u>309,186</u>
Total liabilities and net assets	<u><u>\$ 1,007,663</u></u>

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

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Statement of Activities  
Government -Wide  
For the Year Ended June 30, 2009**

	Governmental Activities
Expenses:	
Judicial:	
Administrative services	\$ 6,813,398
Depreciation expense	48,780
Total program expenses	6,862,178
Program revenues:	
Charges for services	89,340
Total program revenues	89,340
Net program expense	(6,772,838)
General revenues, transfers and losses:	
Transfers in- State General Fund appropriation	6,845,400
Transfer out: State General Fund reversion - FY09	(87,723)
Total general revenues, transfers and losses	6,757,677
Change in net assets	(15,161)
Net assets -- beginning of the year	324,347
Net assets -- end of the year	\$ 309,186

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

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

**Balance Sheet  
Governmental Funds  
June 30, 2009**

	General Fund	Domestic Relations Mediation Fund	Capital Projects Fund	Total
<b>ASSETS</b>				
Investment with State Treasurer	\$ 432,740	\$ 98,777	\$ 251,304	\$ 782,821
Petty cash	300	-	-	300
<b>Total Assets</b>	<b>\$ 433,040</b>	<b>\$ 98,777</b>	<b>\$ 251,304</b>	<b>\$ 783,121</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 121,953	\$ 3,727	\$ 77,688	\$ 203,368
Accrued payroll and related expenses	220,208	-	-	220,208
Due to State General Fund - reversion	87,623	-	-	87,623
Due to State General Fund - court fees	2,956	-	-	2,956
<b>Total liabilities</b>	<b>432,740</b>	<b>3,727</b>	<b>77,688</b>	<b>514,155</b>
Fund balances:				
Reserved for:				
Petty cash	300	-	-	300
Capital expenditures	-	-	173,616	173,616
Domestic Relations Mediation	-	95,050	-	95,050
<b>Total fund balances</b>	<b>300</b>	<b>95,050</b>	<b>173,616</b>	<b>268,966</b>
<b>Total liabilities and fund balances</b>	<b>\$ 433,040</b>	<b>\$ 98,777</b>	<b>\$ 251,304</b>	<b>\$ 783,121</b>

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



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

**Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2009**

Total fund balances - Governmental Funds (from C-1)	\$	268,966
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Property, plant and equipment	\$	706,301
Accumulated depreciation		<u>(481,759)</u>
Total capital assets		224,542
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities of:</p>		
Compensated absences		<u>(184,322)</u>
Net assets of governmental activities (See B-1)	\$	<u><u>309,186</u></u>

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

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2009**

	General Fund	Domestic Relations Mediation Fund	Capital Projects Fund	Total
<b>REVENUES</b>				
Court fees	\$ 45,000	\$ -	\$ -	\$ 45,000
Charges for services	-	44,340	-	44,340
Total revenues	<u>45,000</u>	<u>44,340</u>	<u>-</u>	<u>89,340</u>
<b>EXPENDITURES</b>				
Current:				
Judicial:				
Personal services and employee benefits	5,525,958	-	-	5,525,958
Contractual services	793,363	60,985	-	854,348
Other costs	438,356	-	6,696	445,052
Capital outlay	-	-	77,688	77,688
Total expenditures	<u>6,757,677</u>	<u>60,985</u>	<u>84,384</u>	<u>6,903,046</u>
Excess (deficiency) of revenues over expenditures	<u>(6,712,677)</u>	<u>(16,645)</u>	<u>(84,384)</u>	<u>(6,813,706)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
State General Fund reversion - FY09	(87,723)	-	-	(87,723)
Transfers in:				
State General Fund appropriation	6,800,400	-	45,000	6,845,400
Total other financing sources and uses	<u>6,712,677</u>	<u>-</u>	<u>45,000</u>	<u>6,757,677</u>
Net change in fund balance	-	(16,645)	(39,384)	(56,029)
Fund balances--beginning of the year	<u>300</u>	<u>111,695</u>	<u>213,000</u>	<u>324,995</u>
Fund balances--end of the year	<u>\$ 300</u>	<u>\$ 95,050</u>	<u>\$ 173,616</u>	<u>\$ 268,966</u>

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

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

**Reconciliation of Changes in Fund Balance of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2009**

Net change in fund balances -- total governmental funds (from C-3)		\$ (56,029)
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities (B-1) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital Outlay	\$ 77,688	
Depreciation Expense	(48,780)	
Excess of capital outlay over depreciation expense		28,908
<p>Compensated absences reported in the Statement of Activities require the use of current financial resources and therefore are not reportable as expenditures in governmental funds.</p>		
		11,960
Change in net assets of governmental activities (see B-1)		\$ (15,161)

