



**KRIEGEL/GRAY/SHAW & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
TRADITIONAL YET PROGRESSIVE SERVICE SINCE 1962

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

---

**STATE OF NEW MEXICO**

**FIFTH JUDICIAL DISTRICT COURT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2019**

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

TABLE OF CONTENTS  
JUNE 30, 2019

	<u>Page</u>
<b>OFFICIAL ROSTER</b>	1
<b>INDEPENDENT AUDITOR’S REPORT</b>	2
<b>FINANCIAL STATEMENTS:</b>	
Statement of Net Position	5
Statement of Activities	6
Balance Sheet – Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	9
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	11
Mediation Fund	12
Alternative Dispute Resolution Fund	13
Statement of Fiduciary Assets and Liabilities – Agency Funds	14
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	15
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	29
Schedule of Operating Transfers	30
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	31
Summary of Audit Results	33
Schedule of Findings and Responses	34
Exit Conference	35

OFFICIAL ROSTER  
JUNE 30, 2019

**JUDGES**

<b>Name</b>	<b>Title</b>
<i>Honorable Raymond L. Romero</i>	<i>Division I</i>
<i>Honorable Thomas E. Lilley</i>	<i>Division II</i>
<i>Honorable William G.W. Shoobridge</i>	<i>Division III</i>
<i>Honorable Mark Sanchez</i>	<i>Division IV</i>
<i>Honorable Jane Shuler Gray</i>	<i>Division V</i>
<i>Honorable James M. Hudson, Chief Judge</i>	<i>Division VI</i>
<i>Honorable Michael H. Stone</i>	<i>Division VII</i>
<i>Honorable Kea W. Riggs</i>	<i>Division VIII</i>
<i>Honorable Lisa Riley</i>	<i>Division IX</i>
<i>Honorable Dustin K. Hunter</i>	<i>Division X</i>
<i>Honorable Lee A. Kirksey</i>	<i>Division XI</i>

**ADMINISTRATIVE OFFICIALS**

<b>Name</b>	<b>Title</b>
<i>Kennon Crowhurst</i>	<i>Court Executive Officer</i>
<i>Vacant</i>	<i>Deputy Court Executive Officer</i>
<i>Jamie (Katie) Espinosa</i>	<i>District Court Clerk – Chaves County</i>
<i>Karen Christesson</i>	<i>District Court Clerk – Eddy County</i>
<i>Nelda Cuellar</i>	<i>District Court Clerk – Lea County</i>
<i>Arlene Martinez</i>	<i>Court Financial Manager / CFO</i>

## **INDEPENDENT AUDITOR'S REPORT**

Mr. Brian S. Colón, State Auditor and  
The Honorable James M. Hudson, Chief Judge  
State of New Mexico  
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 the major special revenue fund of the Fifth Judicial District Court, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Fifth Judicial District 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 from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Mr. Brian S. Colón, State Auditor and  
The Honorable James M. Hudson, Chief Judge  
State of New Mexico  
Fifth Judicial District Court  
Roswell, New Mexico  
Page Two

## **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 Fifth Judicial District Court, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Fifth Judicial District Court, are intended to present the financial position, the changes in financial position, and the respective budgetary comparisons of only that portion of the governmental activities and each major fund of the State of New Mexico that is attributable to the transactions of the Fifth Judicial District Court. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Fifth Judicial District Court's financial statements and the budgetary comparisons. The "supplementary information" required by 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Mr. Brian S. Colón, State Auditor and  
The Honorable James M. Hudson, Chief Judge  
State of New Mexico  
Fifth Judicial District Court  
Roswell, New Mexico  
Page Three

The additional schedules listed as “supplementary information” 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the “supplementary information” required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2019 on our consideration of Fifth Judicial District 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 Fifth Judicial District Court’s internal control over financial reporting and compliance.

*Kriegel/Gray/Shaw & Co., P.C.*

Kriegel/Gray/Shaw & Co., P.C.  
Las Cruces, New Mexico

September 28, 2019

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

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
<b>ASSETS</b>	
<b>Current Assets:</b>	
Petty cash	\$300
Investment in the State Treasurer General Fund Investment Pool	910,640
<i>Total current assets</i>	910,940
<b>Noncurrent Assets:</b>	
Capital assets	785,832
Less: accumulated depreciation	(619,611)
<i>Total capital assets, net of depreciation</i>	166,221
<i>Total assets</i>	1,077,161
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	292,563
Accrued payroll	107,481
Accrued taxes and benefits	132,910
<i>Total current liabilities</i>	532,954
<b>Noncurrent Liabilities:</b>	
Compensated absences	170,820
<i>Total liabilities</i>	703,774
<b>NET POSITION</b>	
Net investment in capital assets	166,221
Restricted for:	
Mediations	204,166
Alternative dispute resolution	173,820
Unrestricted (deficit)	(170,820)
<i>Total net position</i>	373,387
<i>Total liabilities and net position</i>	\$1,077,161

The Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF ACTIVITIES

JUNE 30, 2019

Governmental  
Activities

**Expenses**

Judicial:

Administrative services	\$7,479,985
Depreciation expense	20,904
<i>Total expenses</i>	7,500,889

**Program Revenues:**

Charges for services	124,493
Court fees	137,272
Other interagency services	120,893
Other gifts and grants	21,250
Miscellaneous revenue	49,528
<i>Total program revenues</i>	453,436

<i>Net program expenses</i>	(7,047,453)
-----------------------------	-------------

**General revenues and transfers**

State general fund appropriations	6,657,700
Other state funds	585,079
State general fund reversion	(16,838)
<i>Total general revenues and transfers</i>	7,225,941

<i>Change in net position</i>	178,488
-------------------------------	---------

Net position, beginning of year	194,899
---------------------------------	---------

<b><i>Net position, end of year</i></b>	<b>\$373,387</b>
---	------------------

The Notes to Financial Statements are an integral part of these statements.



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

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	Major Funds			Total
	General Fund #14500	Mediation Funds #92500	Alternative Dispute Resolution Fund #68220	
<b>ASSETS</b>				
Petty cash	\$300	\$0	\$0	\$300
Investment in the State Treasurer General Fund Investment Pool	522,945	213,875	173,820	910,640
<b><i>Total assets</i></b>	<b>\$523,245</b>	<b>\$213,875</b>	<b>\$173,820</b>	<b>\$910,940</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$282,854	\$9,709	\$0	\$292,563
Accrued payroll	107,481	0	0	107,481
Accrued taxes and benefits	132,910	0	0	132,910
<b><i>Total liabilities</i></b>	<b>523,245</b>	<b>9,709</b>	<b>0</b>	<b>532,954</b>
<b>FUND BALANCES</b>				
Restricted	0	204,166	173,820	377,986
Unrestricted	0	0	0	0
<b><i>Total fund balances</i></b>	<b>0</b>	<b>204,166</b>	<b>173,820</b>	<b>377,986</b>
<b><i>Total liabilities and fund balances</i></b>	<b>\$523,245</b>	<b>\$213,875</b>	<b>\$173,820</b>	<b>\$910,940</b>

The Notes to Financial Statements are an integral part of these statements.

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

<b>FUND BALANCE of Governmental Funds</b>	<b>\$377,986</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets net of accumulated depreciation 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	166,221
Some liabilities are not due and payable in the current period, and therefore are not reported in the funds. These liabilities consist of the following:	
Compensated absences	(170,820)
<b><i>Net position of governmental activities</i></b>	<b><i>\$373,387</i></b>

---

---

The Notes to Financial Statements are an integral part of these statements.

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

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Major Funds			Total
	General Fund #14500	Mediation Funds #9500	Alternative Dispute Resolution Fund #68220	
<b>REVENUES</b>				
Charges for services	\$124,493	\$0	\$0	\$124,493
Court fees	0	48,607	88,665	137,272
Other interagency services	120,893	0	0	120,893
Other gifts and grants	21,250	0	0	21,250
Miscellaneous revenue	0	49,528	0	49,528
<i>Total revenues</i>	266,636	98,135	88,665	453,436
<b>EXPENDITURES</b>				
Current:				
Administrative services:				
Personal services and benefits	6,266,244	0	0	6,266,244
Contract services	444,121	62,623	0	506,744
Other costs	701,876	0	0	701,876
Capital outlay	80,336	0	0	80,336
<i>Total expenditures</i>	7,492,577	62,623	0	7,555,200
<i>Excess (deficiency) of revenues over expenditures</i>	(7,225,941)	35,512	88,665	(7,101,764)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
General fund appropriations	6,657,700	0	0	6,657,700
Transfers from (to) other agencies	585,079	0	0	585,079
Transfers out:				
Reversion to State General Fund	(16,838)	0	0	(16,838)
<i>Total other financing sources (uses)</i>	7,225,941	0	0	7,225,941
<i>Net change in fund balance</i>	0	35,512	88,665	124,177
Fund balance, beginning of year, as previously stated	0	168,654	85,155	253,809
<b><i>Fund balance, end of year - June 30, 2019</i></b>	<b>\$0</b>	<b>\$204,166</b>	<b>\$173,820</b>	<b>\$377,986</b>

The Notes to Financial Statements are an integral part of these 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 FISCAL YEAR ENDED JUNE 30, 2019

<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$124,177</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
<p>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:</p>	
Depreciation expense	(20,904)
Capital outlay additions	80,336
Capital outlay deletions	0
Expenses recognized in the Statement of Activities, not reported in the governmental funds:	
Increase in compensated absences	(5,121)
<hr/>	
<b><i>Change in net position of governmental activities</i></b>	<b><i>\$178,488</i></b>

The Notes to Financial Statements are an integral part of these statements.

