

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT

Annual Financial Report
For the Year Ended June 30, 2016

INTRODUCTORY SECTION

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
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June 30, 2016

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STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Official Roster
June 30, 2016

JUDGES

Division 1	Honorable Raymond Romero
Division 2	Honorable Freddie Romero
Division 3	Honorable William G.W. Shoobridge, Chief Judge (now retired)
Division 4	Honorable Mark Sanchez
Division 5	Honorable Jane Shuler-Gray, current Chief Judge
Division 6	Honorable James Hudson
Division 7	Honorable Gary Clingman
Division 8	Honorable Kea Riggs
Division 9	Honorable Lisa Riley
Division 10	Vacant
Division 11	Honorable Lee Kirksey

ADMINISTRATIVE OFFICIALS

Kennon Crowhurst	Court Executive Officer
Vacant	Deputy Court Executive Officer
Jaime (Katie) Espinoza	District Court Clerk, Chaves County
Eric Ellis	District Court Clerk, Eddy County
Nelda Cuellar	District Court Clerk, Lea County
Arlene Martinez	Court Financial Manager/Chief Financial Officer

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
and
Honorable Jane Shuler-Gray, 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 funds of the State of New Mexico Fifth Judicial District Court (Court), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Court's fiduciary funds as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary funds of the Court as of June 30, 2016, 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 that accounting principles generally accepted in the United States of America require 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

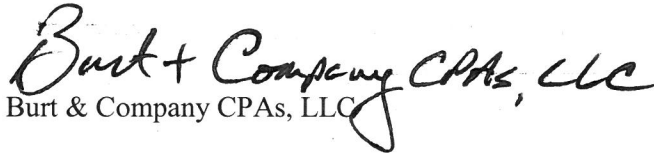
Our audit was conducted for the purpose of forming opinions on the Court's financial statements, the individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, 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 additional schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2016 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.


Burt & Company CPAs, LLC

November 28, 2016

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Statement of Net Position
 June 30, 2016

		Governmental Activities
Assets		
Current assets:		
Petty cash	\$	300
Investment in State General Fund Investment Pool		498,683
Due from other state agencies and General Fund		17,279
Postage and supply inventory		35,515
Total current assets		551,777
Non-current assets:		
Capital assets		600,917
Less: Accumulated depreciation		(562,338)
Total non-current assets		38,579
Total assets	\$	590,356
Liabilities		
Current liabilities:		
Accounts payable	\$	193,540
Accrued payroll		87,011
Accrued taxes and benefits		109,839
Due to state general fund		30,085
Compensated absences - current		166,336
Total current liabilities		586,811
Non-current liabilities:		
Compensated absences		19,122
Total non-current liabilities		19,122
Total liabilities		605,933
Net position		
Net investment in capital assets		38,579
Restricted for:		-
Mediations		95,788
Unrestricted (deficit)		(149,944)
Total net position		(15,577)
Total liabilities and net position	\$	590,356

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

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Statement of Activities
 For the Year Ended June 30, 2016

	<u>Governmental Activities</u>
Expenses	
Judicial:	
Administrative services	\$ 7,233,667
Depreciation expense	<u>16,326</u>
Total expenses	<u>7,249,993</u>
 Program Revenues:	
Charges for services	74,636
Court fees	<u>50,775</u>
Total program revenues	<u>125,411</u>
 Net program expenses	 <u>(7,124,582)</u>
 General revenues and transfers	
State general fund appropriations	6,673,200
Other state funds	511,962
State general fund reversion	<u>(29,829)</u>
Total general revenues and transfers	7,155,333
 Changes in net position	 30,751
Net position, beginning of year	<u>(46,328)</u>
 Net position, end of year	 \$ <u>(15,577)</u>

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

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Balance Sheet – Governmental Funds
June 30, 2016