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

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

**Statement of Revenues and Expenditures  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Court fees	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Total revenues	45,000	45,000	45,000	-
<b>EXPENDITURES</b>				
Administrative services:				
Personnel services & employee benefits	5,657,900	5,577,300	5,525,958	51,342
Contractual services	787,900	780,600	793,363	(12,763)
Other costs	474,500	469,600	438,356	31,244
Total expenditures	6,920,300	6,827,500	6,757,677	69,823
Other financing sources (uses):				
General fund appropriations	6,875,300	6,782,500	6,800,400	17,900
Reversions	-	-	(87,723)	(87,723)
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	6,875,300	6,782,500	6,712,677	(69,823)
Excess (deficiency) of revenues over expenditures	-	-	\$ -	\$ -
Prior year fund balance	300	300		
End of year fund balance	\$ 300	\$ 300		

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

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

**Statement of Revenues and Expenditures  
Budget and Actual  
Domestic Relations Mediation Fund  
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Court fees	\$ 50,000	\$ 50,000	\$ 44,340	\$ (5,660)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>44,340</u>	<u>(5,660)</u>
<b>EXPENDITURES</b>				
Contractual services	70,000	70,000	60,985	9,015
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>60,985</u>	<u>9,015</u>
Excess (deficiency) of revenues over expenditures	(20,000)	(20,000)	<u>(16,645)</u>	<u>3,355</u>
Prior year fund balance	<u>111,695</u>	<u>111,695</u>		
End of year fund balance	<u><u>\$ 91,695</u></u>	<u><u>\$ 91,695</u></u>		

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

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

**Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 2,075,502
Total assets	<u>\$ 2,075,502</u>
<b>LIABILITIES:</b>	
Due to state treasurer's account	\$ 3,029
Due to litigant's account	<u>2,072,473</u>
Total liabilities	<u>\$ 2,075,502</u>

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

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

The Fifth Judicial District Court (the "Court") operates under Sections 34-6-1, 34-6-12, and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Fifth Judicial District Court covers Chaves, Eddy and Lea Counties. The Court is comprised of ten 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 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. 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. However, New Mexico does not at present, issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. Additionally, the Court has no component units that are required to be reported in its financial statements.

The accounting policies of the Fifth Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments. The financial statements have incorporated all applicable FASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. A summary of the Court's significant accounting policies follows:

**A. Basis of Accounting – GASB Statement #34**

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and the fund financial statements categorize primary activities as governmental activities.

**B. Basis of Presentation – Fund Accounting**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Court, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation – Fund Accounting (continued)**

*Government-Wide Financial Statements (continued)*

business-type activities. The Court has no business-type activities, therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33.

*Fund Financial Statements*

The governmental fund financial statements are presented on the current financial resource measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

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, a reconciliation is presented on the page following each fund statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The Court's fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Court first uses restricted resources then unrestricted resources.

The accounts of the Court are organized on a fund basis, 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, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon



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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation – Fund Accounting (continued)**

*Fund Financial Statements (continued)*

the purposes for which spending activities are controlled. The following fund types are used by the Court:

Governmental Funds

General Fund

The General Fund is the general operating fund of the Court and is considered a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico.

The revenues and expenditures of the Court are regularly accounted for in this fund. The SHARE number and description of the General Fund of the Court is #145 - Court Regular.

Special Revenue Funds

These funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for the operations of the Court.

*Court Mediation* - The District has established a domestic relations mediation program pursuant to Section 5 (40-12-5 NMSA, 1978 Comp.) of the Domestic Relations mediation Act. Deposits to the funds shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 (40-12-5, NMSA, 1978 Comp.) of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 (40-12-6, NMSA, 1978 Comp.) of the Act. The Mediation Fund is a special revenue fund and is non-reverting. The SHARE number of the Mediation Fund is #925. For purposes of financial statement presentation, the fund is considered a major fund.

