

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

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

For the Fiscal Year Ended June 30, 2013

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

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FIFTH JUDICIAL DISTRICT COURT**

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

Official Roster

June 30, 2013

JUDGES

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

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

Independent Auditor's Report

Hector H. Balderas
New Mexico State Auditor
and
Honorable William G.W. Shoobridge – Chief Judge
Fifth Judicial District Court
Roswell, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Fifth Judicial District Court, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Court's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

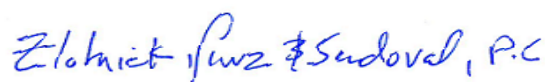
Other Information

Our audit was conducted for the purpose of forming opinions on the Court's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.


Zlotnick, Laws & Sandoval, PC

November 8, 2013

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

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities
ASSETS	
Current Assets:	
Petty Cash	\$ 300
Investment in State General Fund Investment Pool	278,416
Postage and Supply Inventory	27,648
Total Current Assets	<u>306,364</u>
Noncurrent Assets:	
Capital Assets	583,173
Less: Accumulated Depreciation	<u>(524,712)</u>
Total Noncurrent Assets	<u>58,461</u>
TOTAL ASSETS	<u><u>\$ 364,825</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 84,960
Accrued Payroll	101,093
Due to State General Fund	47,315
Compensated Absences - current	140,711
Total Current Liabilities	<u>374,079</u>
Noncurrent Liabilities:	
Compensated Absences	<u>21,229</u>
TOTAL LIABILITIES	<u><u>395,308</u></u>
NET POSITION	
Invested in Capital Assets	58,461
Restricted for:	
Mediations	49,673
Unrestricted (deficit)	<u>(138,617)</u>
TOTAL NET POSITION	<u><u>(30,483)</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 364,825</u></u>

See Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	<u>Governmental Activities</u>
Expenses:	
Judicial:	
Administrative Services	\$ 6,247,621
Depreciation Expense	45,260
Total Expenses	<u>6,292,881</u>
Program Revenues:	
Charges for Services	58,597
Court Fees	45,252
Total Program Revenues	<u>103,849</u>
Net program expenses	<u>(6,189,032)</u>
General Revenues and Transfers	
State General Fund Appropriations	5,839,800
Other State Funds	321,911
State General Fund Reversion	(43,977)
Total General Revenues and Transfers	<u>6,117,734</u>
Disposition of capital assets, net	<u>(612)</u>
Change in net position	(71,910)
Net Position, beginning of year	<u>41,427</u>
Net Position, end of year	<u><u>\$ (30,483)</u></u>

See Notes to Financial Statements.

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Mediation Fund	Total
ASSETS			
Current Assets:			
Petty Cash	\$ 300	-	\$ 300
Investment in State GF Investment Pool	223,206	55,210	278,416
Other Receivables			-
Postage and Supply Inventory	27,648	-	27,648
TOTAL ASSETS	\$ 251,154	55,210	\$ 306,364
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts Payable	\$ 79,423	5,537	\$ 84,960
Accrued Payroll	101,093	-	101,093
Due to State General Fund	47,315	-	47,315
TOTAL LIABILITIES	227,831	5,537	233,368
FUND BALANCES			
NonSpendable:			
Petty Cash	300		300
Postage and Supply Inventory	27,648	-	27,648
Restricted for:			
Mediations	-	49,673	49,673
Unassigned (Note 12)	(4,625)	-	(4,625)
TOTAL FUND BALANCE	23,323	49,673	72,996
TOTAL LIABILITIES AND FUND BALANCES	\$ 251,154	55,210	\$ 306,364

See Notes to Financial Statements.

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

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

June 30, 2013

Total fund balances for governmental funds	\$	72,996
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Capital assets, net	58,461
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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>(161,940)</u>
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Net Position of Governmental Activities	\$	<u>(30,483)</u>
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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, 2013

	General Fund	Mediation Fund	Total
REVENUES			
Federal Grants	\$ -	-	\$ -
Charges for Services	58,597	-	58,597
Court Fees	-	45,252	45,252
Total Revenues	58,597	45,252	103,849
EXPENDITURES			
Current:			
Judicial:			
Administrative Services:			
Personal Services and Benefits	5,243,025	-	5,243,025
Contract Services	546,732	52,590	599,322
Other Costs	376,749	-	376,749
Capital Outlay	-	-	-
Total Expenditures	6,166,506	52,590	6,219,096
Excess (Deficiency) of Revenues Over Expenditures	(6,107,909)	(7,338)	(6,115,247)
OTHER FINANCING SOURCES (Uses)			
Transfers In:			
General Fund Appropriations	5,839,800	-	5,839,800
Transfers From Other Agencies	321,911	-	321,911
Transfers Out:			-
2013 Reversions to the State General Fund	(43,977)	-	(43,977)
Total Other Financing Sources (Uses)	6,117,734	-	6,117,734
Net Change in Fund Balances	9,825	(7,338)	2,487
Fund Balances, beginning	22,284	57,011	79,295
Decrease in supplies inventory (Note 1C)	(8,786)	-	(8,786)
Fund Balances, ending	\$ 23,323	49,673	\$ 72,996