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

GENERAL FUND #14500

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget Original	Budget Final	Actual (Non-GAAP Budgetary Basis)	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
General fund appropriation	\$6,657,700	\$6,657,700	\$6,657,700	\$0
Interagency transfers	157,100	120,855	120,893	38
Court fees	76,900	128,900	124,493	(4,407)
Other gifts and grants	0	21,250	21,250	0
Other financing sources	568,300	585,016	585,079	63
<i>Total revenues</i>	<u>7,460,000</u>	<u>7,513,721</u>	<u>7,509,415</u>	<u>(4,306)</u>
<b>EXPENDITURES</b>				
Administrative services:				
Personal services	6,437,500	6,276,677	6,266,244	10,433
Contractual services	465,300	448,666	444,121	4,545
Other	557,200	788,378	782,212	6,166
<i>Total expenditures</i>	<u>7,460,000</u>	<u>7,513,721</u>	<u>7,492,577</u>	<u>21,144</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>\$16,838</u>	<u>\$16,838</u>
Items not budgeted:				
Reversion fiscal year 2019			(\$16,838)	
<i>Net change in fund balance</i>			<u>\$0</u>	

The Notes to Financial Statements are an integral part of these statements.

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

MEDIATION FUND #92500

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget Original	Budget Final	Actual (Non-GAAP Budgetary Basis)	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Court fees	\$48,000	\$48,000	\$48,607	\$607
Miscellaneous revenue	0	49,500	49,528	28
<i>Total revenues</i>	48,000	97,500	98,135	635
<b>EXPENDITURES</b>				
Administrative services:				
Contractual costs	48,000	97,500	62,623	34,877
<i>Total expenditures</i>	48,000	97,500	62,623	34,877
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$35,512	\$35,512
Items not budgeted:			\$0	
<i>Net change in fund balance</i>			\$35,512	

The Notes to Financial Statements are an integral part of these statements.

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

ALTERNATIVE DISPUTE RESOLUTION FUND #68220

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget Original	Budget Final	Actual (Non-GAAP Budgetary Basis)	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Court fees	\$65,000	\$65,000	\$88,665	\$23,665
<i>Total revenues</i>	65,000	65,000	88,665	23,665
<b>EXPENDITURES</b>				
Administrative services:				
Contractual costs	65,000	65,000	0	65,000
<i>Total expenditures</i>	65,000	65,000	0	65,000
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$88,665	\$88,665
Items not budgeted:				
<i>Net change in fund balance</i>			\$88,665	

The Notes to Financial Statements are an integral part of these statements.

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

AGENCY FUND

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2019

	Agency Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$929,739
<b><i>Total assets</i></b>	<b>\$929,739</b>
<b>LIABILITIES</b>	
Deposits held for others	\$929,739
Due to external parties	0
<b><i>Total liabilities</i></b>	<b>\$929,739</b>

The Notes to Financial Statements are an integral part of these statements.



**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

The Fifth Judicial District Court (Court) operates under Sections 34-6-1, 34-6-8, and 34-6-17 through 34-6-48, NMSA 1978 Compilation. The Court covers Chaves, Eddy and Lea Counties. The Court is comprised of eleven 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.

**Reporting Entity**

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. Additionally, the Court has no component units that are required to be reported in its financial statements.

The accounting policies of the Court conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Court's significant accounting policies follows:

*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**

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.

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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 as part of 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, therefore these funds are not incorporated in the government-wide financial statements nor in the governmental activities in the fund reporting.

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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Mediation Fund

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.

Alternative Dispute Resolution Fund

The Court has established an alternative dispute resolution program pursuant to Section 34-6-45 NMSA, 1978 Comp. The purpose of the program is to resolve disputes through alternative means, including, but not limited to, arbitration, mediation, and settlement facilitation. To finance the cost of the program, a fee of fifteen dollars (\$15) is collected on all new and re-opened civil cases. In accordance with section 34-6-44, NMSA, 1978 Comp., the fee is deposited into alternative dispute resolution fund. The fund is special revenue fund and is non-reverting.

