

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

**Financial Statements and Schedules  
With Independent Auditors Report Thereon**

**For the Fiscal Year Ended June 30, 2012**

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

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

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

**Official Roster**

**June 30, 2012**

**JUDGES**

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|             |                                       |
|-------------|---------------------------------------|
| Division 1  | Honorable James R. Brown              |
| Division 2  | Honorable Freddie Romero              |
| Division 3  | Honorable William G.W. Shoobridge     |
| Division 4  | Honorable Mark Sanchez                |
| Division 5  | Honorable Jane Shurler-Gray           |
| Division 6  | Honorable Ralph Shamas                |
| Division 7  | Honorable Gary Clingman – Chief Judge |
| Division 8  | Honorable Charles Currier             |
| Division 9  | Honorable Lisa Riley                  |
| Division 10 | Honorable Steven Bell                 |

**ADMINISTRATIVE OFFICIALS**

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|                  |   |
|------------------|---|
| Bee J. Clem      | 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 |

## 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, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico, Fifth Judicial District Court (Court), as of and for the year ended June 30, 2012 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.

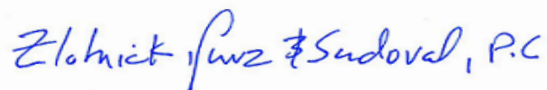
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we express no such opinion. 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.

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, 2012, and the respective changes in financial position thereof and the budgetary comparisons for the general fund, domestic relations mediation 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 October 23, 2012 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 Court has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Zlotnick, Laws & Sandoval, P.C." The signature is written in a cursive, flowing style.

Zlotnick, Laws & Sandoval, P.C.

October 23, 2012

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

**STATEMENT OF NET ASSETS**

June 30, 2012

|  | <u><b>Governmental<br/>Activities</b></u> |
|--|---|
| <b>ASSETS</b>                                    |   |
| Current Assets:                                  |   |
| Petty Cash                                       | \$ 300                                    |
| Investment in State General Fund Investment Pool | 519,239                                   |
| Other Receivables                                | 2,264                                     |
| Postage and Supply Inventory                     | 36,434                                    |
| Total Current Assets                             | <u>558,237</u>                            |
| Noncurrent Assets:                               |   |
| Capital Assets                                   | 584,903                                   |
| Less: Accumulated Depreciation                   | <u>(487,490)</u>                          |
| Total Noncurrent Assets                          | <u>97,413</u>                             |
| <b>TOTAL ASSETS</b>                              | <u><u>\$ 655,650</u></u>                  |
| <b>LIABILITIES</b>                               |   |
| Current Liabilities:                             |   |
| Accounts Payable                                 | \$ 205,950                                |
| Accrued Payroll                                  | 204,456                                   |
| Due to State General Fund                        | 68,536                                    |
| Compensated Absences - current                   | 116,731                                   |
| Total Current Liabilities                        | <u>595,673</u>                            |
| Noncurrent Liabilities:                          |   |
| Compensated Absences                             | <u>18,550</u>                             |
| <b>TOTAL LIABILITIES</b>                         | <u>614,223</u>                            |
| <b>NET ASSETS</b>                                |   |
| Invested in Capital Assets                       | 97,413                                    |
| Restricted for:                                  |   |
| Mediations                                       | 57,011                                    |
| Capital Outlay                                   | -   |
| Unrestricted (deficit)                           | <u>(112,997)</u>                          |
| <b>TOTAL NET ASSETS</b>                          | <u>41,427</u>                             |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>          | <u><u>\$ 655,650</u></u>                  |

*See Notes to Financial Statements.*

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

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2012**

|                                      | <b>Governmental<br/>Activities</b> |
|--------------------------------------|------------------------------------|
| Expenses:                            |                                    |
| Judicial:                            |                                    |
| Administrative Services              | \$ 5,996,346                       |
| Depreciation Expense                 | 51,162                             |
| Total Expenses                       | <u>6,047,508</u>                   |
| Program Revenues:                    |                                    |
| Federal Grants                       | 9,061                              |
| Charges for Services                 | 67,144                             |
| Court Fees                           | 43,845                             |
| Total Program Revenues               | <u>120,050</u>                     |
| <b>Net program expenses</b>          | <u>(5,927,458)</u>                 |
| General Revenues and Transfers       |                                    |
| State General Fund Appropriations    | 5,651,300                          |
| Other State Funds                    | 280,963                            |
| State General Fund Reversion         | (65,234)                           |
| Total General Revenues and Transfers | <u>5,867,029</u>                   |
| <b>Change in net assets</b>          | (60,429)                           |
| Net Assets, beginning of year        | <u>101,856</u>                     |
| <b>Net Assets, end of year</b>       | <u><u>\$ 41,427</u></u>            |