Capital Projects Funds

Capital Projects funds are used to account for financial resources to be used for the acquisition, conservation or improvement of capital facilities. Any unencumbered balance remaining in the Capital Projects Funds at the end of the project reverts to the General Fund of the State of New Mexico. The SHARE number of the Capital Projects fund is #520.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation – Fund Accounting (continued)**

Capital Projects Funds (continued)

The Court received the following appropriations for general capital outlay expenditures, which are included in the cash balance at June 30, 2009:

Appropriation Description:	Appropriation Period	Original Appropriation	Expenditures to Date	Unencumbered Balance
Senate Bill 710-Lea County	7/01/07-6/30/11	\$ 100,000	\$ 79,080	\$ 20,920
Senate Bill 827-Lea County	7/01/07-6/30/11	30,000	2,629	27,371
Senate Bill 710-Eddy County	7/01/07-6/30/11	75,000	19,268	55,732
Senate Bill 827-Eddy County	7/01/07-6/30/11	25,000	767	24,233
Senate Bill 471-Lea County	7/01/08-6/30/12	45,000	1,175	43,825
Total		<u>\$ 275,000</u>	<u>\$ 102,919</u>	<u>\$ 172,081</u>

At June 30, 2009, there were no outstanding encumbrances and the funds remaining at the end of the appropriation period must be reverted to the State General Fund.

Fiduciary Funds

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

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

**C. Assets, Liabilities and Equity**

Investments with the State Treasurer

The Court's cash and cash equivalents are demand deposits. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 2. All funds allotted to the Court are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities and Equity (continued)**

*Investments with the State Treasurer*

The Court's cash and cash equivalents are demand deposits. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 2. All funds allotted to the Court are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

*Capital Assets*

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized.

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

Furniture and fixtures	5 to 7 years
------------------------	--------------

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. The Court does not capitalize computer software or software developed for internal use (if applicable), unless it exceeds the \$5,000 threshold.

*Long-Term Liabilities*

Compensated Absences – The Court's policy regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

*Equity*

**Government-Wide Statements:**

Equity is classified as net assets and displayed in three components:

1. *Invested in capital assets, net of related debt*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities and Equity (continued)**

*Equity (continued)*

**Government-Wide Statements (continued):**

2. *Restricted* net assets, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations by other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted* net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

**Fund Financial Statements:**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved.

**E. Budgets and Budgetary Accounting**

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

1. No later than September 1, the Court submits to the Judiciary 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 request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Fifth District.
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 Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Court submits, no later than May 1, 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 in July. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was revised in a legal manner.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Budgets and Budgetary Accounting (continued)**

6. Legal budget control for expenditures is by category.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
8. The General Appropriation Act of 2004, which applies to fiscal year 2009 budgets, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. State agencies have a different budget basis that began in the fiscal year ended June 30, 2005. Under the new law, 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 amounts subject to reversion. If the Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.
9. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When such appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, which applies to fiscal year 2008 establishes the modified accrual basis of accounting as the budgetary basis except for accounts payable accrued at the end of fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. The accounts payable that do not get paid timely must be paid out of the next year's budget.

**F. Accrued Compensated Absences**

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July.

In accordance with GASB Statement No. 16 *Accounting for Compensated Absences*, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Program Revenues**

Program revenues consist of charges for services and court fees collected per statute designated for Court operations. The Court has only one function and therefore does not have a policy for allocating indirect costs.

**H. Use of Estimates**

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

**I. 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.

**J. Designated Fund Balance**

The amount shown in the Mediation Fund, \$98,777 is the cash balance of the Mediation Fund that is non-reverting and not reserved for payable. This amount is legally restricted to be spent for specific purposes.

**NOTE 2: INVESTMENTS WITH THE STATE TREASURER**

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. At June 30, 2009, the New MexiGROW Local Government Investment Pool was rated at AAAM and was considered a 43-day WAM.

The pool does not have unit shares. Per Section 6-10-10-1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 2: INVESTMENTS WITH THE STATE TREASURER (continued)**

State agency cash on deposit with the State Treasurer does not require disclosure of specific pledged collateral. The collateral pledged to secure State Treasurer cash and investments is disclosed in the separately issued financial statements for the State Treasurer's Office. The accounts were opened under the ID number for the State Treasurer's Office. Therefore, collateral for the specific accounts listed below cannot be distinguished from the collateral held in total by the State Treasurer's Office. The State Treasurer's Office is responsible for monitoring collateral requirements for the various accounts it has with various agencies throughout New Mexico.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk since investments are held by the State Treasurer.

*Investment Risk*

The District has no investment or deposit policy that would further limit its investment choices.

At June 30, 2009, the Court had the following deposits for agency cash at three banks and one state agency.