	General	Mediation	
	Fund	Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Petty cash	\$ 300	-	300
Investment in State General Fund Investment Pool	394,681	104,002	498,683
Due from other state agencies	17,279	-	17,279
Postage and supply inventory	<u>35,515</u>	<u>-</u>	<u>35,515</u>
Total assets	\$ <u>447,775</u>	<u>104,002</u>	<u>551,777</u>
Liabilities and fund balances			
Current liabilities			
Accounts payable	\$ 185,325	8,214	193,539
Accrued payroll	87,011	-	87,011
Accrued taxes and benefits	109,839	-	109,839
Due to state general fund	<u>30,085</u>	<u>-</u>	<u>30,085</u>
Total liabilities	<u>412,260</u>	<u>8,214</u>	<u>420,474</u>
Fund balances			
NonSpendable:			
Postage and supply inventory	35,515	-	35,515
Assigned for:			
Mediation	-	95,788	95,788
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>35,515</u>	<u>95,788</u>	<u>131,303</u>
Total liabilities and fund balances	\$ <u><u>447,775</u></u>	<u><u>104,002</u></u>	<u><u>551,777</u></u>

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

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2016

Total fund balances for governmental funds	\$	131,303
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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		38,579
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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		(185,458)
Rounding		<u>(1)</u>

Net position of governmental activities	\$	<u>(15,577)</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u> <u>Fund</u>	<u>Mediation</u> <u>Fund</u>	<u>Total</u>
Revenues			
Charges for services	\$ 74,636	-	74,636
Court fees	-	50,775	50,775
Total revenues	<u>74,636</u>	<u>50,775</u>	<u>125,411</u>
Expenditures			
Current:			
Judicial:			
Administrative services:			
Personal services and benefits	5,994,881	-	5,994,881
Contract services	696,556	-	696,556
Other costs	515,516	20,213	535,729
Capital outlay	<u>11,514</u>	<u>-</u>	<u>11,514</u>
Total expenditures	<u>7,218,467</u>	<u>20,213</u>	<u>7,238,680</u>
Excess (Deficiency) of revenues over expenditures	(7,143,831)	30,562	(7,113,269)
Other financing sources (uses)			
Transfers in:			
General fund appropriations	6,673,200	-	6,673,200
Transfers from other agencies	511,962	-	511,962
Transfers (out):			
2016 Reversions to the state general fund	<u>(29,829)</u>	<u>-</u>	<u>(29,829)</u>
Total other financing sources (uses)	<u>7,155,333</u>	<u>-</u>	<u>7,155,333</u>
Net change in fund balance	11,502	30,562	42,064
Fund balance, beginning	23,031	65,226	88,257
Increase in supplies inventory (Note 1C)	<u>982</u>	<u>-</u>	<u>982</u>
Fund balance, ending	\$ <u><u>35,515</u></u>	<u><u>95,788</u></u>	<u><u>131,303</u></u>

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

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016

Net change in fund balances - Total governmental funds \$ 42,064

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	11,514	
Depreciation expense	<u>(16,326)</u>	
Excess of depreciation expense over capital outlay		(4,812)
 Increase in supplies inventory		 982

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

Change in compensated absences (increase)		(7,482)
Rounding		<u>(1)</u>

Change in net position of governmental activities \$ 30,751

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

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Statement of Revenues and Expenditures Budget and Actual (Budgetary Basis)
Major Governmental Funds
For Year Ended June 30, 2016

General Fund					
		<u>Budgeted Amounts</u>		Actual	Variance With
		<u>Original</u>	<u>Final</u>	(Budgetary	Final Budget
				Basis)	Positive
				(Negative)	
Revenues					
General fund appropriation	\$	6,701,800	6,661,700	6,673,200	11,500
Interagency transfer		166,500	174,108	174,108	-
Court fees		65,000	75,240	74,636	(604)
Other financing sources		338,500	338,500	337,854	(646)
Federal funds		-	-	-	-
Total revenues		<u>7,271,800</u>	<u>7,249,548</u>	<u>7,259,798</u>	<u>10,250</u>
Fund balance		-	-		
Total revenues and fund balance	\$	<u>7,271,800</u>	<u>7,249,548</u>		
Expenditures					
Administrative services:					
Personal services	\$	6,274,300	6,017,383	5,994,881	(22,502)
Contractual services		716,400	703,830	696,556	(7,274)
Other		281,100	528,335	527,030	(1,305)
Total expenditures	\$	<u>7,271,800</u>	<u>7,249,548</u>	<u>7,218,467</u>	<u>(31,081)</u>
Mediation Fund					
Revenues					
Court fees	\$	55,000	55,000	50,775	(4,225)
Total revenues		<u>55,000</u>	<u>55,000</u>	<u>50,775</u>	<u>(4,225)</u>
Fund balance		10,000	10,000		
Total revenues and fund balances	\$	<u>120,000</u>	<u>120,000</u>		
Expenditures					
Administrative services:					
Contractual services	\$	65,000	65,000	20,213	(44,787)
Total expenditures	\$	<u>65,000</u>	<u>65,000</u>	<u>20,213</u>	<u>(44,787)</u>