*See Notes to Financial Statements.*



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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2012**

|  | General<br>Fund   | Mediation<br>Fund | Capital<br>Projects<br>Fund | Total             |
|--|-------------------|-------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                              |                   |                   |                             |                   |
| Current Assets:                            |                   |                   |                             |                   |
| Petty Cash                                 | \$ 300            | -                 | -                           | \$ 300            |
| Investment in State GF Investment Pool     | 447,229           | 56,637            | 15,373                      | 519,239           |
| Other Receivables                          | 884               | 1,380             | -                           | 2,264             |
| Postage and Supply Inventory               | 36,434            | -                 | -                           | 36,434            |
| <b>TOTAL ASSETS</b>                        | <b>\$ 484,847</b> | <b>58,017</b>     | <b>15,373</b>               | <b>\$ 558,237</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                   |                   |                             |                   |
| Current Liabilities:                       |                   |                   |                             |                   |
| Accounts Payable                           | \$ 189,571        | 1,006             | 15,373                      | \$ 205,950        |
| Accrued Payroll                            | 204,456           | -                 | -                           | 204,456           |
| Due to State General Fund                  | 68,536            | -                 | -                           | 68,536            |
| <b>TOTAL LIABILITIES</b>                   | <b>462,563</b>    | <b>1,006</b>      | <b>15,373</b>               | <b>478,942</b>    |
| <b>FUND BALANCES</b>                       |                   |                   |                             |                   |
| Nonspendable                               | 36,434            | -                 | -                           | 36,434            |
| Restricted for:                            |                   |                   |                             |                   |
| Capital Expenditures                       | -                 | -                 | -                           | -                 |
| Mediations                                 | -                 | 57,011            | -                           | 57,011            |
| Unassigned (Note 12)                       | (14,150)          | -                 | -                           | (14,150)          |
| <b>TOTAL FUND BALANCE</b>                  | <b>22,284</b>     | <b>57,011</b>     | <b>-</b>                    | <b>79,295</b>     |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 484,847</b> | <b>58,017</b>     | <b>15,373</b>               | <b>\$ 558,237</b> |

*See Notes to Financial Statements.*

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

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**June 30, 2012**

|  |    |        |
|--|----|--------|
| Total fund balances for governmental funds | \$ | 79,295 |
|--|----|--------|

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds. These assets consist of the following:

|                     |        |
|---------------------|--------|
| Capital assets, net | 97,413 |
|---------------------|--------|

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

|                      |                  |
|----------------------|------------------|
| Compensated absences | <u>(135,281)</u> |
|----------------------|------------------|

|  |           |                      |
|--|-----------|----------------------|
| <b>Net Assets of Governmental Activities</b> | <b>\$</b> | <b><u>41,427</u></b> |
|--|-----------|----------------------|