<u>Account Name</u>	<u>Share Fund #</u>	<u>Maturities</u>	<u>Per Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<u>General Fund:</u>					
Petty Cash			\$ -	\$ 300	\$ 300
Investment in the State General Fund Investment Pool	145	<180 days	432,740	-	432,740
<u>Special Revenue Fund:</u>					
Investment in the State General Fund Investment Pool Mediation Fund	925	<180 days	98,777	-	98,777
<u>Capital Projects Fund:</u>					
Investment in the State General Fund Investment Pool	520	<180 days	251,304	-	251,304
			<u>\$ 782,821</u>	<u>\$ 300</u>	<u>\$ 783,121</u>
<u>Agency Funds</u>					
Litigant – Wells Fargo		N/A	\$ 1,269,010	-	\$ 1,269,010
State Treasurer – Lea County Bank		N/A	2,148	-	2,148
Litigant – Lea County Bank		N/A	251,188	-	251,188
State Treasurer – Western Bank		N/A	881	-	881
Litigant – Wells Fargo		N/A	552,275	-	552,275
Total			<u>\$ 2,075,502</u>	<u>\$ -</u>	<u>\$ 2,075,502</u>

*Credit Risk*

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 3: CAPITAL ASSETS**

A summary of capital assets and occurring during the year ended June 30, 2009 is as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Furniture and fixtures	\$ 628,613	\$ 77,688	\$ -	\$ -	\$ 706,301
Less Accumulated Depreciation:					
Furniture and fixtures	(432,979)	(48,780)	-	-	(481,759)
Net Capital Assets	\$ 195,634	\$ 28,908	\$ -	\$ -	\$ 224,542

Current depreciation expense is \$48,780.

**NOTE 4: COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences is as follows:

	Balance 6/30/08	Increase	(Decrease)	Balance 6/30/09	Amount Due Within One Year
Compensated Absences Payable	\$196,281	\$105,932	\$(117,891)	\$184,322	\$ 117,891

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

**NOTE 5: PERA RETIREMENT PLAN**

Substantially all of the Fifth Judicial District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.



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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 5: PERA RETIREMENT PLAN (continued)**

Funding Policy

Plan members are required to contribute 7.59% of their gross salary. The Fifth Judicial District Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Fifth Judicial District Court are established 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 years ending June 30, 2009, 2008, and 2007 were \$464,152, \$430,952, and \$371,141, respectively, equal to the amount of the required contributions for each year.

**NOTE 6: JUDICIAL RETIREMENT ACT CONTRIBUTIONS**

All of the Fifth Judicial District Court Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act (JRA). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provided for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Fifth Judicial District Court is required to contribute 12% of the gross covered salary. The Fifth Judicial District Court's contributions to JRA for the years ending June 30, 2009, 2008, and 2007 were \$180,937, \$128,231, and \$113,226, respectively, equal to the amount of the required contributions for each year.

In addition, the Court remits \$38 of each filing fee collected 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 Fifth Judicial District Court's contributions to JRA from filing fees for the years ending June 30, 2009, 2008, and 2007 were \$172,495, \$177,536, and \$172,023, respectively, equal to the amount of the required contributions for each year.

**NOTE 7: POST-EMPLOYMENT BENEFITS**

The Retiree Health Care Act (Act) (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state districts, magistrate districts, municipalities or counties, which are affiliated under or covered by the Educational Retirement

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 7: POST-EMPLOYMENT BENEFITS (continued)**

Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contribution becomes the times between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium ranging from \$23.20 to \$374.27 depending on the plan type and whether or not on Medicare and an additional fee of five dollars (\$5.00) if the eligible participant retired prior to the July 1, 1990 and made no contributions to the plan. Amounts for spouses and children are additional.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, NM 87107.

For the years ended June 30, 2009, 2008, and 2007, the Court remitted \$49,387, \$47,276, and \$40,763, respectively, in employer contributions to the Retiree Health Care Authority.

**NOTE 8: 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. It 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 the Deferred Compensation Plan. Neither the Fifth Judicial District Court nor the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Fifth Judicial District Court have been paid to the New Mexico Public Employee's Retirement Association, with administers the plan.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 9: RISKS OF LOSS**

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

**NOTE 10: REVERSIONS**

The due to state general fund in the Statement of Net Assets is \$90,579 from 2009, that will be remitted to the State General Fund.

**NOTE 11: MEMORANDUMS OF UNDERSTANDING**

The 5<sup>th</sup> Judicial District Court entered into a Memorandum of Understanding beginning July 1, 2008 and ending on June 30, 2009 with New Mexico Children, Youth and Families Department/Protective Services Division for the operation of the Family Drug Court in Lea County.