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

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Statement of Fiduciary Assets and Liabilities – Agency Fund
For Year Ended June 30, 2016

Assets

Cash and cash equivalents	\$	<u>1,980,450</u>
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Liabilities

Deposits held for others (or due to external parties)	\$	<u>1,980,450</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies

A. 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:

1) 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.

B. 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

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide Financial Statements (continued)

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, 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.

C. 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.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements (continued)

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.

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 Court has established a domestic relations mediation program pursuant to Section 5 (40-12-5 NMSA, 1978 Comp.) of the Domestic Relations mediation Act. Deposits to the 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.

At June 30, 2016, there were no outstanding encumbrances.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements (continued)

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:

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.

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.

D. 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, fixtures and equipment	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.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

The Court does not capitalize computer software or software developed for internal use (if applicable), unless it exceeds the \$5,000 threshold.

Long-Term Liabilities

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

Equity

Government-Wide Statements:

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

Net Investment in Capital Assets: Consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.

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.

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 "net investment in capital assets". 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:

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

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.

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.

E. Budgets and Budgetary Accounting

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

1. No later than September 1, the Court submits to the Judiciary Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting (continued)

Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.

2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Fifth District.

3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.

4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

5. The Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was revised in a legal manner.

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.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting (continued)

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.

F. Accrued Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. In accordance with GASB Statement No. 16 Accounting for Compensated Absences, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

G. 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.

H. Use of Estimates

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

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2016

1. Summary of Significant Accounting Policies (continued)

I. Interfund Activity

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

2. Cash and Cash Equivalents

At June 30, 2016, cash and cash equivalents consisted of the following checking accounts:

	<u>Type</u>	<u>Interest Bearing</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Agency Funds:				
Litigant - Wells Fargo	Checking	Y	\$ 377,721	372,497
Litigant - Wells Fargo	Checking	Y	1,081,808	1,079,784
Litigant - Wells Fargo	Checking	Y	<u>546,283</u>	<u>528,169</u>
Total agency funds in bank			2,005,812	<u>1,980,450</u>
Less FDIC insurance			<u>(250,000)</u>	
Total uninsured Public Funds			1,755,812	
50% collateral requirement			<u>(877,906)</u>	
Pledged security			\$ <u> *</u>	

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.

*Section 6-10-14, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Court's bank accounts is monitored by the State Treasurer's Office. The State Treasurer's Office issues separate financial statements which disclose the collateral pledged to secure State Treasurer cash and investments, and can be accessed at the State Treasurer's website www.nmsto.gov.

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2016

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, 2016 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	\$ 394,681	394,681
<u>Special Revenue Fund:</u>				
Investment in the State General Fund Investment Pool	925	1 day	<u>104,002</u>	<u>104,002</u>
Total			\$ <u>498,683</u>	<u>498,683</u>

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, 2016.

4. Due To/From Other State Agencies

Due From: As of June 30, 2016, \$16,767 was due from the Administrative Office of the Courts (SHARE fund 13900) for drug court, and \$256 from the State General Fund (SHARE fund 85300).

Due To: As of June 30, 2016, \$29,829 was due to the State General Fund (SHARE fund 85300) for the fiscal year 2016 reversion.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

5. Capital Assets

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

	Balance		Balance
	2015	Additions	2016
	_____	_____	_____
Capital assets being depreciated:			
Furniture, fixtures & equipment	\$ 601,050	11,514	(11,647) 600,917
	_____	_____	_____
Less accumulated depreciation:			
Furniture, fixtures & equipment	557,659	16,326	(11,647) 562,338
	_____	_____	_____
Net capital assets	\$ 43,391	(4,812)	- 38,579
	_____	_____	_____

Current depreciation expense is \$16,326.

6. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance		Balance	
	June 30,		June 30,	Due within
	2015	Additions	2016	one year
	_____	_____	_____	_____
Compensated absences	\$ 177,976	233,849	(226,367)	185,458 166,336
	_____	_____	_____	_____

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.

7. PERA Retirement Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

7. PERA Retirement Plan (continued)

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

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

Plan Description

Substantially all of the 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 Court is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the 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, 2016, 2015, and 2014 were \$486,779, \$480,991, and \$453,410, respectively, equal to the amount of the required contributions for each year.

8. JRA Retirement Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

The Court, as part of the primary government of the State of New Mexico, is a single employer defined benefit pension plan (Judicial Retirement) administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

8. JRA Retirement Plan (continued)

primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

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 10.5% of their gross salary. The Court is required to contribute 15% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2016, 2015, and 2014 were \$191,856, \$187,632, and \$135,686, 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 \$214,516, \$187,449, and \$180,313, in filing fees for the years ending June 30, 2016, 2015, and 2014, respectively.

9. 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.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

9. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% 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, 2016, 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

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2016

9. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 Court’s contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$89,338, \$88,046, and \$83,090, respectively, which equal the required contributions for each year.

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.

11. 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 \$70,685 for the year ending June 30, 2016. Annual future minimum lease payments are as follows:

2017	\$	76,985
2018		63,929
2019		55,357
2020		35,855
2021 and thereafter		<u>3,928</u>
	\$	<u>236,054</u>

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Notes to Financial Statements
 June 30, 2016

12. 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.

13. 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 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	GAAP Basis	Difference
Expenditures:	Basis		
Personal services	\$ 5,994,881	6,002,363	(7,482)
Contractual services	696,556	696,556	-
Other	547,243	534,748	12,495
Total	\$ 7,238,680	7,233,667	5,013

The total difference of \$5,013 is due to an increase of \$7,482 in compensated absences and decrease of \$11,514 in capitalized fixed assets and in \$981 inventory.

14. 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.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

14. General Fund Investment Pool (continued)

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, 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.

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

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Notes to Financial Statements
June 30, 2016

14. General Fund Investment Pool (continued)

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.

Update for Fiscal Year 2016: As mentioned above, recorded agency claims against the State General Fund Investment Pool (SGFIP) and fiduciary resources held at the State Treasurer's Office to fulfill those claims were not reconciled from the inception of SHARE, in July 2006 through January 2013. While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress was made in the overall reconciliation process and the Financial Control Division now has an operational model that effectively compares statewide claims against the SGFIP and sources held at the State Treasurer's Office. DFA represents the established allowance recorded within the State General Operating Reserve Fund is sufficient to accommodate the current calculated difference between resources held in the SGFIP and agency claims. No portion of the adjustment for the difference shall be allocated to any specific business unit that participates in the SGFIP.

15. Evaluation of Subsequent Events

The Court has evaluated subsequent events through November 28, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Statement of Changes in Fiduciary Assets and Liabilities
 June 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
Assets				
Cash in bank:				
State treasurer account	\$ 24,968	878,609	(903,577)	-
Trust accounts	<u>1,968,652</u>	<u>1,274,386</u>	<u>(1,262,588)</u>	<u>1,980,450</u>
	<u>\$ 1,993,620</u>	<u>2,152,995</u>	<u>(2,166,165)</u>	<u>1,980,450</u>
Liabilities				
Due to state treasurer	\$ 24,968	878,609	(903,577)	-
Due to litigants	<u>1,968,652</u>	<u>1,274,386</u>	<u>(1,262,588)</u>	<u>1,980,450</u>
	<u>\$ 1,993,620</u>	<u>2,152,995</u>	<u>(2,166,165)</u>	<u>1,980,450</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Schedule of Operating Transfers
For the Year Ended June 30, 2016