*See Notes to Financial Statements.*

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

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2012**

|  | General<br>Fund    | Mediation<br>Fund | Capital<br>Projects<br>Fund | Total              |
|--|--------------------|-------------------|-----------------------------|--------------------|
| <b>REVENUES</b>                                      |                    |                   |                             |                    |
| Federal Grants                                       | \$ 9,061           | -                 | -                           | \$ 9,061           |
| Charges for Services                                 | 67,144             | -                 | -                           | 67,144             |
| Court Fees   | -                  | 43,845            | -                           | 43,845             |
| <b>Total Revenues</b>                                | <u>76,205</u>      | <u>43,845</u>     | <u>-</u>                    | <u>120,050</u>     |
| <b>EXPENDITURES</b>                                  |                    |                   |                             |                    |
| Current:   |                    |                   |                             |                    |
| Judicial:  |                    |                   |                             |                    |
| Administrative Services:                             |                    |                   |                             |                    |
| Personal Services and Benefits                       | 5,061,715          | -                 | -                           | 5,061,715          |
| Contract Services                                    | 537,332            | 59,375            | -                           | 596,707            |
| Other Costs  | 358,637            | -                 | 18,530                      | 377,167            |
| Capital Outlay                                       | -                  | -                 | -                           | -                  |
| <b>Total Expenditures</b>                            | <u>5,957,684</u>   | <u>59,375</u>     | <u>18,530</u>               | <u>6,035,589</u>   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(5,881,479)</u> | <u>(15,530)</u>   | <u>(18,530)</u>             | <u>(5,915,539)</u> |
| <b>OTHER FINANCING SOURCES (Uses)</b>                |                    |                   |                             |                    |
| <b>Transfers In:</b>                                 |                    |                   |                             |                    |
| General Fund Appropriations                          | 5,651,300          | -                 | -                           | 5,651,300          |
| Transfers From Other Agencies                        | 280,963            | -                 | -                           | 280,963            |
| <b>Transfers Out:</b>                                |                    |                   |                             |                    |
| 2012 Reversions to the State General Fund            | <u>(65,234)</u>    | <u>-</u>          | <u>-</u>                    | <u>(65,234)</u>    |
| <b>Total Other Financing Sources (Uses)</b>          | <u>5,867,029</u>   | <u>-</u>          | <u>-</u>                    | <u>5,867,029</u>   |
| <b>Net Change in Fund Balances</b>                   | (14,450)           | (15,530)          | (18,530)                    | (48,510)           |
| Fund Balances, beginning                             | 54,894             | 72,541            | 18,530                      | 145,965            |
| Decrease in supplies inventory                       | <u>(18,160)</u>    | <u>-</u>          | <u>-</u>                    | <u>(18,160)</u>    |
| <b>Fund Balances, ending</b>                         | <u>\$ 22,284</u>   | <u>57,011</u>     | <u>-</u>                    | <u>\$ 79,295</u>   |

See Notes to Financial Statements.

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

**RECONCILIATION OF THE CHANGE IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2012**

|  |             |
|--|-------------|
| Net change in fund balances - total governmental funds | \$ (48,510) |
|--|-------------|

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

Certain outlays are reported as expenditures in governmental funds. However, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives. In the current period these amounts are:

|  |                 |          |
|--|-----------------|----------|
| Capital outlay                                     | -               |          |
| Depreciation expense                               | <u>(51,162)</u> |          |
| Excess of capital outlay over depreciation expense |                 | (51,162) |
| Decrease in supplies inventory                     |                 | (18,160) |

Expenses recognized in the Statement of Activities, not reported in the governmental funds:

|   |               |
|---|---------------|
| Change in compensated absences (increase) | <u>57,403</u> |
|---|---------------|

|  |                                  |
|--|----------------------------------|
| <b>Change in Net Assets of Governmental Activities</b> | <b><u><u>\$ (60,429)</u></u></b> |
|--|----------------------------------|

*See Notes to Financial Statements.*

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

**STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (BUDGETARY BASIS) - MAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2012**

|  | <b>General Fund</b> |                  |   |   |
|--|---------------------|------------------|---|---|
|  | Budget              |                  | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original            | Final            |   |   |
| <b>REVENUES</b>                        |                     |                  |   |   |
| General Fund Appropriation             | \$ 5,651,300        | 5,651,300        | 5,651,300                                 | -   |
| Interagency Transfer                   | 299,300             | 284,515          | 280,963                                   | (3,552)   |
| Court Fees                             | 40,000              | 40,000           | 67,144                                    | 27,144  |
| Federal Funds                          | -                   | 9,669            | 9,061                                     | (608)   |
| <b>Total Revenues</b>                  | <b>5,990,600</b>    | <b>5,985,484</b> | <b>6,008,468</b>                          | <b>22,984</b>   |
| Fund Balance                           | -                   | -                |   |   |
| <b>Total Revenues and Fund Balance</b> | <b>\$ 5,990,600</b> | <b>5,985,484</b> |   |   |