Participants	5 <sup>th</sup> Judicial District Court and Children, Youth and Families
Party Responsible for operations	5 <sup>th</sup> Judicial District Court
Description	Support for the Family Drug Court.
Beginning and Ending Dates	07/01/08 - 06/30/09
Total Estimated Cost	\$5,400
Amount Contributed in the Current Year	\$5,400
Audit Responsibility	N/A
Fiscal agent	N/A
Agency where the entity reports	N/A

**NOTE 12: ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) today issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. The requirements in Statement 51 are effective for financial statements for periods beginning after June 15, 2009. The Court is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 12: ACCOUNTING STANDARDS (continued)**

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The Court is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In February 2009, GASB adopted a standard that is designed to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying the existing governmental fund definitions. The standard establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The requirements in Statement 54 are effective for periods beginning after June 15, 2010. The Court is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

**NOTE 13: INTERAGENCY TRANSFERS**

The Court had the following transfer for the fiscal year ending June 30, 2009:

<u>Transfers From:</u>	<u>SHARE Fund No.</u>	<u>Transfer To:</u>	<u>SHARE Fund No.</u>	<u>Agency No.</u>	<u>Amount</u>
State General Fund Appropriation	85300	General Fund	0145	34101	\$ 6,329,200
CASA and Children First Approp.	13900	General Fund	0145	21800	260,000
Water Rights Appropriation	13900	General Fund	0145	21800	77,000
Compensation Package Appropriation	62000	General Fund	0145	34100	114,200
Family Drug Court Appropriation	85300	General Fund	0145	34101	20,000
General Fund Reversion	0145	State General Fund	85300	23500	80,430
Total					<u>\$ 6,880,830</u>

**NOTE 14: DEFICIT FUND BALANCES AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- |    |  |           |
|----|--|-----------|
| A. | Deficit fund balance of individual funds   |           |
|    | None                                       |           |
| B. | Excess of expenditures over appropriations |           |
|    | General Fund - contractual services        | \$ 12,763 |

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

**Statement of Revenues and Expenditures  
Budget and Actual  
Capital Projects Fund  
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Fund balance	\$ 195,342	\$ 195,342	\$ 195,342	\$ -
Total revenues	<u>195,342</u>	<u>195,342</u>	<u>195,342</u>	<u>-</u>
<b>EXPENDITURES</b>				
Capital outlay	151,303	151,303	77,688	73,615
Other costs	17,658	17,658	6,696	10,962
Total expenditures	<u>168,961</u>	<u>168,961</u>	<u>84,384</u>	<u>84,577</u>
Other financing sources (uses):				
Reversions	-	-	-	-
Transfers in:				
Speical appropriations	-	-	45,000	45,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>
Excess (deficiency) of revenues over expenditures	<u>26,381</u>	<u>26,381</u>	<u>(39,384)</u>	<u>129,577</u>
Fund balance - end of year	<u>\$ 221,723</u>	<u>\$ 221,723</u>	<u>\$ 155,958</u>	<u>\$ 129,577</u>

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

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

**Schedule of Changes in Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2009**

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
<b>ASSETS</b>				
Cash in bank:				
State Treasurer's accounts	\$ 1,961	\$ 624,559	\$ 623,491	\$ 3,029
Court Clerk's accounts	629,381	2,208,702	765,610	2,072,473
	<u>631,342</u>	<u>2,833,261</u>	<u>1,389,101</u>	<u>2,075,502</u>
Total assets	<u>\$ 631,342</u>	<u>\$ 2,833,261</u>	<u>\$ 1,389,101</u>	<u>\$ 2,075,502</u>
<b>LIABILITIES</b>				
Due to State Treasurer	\$ 1,961	\$ 624,559	\$ 623,491	\$ 3,029
Due to litigants	629,381	2,208,702	765,610	2,072,473
	<u>631,342</u>	<u>2,833,261</u>	<u>1,389,101</u>	<u>2,075,502</u>
Total liabilities	<u>\$ 631,342</u>	<u>\$ 2,833,261</u>	<u>\$ 1,389,101</u>	<u>\$ 2,075,502</u>

See Auditor's Report.

**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**

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Gary Clingman, Chief Judge  
Fifth Judicial District Court

We have audited the accompanying financial statements of the governmental activities, major funds, aggregate remaining fund information and budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico, Fifth Judicial District Court (the "Court"), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. We have also audited the budgetary comparison for the capital projects fund. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Court's financial statements that is more than inconsequential will not be prevented or detected by the Court's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Court's internal control.