Description	Agency Transferred From	From Fund	To Fund	Reference	Transfer	
					In	Out
State Appropriations						
General Fund Appropriation	State General Fund	85300	23500	Laws 2015, Ch 101, Sec 4	\$ 6,701,800	-
2016 Budget Reductions	State General Fund	23500	85300	Laws 2016, Ch 11, HB 2, Sec 10	-	40,100
Prior Year Budget Deficit	State General Fund	85300	23500	Laws 2016, 2nd S, Ch 11, Sec 6, Item 7	11,500	-
Total State Appropriations					\$ <u>6,713,300</u>	<u>40,100</u>
Other Financing Sources						
CASA and water appropriation	Administrative Office of the Courts	13900	23500	Laws 2015, Ch 101, Sec 4, Item 4A&C	\$ 337,854	-
Drug Court/Interlock DWI Grant (LEFT)	Administrative Office of the Courts	13900	23500	Laws 2015, Ch 101, Sec 4, Item 4(h)	174,108	-
Total Other Financing Sources					\$ <u>511,962</u>	<u>-</u>
Reversion						
General Fund Appropriation	Department of Finance & Administration	23500	85300	Reversion of current year miscellaneous income	\$ -	29,829
Total Reversion					\$ <u>-</u>	<u>29,829</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Schedule of Memorandums of Understanding
For the Year Ended June 30, 2016

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.
- d. Beginning and ending dates of agreement: July 1, 2015, to June 30, 2016.
- e. Total estimated amount of project is \$174,108, of which the Court paid \$0 and the AOC contributed \$174,108.
- f. During FY2016 the Court contributed \$0 towards this agreement.
- g. The Court has the audit responsibility.
- h. The AOC is the fiscal agent.
- i. The Court reports all revenues and expenditures.

STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT COURT
 Schedule of Vendor Information
 For the Year Ended June 30, 2016

<i>RFB#/ RFP# (if applicable)</i>	<i>Type of procurement</i>	<i>Vendor Name</i>	<i>\$ Amount of awarded contract</i>	<i>\$ amount of amended contract</i>	<i>Physical address of vendor (city, state)</i>	<i>Did the vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief description of the scope of work</i>	<i>If the procurement is attributable to a component unit, name of component unit</i>
N/A	Professional Service Sole Source	Chaves County CASA Program	95,748		Roswell, NM	No	No	Coordinate, supervise and service the CASA Program for 5th District Court, Chaves County.	N/A
N/A	Professional Service Sole Source	Eddy County CASA Auxilliary Program	85,164		Carlsbad, NM	No	No	Coordinate, supervise and service the CASA Program for 5th District Court, Eddy	N/A
N/A	Professional Service Sole Source	CASA of Lea County	92,814		Hobbs, NM	No	No	Coordinate supervise and service the CASA Program for 5th District Court, Lea	N/A
N/A	Professional Service Sole Source	Teen Court of Lea County	70,000		Hobbs, NM	No	No	Operate, administer, manage and maintain a peer jury system in Lea County.	N/A

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

INDEPENDENT AUDITOR'S REPORT

Timothy Keller
New Mexico State Auditor
and
Honorable Jane Schuler-Gray, 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, 2016, 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 28, 2016.

Internal Control over Financial Reporting

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

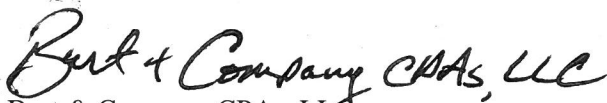
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies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

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.


Burt & Company CPAs, LLC

November 28, 2016

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Schedule of Findings and Responses
June 30, 2016

Current Year Findings

None.

Prior Year Findings

None.

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT COURT
Exit Conference
June 30, 2016

The contents of this report were discussed at an exit conference held November 28, 2016

The Fifth Judicial District Court was represented by:
Honorable Jane Shuler-Gray, Chief Judge
Kennon Crowhurst, Court Executive Officer
Arlene Martinez, Court Financial Manager

Burt & Company CPAs was represented by:
Ronald Schranz, CPA, CVA

The financial statements were prepared by the auditors: Burt & Company CPAs, LLC. However, the financial statements are the responsibility of management.