**EXPENDITURES**

|                           |                     |                  |                  |               |
|---------------------------|---------------------|------------------|------------------|---------------|
| Administrative Services:  |                     |                  |                  |               |
| Personal Services         | \$ 5,183,600        | 5,063,600        | 5,052,272        | 11,328        |
| Contractual Services      | 525,700             | 537,082          | 532,672          | 4,410         |
| Other                     | 281,300             | 384,802          | 358,290          | 26,512        |
| <b>Total Expenditures</b> | <b>\$ 5,990,600</b> | <b>5,985,484</b> | <b>5,943,234</b> | <b>42,250</b> |

|                       | <b>Mediation Fund</b> |               |   |   |
|-----------------------|-----------------------|---------------|---|---|
|                       | Budget                |               | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|                       | Original              | Final         |   |   |
| <b>REVENUES</b>       |                       |               |   |   |
| Court Fees            | \$ 55,000             | 55,000        | 43,845                                    | (11,155)  |
| Fund Balance          | 20,000                | 20,000        |   |   |
| <b>Total Revenues</b> | <b>\$ 75,000</b>      | <b>75,000</b> |   |   |

**EXPENDITURES**

|                           |                  |               |               |               |
|---------------------------|------------------|---------------|---------------|---------------|
| Administrative Services:  |                  |               |               |               |
| Contractual services      | \$ 75,000        | 75,000        | 59,375        | 15,625        |
| <b>Total Expenditures</b> | <b>\$ 75,000</b> | <b>75,000</b> | <b>59,375</b> | <b>15,625</b> |

*See Notes to Financial Statements.*

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

**STATEMENT OF FIDUCIARY ASSETS & LIABILITIES - AGENCY FUNDS**

**June 30, 2012**

|   | <u>Agency Fund</u>         |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| Cash and cash equivalents                             | <u>1,452,312</u>           |
| <b>LIABILITIES</b>                                    |                            |
| Deposits held for others (or due to external parties) | <u>1,452,312</u>           |
| Fund Balance  | <u>-</u>                   |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>             | <u><b>\$ 1,452,312</b></u> |

*See Notes to Financial Statements.*

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

**Notes to the Financial Statements**

**June 30, 2012**

**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.

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

**Notes to the Financial Statements**

**June 30, 2012**

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

**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 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.



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

**Notes to the Financial Statements**

**June 30, 2012**

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

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

*Fund Financial Statements (continued)*

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 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.

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

**Notes to the Financial Statements**

**June 30, 2012**

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

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

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.

The Court received the following appropriations for general capital outlay expenditures, which are included in the cash balance at June 30, 2012:

| <u>Appropriation Description</u> | <u>Appropriation Period</u> | <u>Original Appropriation</u> | <u>Expenditures to Date</u> | <u>Unencumbered Balance</u> |
|----------------------------------|-----------------------------|-------------------------------|-----------------------------|-----------------------------|
| Sen. Bill 471 – Lea Co.          | 7/01/08-6/30/12             | \$ 45,000                     | 45,000                      | -                           |
| Total                            |                             | <u>\$ 45,000</u>              | <u>45,000</u>               | <u>-</u>                    |

At June 30, 2012, there were no outstanding encumbrances.

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, 2012**

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

**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 3. 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

Supplies Inventory

Supplies inventory consists of non-resale paper, postage, and office supplies. Supplies inventory is stated on the consumption method in the government-wide statements to be consistent with the accrual basis of accounting. The purchases method is used on the fund financial statements and inventory balances are reported as assets in the governmental fund balance sheet. The supplies inventory is offset by the nonspendable fund balance classification on the fund financial statements, which indicates they are unavailable for appropriation even though they are a component of reported assets.

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.

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

**Notes to the Financial Statements**

**June 30, 2012**

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

**C. Assets, Liabilities and Equity**

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.
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:**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Court is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Court. These amounts cannot be used for any other purpose unless the Court removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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

**Notes to the Financial Statements**

**June 30, 2012**

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

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

**Fund Financial Statements (continued):**

Assigned: This classification includes amounts that are constrained by the Court's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Court or through the Court delegating this responsibility to the Court manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Court would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**D. 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.

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

**Notes to the Financial Statements**

**June 30, 2012**

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

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

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.
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 0 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.

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

**Notes to the Financial Statements**

**June 30, 2012**

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

**E. 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).

**F. Program Revenues**

Program revenues consist of federal grants, 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.