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, 2013

Net change in fund balances - total governmental funds \$ 2,487

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	6,921	
Loss on disposition of capital assets	(612)	
Depreciation expense	<u>(45,260)</u>	
Excess of capital outlay over depreciation expense and loss on disposition of capital assets		(38,951)
Decrease in supplies inventory		(8,786)

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

Change in compensated absences (increase)	<u>(26,660)</u>
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Change in Net Position of Governmental Activities \$ (71,910)

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, 2013

	General Fund			
	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Fund Appropriation	\$ 5,839,800	5,839,800	5,839,800	-
Interagency Transfer	268,400	331,750	321,911	(9,839)
Court Fees	50,000	50,000	58,597	8,597
Federal Funds	-	-	-	-
Total Revenues	<u>6,158,200</u>	<u>6,221,550</u>	<u>6,220,308</u>	<u>(1,242)</u>
Fund Balance	-	-		
Total Revenues and Fund Balance	<u>\$ 6,158,200</u>	<u>6,221,550</u>		

EXPENDITURES

Administrative Services:				
Personal Services	\$ 5,408,200	5,262,200	5,243,025	19,175
Contractual Services	516,200	571,050	546,732	24,318
Other	233,800	388,300	386,576	1,724
Total Expenditures	<u>\$ 6,158,200</u>	<u>6,221,550</u>	<u>6,176,333</u>	<u>45,217</u>

	Mediation Fund			
	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Court Fees	\$ 55,000	55,000	45,252	(9,748)
Fund Balance	20,000	20,000		
Total Revenues	<u>\$ 75,000</u>	<u>75,000</u>		

EXPENDITURES

Administrative Services:				
Contractual services	\$ 75,000	75,000	52,590	22,410
Total Expenditures	<u>\$ 75,000</u>	<u>75,000</u>	<u>52,590</u>	<u>22,410</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES - AGENCY FUNDS

June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,124,572.00</u>
LIABILITIES	
Deposits held for others (or due to external parties)	<u>\$ 1,124,572.00</u>

See Notes to Financial Statements.

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

Notes to the Financial Statements

June 30, 2013

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. A summary of the Court's significant accounting policies follows:

A. Basis of Accounting/Measurement Focus

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.

Government-Wide Financial Statements

The Court's government wide financial statements include a statement of net position and a statement of activities that 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.

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

Notes to the Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, deferred outflows of resources and liabilities and deferred inflows of resources resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities, and deferred inflows of resources 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 basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

Notes to the Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting (continued)

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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting (continued)

At June 30, 2013, 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.

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.

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

Notes to the Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity

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 amount reported is based on historical cost. The supplies inventory is offset by the non-spendable 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
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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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity

Equity

Government-Wide Statements:

Equity is classified as net position 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 position, consists of assets (reduced by liabilities and deferred inflows related to those 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 position are all other assets (reduced by liabilities and deferred inflows related to those assets) that do not meet the definition of "restricted" or "invested in capital assets", net of related debt. The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

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, 2013

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, 2013

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 years beginning in 2009, 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 years beginning with 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, 2013

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, 2013

NOTE 2: CASH AND CASH EQUIVALENTS

At June 30, 2013, cash and cash equivalents consisted of the following checking accounts:

	Type	Interest Bearing	Bank Balance	Book Balance
Agency Funds:				
Litigant - Wells Fargo	Checking	Y	\$ 400,102	\$ 398,570
State Treasurer – Wells Fargo	Checking	N	4,380	4,380
Litigant – Wells Fargo	Checking	Y	408,186	408,010
State Treasurer – Wells Fargo	Checking	N	4,900	4,900
Litigant - Wells Fargo	Checking	Y	309,950	303,750
State Treasurer – Wells Fargo	Checking	N	4,962	4,962
Total			\$ 1,132,480	\$ 1,124,572

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 Court's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Court consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2013 the Court had the following invested in the General Fund Investment Pool:

	Share Fund #	Maturity	Account Balance	Fair Value
<u>General Fund:</u>				
Investment in the State General Fund Investment Pool	145	1 day	\$ 223,206	\$ 223,206
<u>Special Revenue Fund:</u>				
Investment in the State General Fund Investment Pool	925	1 day	55,210	55,210
<u>Total</u>			<u>\$ 278,416</u>	<u>\$ 278,416</u>

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

Notes to the Financial Statements

June 30, 2013

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 a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

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

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, 2013. See also Note 13.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/13</u>
Capital Assets:				
Furniture & Fixtures	\$ 584,903	6,921	(8,651)	\$ 583,173
Accumulated Depreciation	<u>(487,490)</u>	<u>(45,260)</u>	<u>8,038</u>	<u>(524,712)</u>
Net Capital Assets	<u>\$ 97,413</u>	<u>(38,339)</u>	<u>(613)</u>	<u>\$ 58,461</u>

Current depreciation expense is \$45,260.

NOTE 5: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/13</u>	<u>Due within One Year</u>
Compensated Absences	<u>\$ 135,281</u>	<u>\$ 212,799</u>	<u>\$ 186,140</u>	<u>\$ 161,940</u>	<u>\$ 140,711</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, 2013

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.