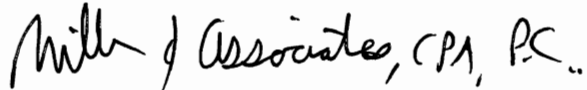
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fifth Judicial District Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2005-03 and 2007-03.

The Court's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Fifth Judicial District Court's response and, accordingly, we express no opinion on it.

This report is intended solely for information and use of management, the Department of Finance and Administration, the New Mexico Legislature and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Miller & Associates, C.P.A, P.C.

December 11, 2009



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

**Schedule of Findings and Responses  
June 30, 2009**

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**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2005-03 State Treasurer's Account Balance – Revised and Repeated**

Condition

The State Treasurers bank account balance was greater than \$15,000 for eight of the twelve months of the fiscal year.

Criteria

NMSA 1978 Section 34-6-37 specifies that the State Treasurer shall make withdrawals from the account at least quarterly, an in any event, so that the balance remaining never exceeds \$15,000.

Cause

The Court is making at least 2 transfers each month, however, the State Treasurer does not transfer the funds in a timely manner. In addition, the Court is not monitoring the account and allowing enough time to avoid exceeding \$15,000.

Effect

Failure by the fiscal staff to monitor and initiate the transfers in a timely manner. The unavailability of monies for the State Treasurer could impact state and federal funding and interest revenue. Custodial risk would be mitigated.

Recommendation

The Court should process the transfers a little earlier in the month and implement monitoring procedures for all State Treasurer's accounts.

Agency Response

The Agency has tried very hard to avoid repeating this finding. There are timing factors controlled by the State Treasurer's Office that are making it very difficult to keep our bank balances below \$15,000 every month of the year. The Agency's Financial Manager has been in contact with the State Treasurer's Office regarding this. The State Treasurer proposed moving all three of the Agency's accounts to the State's fiscal agent, Bank of America. This was accomplished in Chaves County, but there are no Bank of America offices in Eddy or Lea Counties. This will continue to require the need for the State Treasurer's Office to produce a physical check to withdraw the funds from our current accounts in Eddy and Lea Counties.

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

**Schedule of Findings and Responses  
June 30, 2009**

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**A. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)**

**2007-03 Over Spending of Certain Budget Line Items – Revised and Repeated**

Condition

During our examination, we noted that one line item in the General Fund had expenditures in excess of budgeted amounts of \$12,763.

Criteria

State budgeting requirement 6.20.2.9 NMSA 1978 sets forth budget preparation standards and states that budgetary control shall be at the function level and that over-expenditure of a function shall not be allowed.

Cause

No budget line item transfers for the overages were proposed or approved by the governing body for additional contract services fees.

Effect

The Court is in violation of the law which requires each fund to disburse money for its specific purpose in accordance with their budget. In addition, this money was not available for legislative discretion. The unavailability of monies could also affect state and federal funding.

Recommendation

We recommend that the Court perform a periodic review of the budget. Any anticipated budgetary transfers can be isolated and authorization can be obtained before the overspending of line item expenditures.

Agency Response

The Agency has been diligent in monitoring the budget balances throughout the year using SHARE reports. At the end of FY 09, SHARE budget reports show excess budget of \$7,137 in the contractual services category. Adjustments made at the time of this audit for prior year business seem to be the factor that raised expenditures beyond the budget limit. The Agency will perform an in depth analysis of this finding to determine the actual cause and attempt to eliminate the cause in FY10 and future occurrences of this finding.

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

**Schedule of Findings and Responses  
June 30, 2009**

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**B. FINDINGS – PRIOR YEAR AUDIT**

2005-01: Reversion – Resolved and not repeated

2005-03: State Treasurers Account Balance - Revised and repeated in the current year

2007-03: Over Spending of Certain Budget Line Items - Revised and repeated in the current year

**C. EXIT CONFERENCE**

The contents of this report were discussed at an exit conference held on December 11, 2009. The following individuals were in attendance.

Fifth Judicial District Court Officials

Honorable Gary Clingman, Chief Judge

Bee J. Clem, Court Executive Officer

Rita Johnson, Court Financial Manager

Auditor

Ryan Miller, Shareholder

Jennifer Nunez, Staff

**D. FINANCIAL STATEMENT PREPARATION**

The financial statements of Fifth Judicial District Court were prepared from original books and records provided by the management of these entities by Miller and Associates, C.P.A., P.C.