**G. 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.

**H. 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.

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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 2: CASH AND CASH EQUIVALENTS**

At June 30, 2012, cash and cash equivalents consisted of the following checking accounts:

|                               | Type     | Interest<br>Bearing | Bank<br>Balance     | Book<br>Balance     |
|-------------------------------|----------|---------------------|---------------------|---------------------|
| <i>Agency Funds:</i>          |          |                     |                     |                     |
| Litigant - Wells Fargo        | Checking | Y                   | \$ 907,945          | \$ 907,700          |
| State Treasurer – Wells Fargo | Checking | N                   | 3,888               | 4,700               |
| Litigant – Wells Fargo        | Checking | Y                   | 265,384             | 265,020             |
| State Treasurer – Wells Fargo | Checking | N                   | 9,789               | 19,461              |
| Litigant - Wells Fargo        | Checking | Y                   | 272,653             | 272,653             |
| State Treasurer – Wells Fargo | Checking | N                   | 8,736               | 10,436              |
| <b>Total</b>                  |          |                     | <b>\$ 1,468,395</b> | <b>\$ 1,479,970</b> |

*Custodial Credit Risk*

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

**NOTE 3: INVESTMENT IN THE STATE TREASURER INVESTMENT POOL**

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012 the Court had the following invested in the General Fund Investment Pool:

|  | Share<br>Fund # | Maturity | Account<br>Balance | Fair<br>Value     |
|--|-----------------|----------|--------------------|-------------------|
| <u>General Fund:</u>                                 |                 |          |                    |                   |
| Investment in the State General Fund Investment Pool | 145             | 1 day    | \$ 447,229         | \$ 447,229        |
| <u>Special Revenue Fund:</u>                         |                 |          |                    |                   |
| Investment in the State General Fund Investment Pool | 925             | 1 day    | 56,637             | 56,637            |
| <u>Capital Projects Fund:</u>                        |                 |          |                    |                   |
| Investment in the State General Fund Investment Pool | 520             | 1 day    | 15,373             | 15,373            |
| <b>Total</b>   |                 |          | <b>\$ 519,239</b>  | <b>\$ 519,239</b> |



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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 3: INVESTMENT IN THE STATE TREASURER INVESTMENT POOL (continued)**

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012. See also Note 13.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

|                          | <u>Balance<br/>6/30/11</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>6/30/12</u> |
|--------------------------|----------------------------|------------------|------------------|----------------------------|
| Capital Assets:          |                            |                  |                  |                            |
| Furniture & Fixtures     | \$ 642,163                 | -                | (57,260)         | \$ 584,903                 |
| Accumulated Depreciation | <u>(493,588)</u>           | <u>(51,162)</u>  | <u>57,260</u>    | <u>(487,490)</u>           |
| Net Capital Assets       | <u>\$ 148,575</u>          | <u>(51,162)</u>  | <u>-</u>         | <u>\$ 97,413</u>           |

Current depreciation expense is \$51,162.

**NOTE 5: COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

|                      | <u>Balance<br/>6/30/11</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>Balance<br/>6/30/12</u> | <u>Due within<br/>One Year</u> |
|----------------------|----------------------------|-------------------|-------------------|----------------------------|--------------------------------|
| Compensated Absences | <u>\$ 192,685</u>          | <u>\$ 169,668</u> | <u>\$ 227,072</u> | <u>\$ 135,281</u>          | <u>\$ 116,731</u>              |

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.

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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 6: PERA RETIREMENT PLAN**

Plan Description

Substantially all of the Fifth Judicial District Court's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Fifth Judicial District Court is required to contribute 15.09% 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, 2012, 20112011, and 20102010 were \$254,816, \$390,505, and \$417,037, respectively, equal to the amount of the required contributions for each year.

**NOTE 7: JRA RETIREMENT PLAN**

Substantially all of the Fifth Judicial District Court's Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act. 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. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 7.5% 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, 2012, 20112011, and 20102010 were \$181,420, \$116,276, and \$106,087, 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 \$209,800 in filing fees for the year ending June 30, 2012.