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, 2013, 2012, and 2011 were \$395,283, \$254,816, and \$390,505, 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.

Funding Policy

Plan members are required to contribute 10.75% of their gross salary. The Fifth Judicial District Court is required to contribute 9% of the gross covered salary. The Fifth Judicial District Court's contributions to JRA for the years ending June 30, 2013, 2012, and 2011 were \$112,669, \$181,420, and \$116,276, 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 \$180,310 in filing fees for the year ending June 30, 2013.

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

Notes to the Financial Statements

June 30, 2013

NOTE 8: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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.

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. Employers that choose to become participating employers after January, 1998, are required to make contribution to the RHCA fund in the amount to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5;

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

Notes to the Financial Statements

June 30, 2013

**NOTE 8: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to section 10-7C-15 (G) NMSA 1978 at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distribution pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$2,751, \$2,261 and \$2,066, 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, 2013. Annual future minimum lease payments are as follows:

2014	\$	86,162
2015		73,411
2016		39,944
2017		19,418
2018		4,238
Total	\$	<u>223,173</u>

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.

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

Notes to the Financial Statements

June 30, 2013

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. The Court expended \$13,127 to obtain this coverage.

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 Basis	GAAP Basis	Difference
Expenditures:			
Personal Services	\$ 5,243,025	5,243,025	-
Contractual Services	546,732	546,732	-
Other	386,576	376,749	9,827
Total	\$ 6,176,333	6,166,506	9,827

The total difference is due to requests to pay fiscal year 2012 expenditures out of the fiscal 2013 year budget in the amount of \$14,452 minus requests to pay fiscal year 2013 expenditures out of the 2014 year budget in the amount of \$4,625. The \$4,625 is presented as unassigned deficit Fund Balance in the Fund Financial Statements.

NOTE 13: GENERAL FUND INVESTMENT POOL

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the pool.

In June 2012 an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit/fund" level since the inception of the Statewide Human resources, Accounting, and Management Reporting system (SHARE) system in July 2006. This report,

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

Notes to the Financial Statements

June 30, 2013

NOTE 13: GENERAL FUND INVESTMENT POOL (CONTINUED)

entitled "Current State Diagnostic of Cash Control", also described differences between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration's website at:

http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE System configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. DFA Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA Management in FY 2012 recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

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

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

Notes to the Financial Statements

June 30, 2013

NOTE 13: GENERAL FUND INVESTMENT POOL (CONTINUED)

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 CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

For the year ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash in Bank:				
State Treasurer Account	\$ 34,597	746,697	767,052	14,242
Trust Accounts	<u>1,445,373</u>	<u>1,192,247</u>	<u>1,527,290</u>	<u>1,110,330</u>
	<u><u>1,479,970</u></u>	<u><u>1,938,944</u></u>	<u><u>2,294,342</u></u>	<u><u>1,124,572</u></u>
 LIABILITIES				
Due to State Treasurer	34,597	746,697	767,052	14,242
Due to Litigants	<u>1,445,373</u>	<u>1,192,247</u>	<u>1,527,290</u>	<u>1,110,330</u>
	<u><u>1,479,970</u></u>	<u><u>1,938,944</u></u>	<u><u>2,294,342</u></u>	<u><u>1,124,572</u></u>

See Independent Auditor's Report

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

SCHEDULE OF OPERATING TRANSFERS

For the Year Ended June 30, 2013

	SHARE FUND	TITLE	TRANSFER	
			In	Out
(1)	85300	Department of Finance & Administration	\$ 5,839,800	\$ -
(1)	13900	Administrative Office of the Courts	321,911	-
(1)	85300	FY 2013 Reversion		43,977
	Total		<u>\$ 6,161,711</u>	<u>\$ 43,977</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, 2013

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, 2012, to June 30, 2013.
- b. Total estimated amount of project is \$63,350, of which the Court paid \$0 and the AOC contributed \$63,350.
- c. During FY2013 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.

See Independent Auditor's Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Hector H. Balderas

New Mexico State Auditor

and

Honorable William G.W. Shoobridge – Chief Judge

Fifth Judicial District Court

Roswell, New Mexico

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Fifth Judicial District Court (Court), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fifth Judicial District Court's basic financial statements and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

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

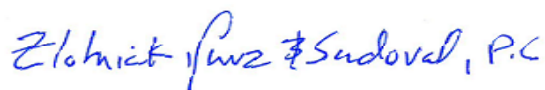
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Zlotnick, Laws & Sandoval, P.C.

November 8, 2013

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT

Status of Prior Year Audit Findings

June 30, 2013

Condition

Current year status

None

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

Exit Conference

June 30, 2013

The contents of this report were discussed at an exit conference held November 19, 2013

The Fifth Judicial District Court was represented by:

Honorable William G.W Shoobridge, Chief Judge
Bee J. Clem, Court Executive Officer
Rita Johnson, Court Financial Manager

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

Asa Laws, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C.
However, the financial statements are the responsibility of management.