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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 8: POST-EMPLOYMENT BENEFITS**

Plan Description

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

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

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. The statute requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee is required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 8: POST-EMPLOYMENT BENEFITS (continued)**

For employees who are not members of an enhanced retirement plan the contribution rates will be:

|                             |                          |                          |
|-----------------------------|--------------------------|--------------------------|
| <u>Fiscal Year Employer</u> | <u>Contribution Rate</u> | <u>Contribution Rate</u> |
| FY13                        | 2.000%                   | 1.000%                   |

For employees who are members of an enhanced retirement plan, during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

|                             |                          |                          |
|-----------------------------|--------------------------|--------------------------|
| <u>Fiscal Year Employer</u> | <u>Contribution Rate</u> | <u>Contribution Rate</u> |
| FY13                        | 2.500%                   | 1.250%                   |

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Fifth Judicial District Court's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$71,642, \$64,739 and \$49,036, respectively, which equal the required contributions for each year.

**NOTE 9: OPERATING LEASES**

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$87,266 for the year ending June 30, 2012. Annual future minimum lease payments are as follows:

|       |                   |
|-------|-------------------|
| 2013  | \$ 77,250         |
| 2014  | 67,585            |
| 2015  | 54,870            |
| 2016  | 21,376            |
| 2017  | <u>702</u>        |
| Total | <u>\$ 221,783</u> |

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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 10: 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 available to all State employees and those local government and school district employees whose employers have elected participation in 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 Fifth Judicial District Court nor the State of New Mexico makes 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 Employees Retirement Association, which administers the plan.

**NOTE 11: 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 12: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS**

While the Court reports financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) – Major Governmental Funds, on page 9, is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

|                      | General Fund        |                  |                 |
|----------------------|---------------------|------------------|-----------------|
|                      | Budgetary<br>Basis  | GAAP Basis       | Difference      |
| Expenditures:        |                     |                  |                 |
| Personal Services    | \$ 5,052,272        | 5,061,715        | (9,443)         |
| Contractual Services | 532,672             | 537,332          | (4,660)         |
| Other                | 358,290             | 358,637          | (347)           |
| Total                | <u>\$ 5,943,234</u> | <u>5,957,684</u> | <u>(14,450)</u> |

The total difference of \$14,450 is due to requests to pay fiscal year 2012 amounts out of the fiscal 2013 year budget.

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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 13: GENERAL FUND INVESTMENT POOL NOT RECONCILED**

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx). The document title is Current State Diagnostic of Cash Control.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the balances at the business unit/fund level is not possible. Section 6-5-2.1(J) NMSA 1978 requires DFA to complete on a monthly basis, reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

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

**Notes to the Financial Statements**

**June 30, 2012**

**NOTE 13: GENERAL FUND INVESTMENT POOL NOT RECONCILED (continued)**

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

Since SHARE was implemented, the Court recognized 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 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.

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

**STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
CAPITAL PROJECTS FUND**

**For the Year Ended June 30, 2012**

|                           | <u>Budget Amounts</u> |               | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------|-----------------------|---------------|---------------------------|---|
|                           | <u>Original</u>       | <u>Final</u>  |                           |   |
| <b>REVENUES</b>           |                       |               |                           |   |
| Fund Balance              | \$ 45,000             | 45,000        | -                         | -   |
| <b>TOTAL REVENUES</b>     | <u>\$ 45,000</u>      | <u>45,000</u> | <u>-</u>                  | <u>-</u>  |
| <b>EXPENDITURES</b>       |                       |               |                           |   |
| Other Costs               | \$ 45,000             | 45,000        | 45,000                    | -   |
| <b>TOTAL EXPENDITURES</b> | <u>\$ 45,000</u>      | <u>45,000</u> | <u>45,000</u>             | <u>-</u>  |



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

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND**

**For the year ended June 30, 2012**

|                         | <u>Beginning<br/>Balance</u> | <u>Additions</u>        | <u>Deletions</u>        | <u>Ending<br/>Balance</u> |
|-------------------------|------------------------------|-------------------------|-------------------------|---------------------------|
| <b>ASSETS</b>           |                              |                         |                         |                           |
| Cash in Bank:           |                              |                         |                         |                           |
| State Treasurer Account | \$ 20,714                    | 785,121                 | 771,238                 | 34,597                    |
| Trust Accounts          | <u>2,043,766</u>             | <u>1,875,826</u>        | <u>2,474,219</u>        | <u>1,445,373</u>          |
|                         | <u><u>2,064,480</u></u>      | <u><u>2,660,947</u></u> | <u><u>3,245,457</u></u> | <u><u>1,479,970</u></u>   |
| <br><b>LIABILITIES</b>  |                              |                         |                         |                           |
| Due to State Treasurer  | 20,714                       | 785,121                 | 771,238                 | 34,597                    |
| Due to Litigants        | <u>2,043,766</u>             | <u>1,875,826</u>        | <u>2,474,219</u>        | <u>1,445,373</u>          |
|                         | <u><u>2,064,480</u></u>      | <u><u>2,660,947</u></u> | <u><u>3,245,457</u></u> | <u><u>1,479,970</u></u>   |

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

**SCHEDULE OF OPERATING TRANSFERS**

**For the Year Ended June 30, 2012**

|     | <b>SHARE<br/>FUND</b> | <b>TITLE</b>                           | <b>TRANSFER</b>            |                    |
|-----|-----------------------|--|----------------------------|--------------------|
|     |                       |  | <b>In</b>                  | <b>Out</b>         |
| (1) | 85300                 | Department of Finance & Administration | \$ 5,651,300               | \$ -               |
| (1) | 13900                 | Administrative Office of the Courts    | 280,963                    | -                  |
| (1) | 85300                 | FY 2012 Reversion                      |                            | 65,234             |
|     | <b>Total</b>          |  | <u><u>\$ 5,932,263</u></u> | <u><u>\$ -</u></u> |

(1) General Fund Appropriation, Laws of 2011, Chapter 179, Section 4

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

**Schedule of Memorandums of Understanding**

**June 30, 2012**

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The Fifth Judicial District Court and the Administrative Office of the Courts:

- a. Participants: The Fifth Judicial District Court (Court) and Administrative Office of the Courts (AOC).
- b. Responsible party for operations: The Court
- c. Description: to provide treatment and counseling to drug-dependent offenders, who are in the criminal justice system due to drug-related charges, with the aim of eliminating their substance abuse.
- a. Beginning and ending dates of agreement: July 1, 2011, to June 30, 2012.
- b. Total estimated amount of project is \$11,200, of which the Court paid \$0 and the AOC contributed \$7,900.
- c. During FY2012 the Court contributed \$0 towards this agreement.
- d. The Court has the audit responsibility.
- e. The AOC is the fiscal agent.
- f. The Court reports all revenues and expenditures.

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The Fifth Judicial District Court and the Administrative Office of the Courts:

- a. Participants: The Fifth Judicial District Court (Court) and Administrative Office of the Courts (AOC).
- b. Responsible party for operations: The Court
- c. Description: to provide treatment and counseling to drug-dependent juvenile offenders, who are in the criminal justice system due to drug-related charges, with the aim of eliminating their substance abuse.
- a. Beginning and ending dates of agreement: July 1, 2011, to June 30, 2012.
- b. Total estimated amount of project is \$9,670, of which the Court paid \$0 and the AOC contributed \$9,670.
- c. During FY2012 the Court contributed \$0 towards this agreement.
- d. The Court has the audit responsibility.
- e. The AOC is the fiscal agent.
- f. The Court reports all revenues and expenditures.

## **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, each major fund, the aggregate remaining fund information and the budgetary comparisons of the State of New Mexico, Fifth Judicial District Court (the "Court"), as of and for the year ended June 30, 2012, which collectively comprise the Court's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 23, 2012. 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**

Management of the Court is responsible for establishing and maintaining effective 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 our 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.

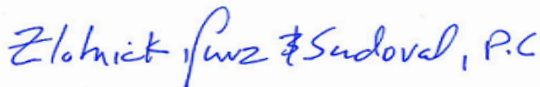
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

## Internal Control Over Financial Reporting

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Presiding Judge of the Fifth Judicial District Court, others within the entity, the Department of Finance and Administration, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Zlotnick, Laws & Sandoval, P.C.

October 23, 2012

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT

Prior Year Audit Findings

June 30, 2012

**Condition**

**Current year status**

2005-03 State Treasurer's Account Balance

Resolved

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

**Exit Conference**

**June 30, 2012**

The contents of this report were discussed at an exit conference held October 23, 2012

The Fifth Judicial District Court was represented by:

Honorable Gary Clingman, Chief Judge  
Bee J. Clem, Court Executive Officer  
Rita Johnson, Court Financial Manager

Zlotnick, Laws & Sandoval, P.C. was represented by:

Asa Laws, CPA  
Brian Laws, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C.