For purposes of financial statement presentation, the fund is considered a major fund. The SHARE number of this fund is 682.

At June 30, 2019, 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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets Liabilities and Net Position or Equity**

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	7 years
------------------------	---------

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

Long-Term Liabilities

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

Equity

Government-Wide Statements:

Equity is classified as net 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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Equity (Continued)

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.

*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.

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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets and Budgetary Accounting (Continued)

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 the appropriation program level.
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 FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. 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 Social Security and Medicare payroll taxes).

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.

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.

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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

At June 30, 2019, cash and cash equivalents consisted of the following checking accounts:

	Account	Interest Bearing	Bank Balance	O/S Deposits	O/S Checks	Book Balance
<b>Agency Funds:</b>						
Litigant - Wells Fargo Bank Chaves County	Checking	Y	\$316,186	\$500	\$2,810	\$313,876
Litigant - Wells Fargo Bank Eddy County	Checking	Y	115,208	0	4,088	111,120
Litigant - Wells Fargo Bank Lea County	Checking	Y	507,543	0	2,800	504,743
<i>Total agency funds in bank</i>			\$938,937	\$500	\$9,698	\$929,739
Less FDIC insurance			(\$250,000)			
Total uninsured Public Funds			688,937			
50% collateral requirement			(344,469)			
Pledged security			*			

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](http://www.nmsto.gov).



**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 3. INVESTMENTS**

As provided for in Chapter 8-6 of the New Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The STO acts as the state’s bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation module which compares aggregated agency claims on the state General Fund Investment Pool to the associated resources held by the STO is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the DFA and the State of New Mexico’s Comprehensive Annual Financial Report (CAFR). The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

The purpose of this memo is to provide the following assertions:

1. As of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims recorded in SHARE shall be honored at face value.

At June 30, 2019 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	\$522,945	\$522,945
<u>Mediation Fund:</u>				
Investment in the State General Fund				
Investment Pool	925	1 day	\$213,875	\$213,875
<u>Alternative Dispute Resolution Fund:</u>				
Investment in the State General Fund				
Investment Pool	682	1 day	\$173,820	\$173,820
<b>Total</b>			<b>\$910,640</b>	<b>\$910,640</b>

*Interest Rate Risk* – The STO 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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 3. INVESTMENTS (CONTINUED)**

*Custodial Credit Risk – Deposit* – The STO monitors the collateral for deposits it holds, which would include the investment accounts of the Court. Therefore, collateralization of the Court's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. There is no custodial risk at the Court's level since the Court's investments are under the contract of the STO.

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

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$368,845	\$416,987	\$0	\$785,832
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(262,056)	(357,555)	0	(619,611)
<b>Total capital assets, net</b>	<b>\$106,789</b>	<b>\$59,432</b>	<b>\$0</b>	<b>\$166,221</b>

Current depreciation expense is \$20,904. The Court does not have any debt related to capital assets.

Current year additions include fully depreciated assets previously carried on the Supreme Court books of \$336,651.

**NOTE 5. COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences, recorded as a long-term liability in the government-wide financial statements:

	Balance June 30, 2018	Increases Additions	Decreases Retirements	Balance June 30, 2019	Due within one year
Compensated absences	<b>\$165,699</b>	<b>\$234,631</b>	<b>\$229,510</b>	<b>\$170,820</b>	<b>\$0</b>

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 6. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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, NM 87501.

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

*Funding Policy* - Plan members are required to contribute 8.92% of their gross salary. The 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, 2019, 2018, and 2017 were \$505,794, \$503,793, and \$487,327, respectively, equal to the amount of the required contributions for each year.

**NOTE 7. PENSION PLAN – JUDICIAL RETIREMENT ACT (JRA)**

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 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 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, NM 87501.

*Plan Description* - All of the Court's Judges or Justices participate in a public employee retirement system authorized under the JRA. PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA: P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 7. PENSION PLAN – JUDICIAL RETIREMENT ACT (JRA) (CONTINUED)**

*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, 2019, 2018, and 2017 were \$202,459, \$192,886, and \$198,355, respectively, equal to the amount of the required contributions for each year.

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

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. 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, 2019, 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, 2019, 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.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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.

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

The Agency, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the RHCA. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the CAFR of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the CAFR for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

The Court's contributions to the RHCA for the years ended June 30, 2019, 2018, and 2017 were \$93,279, \$91,435, and \$90,291, respectively, which equal the required contributions for each year.

**NOTE 9. 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 Court nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Court have been paid to PERA, which administers the plan..

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**NOTE 10. 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 \$68,852 for the year ending June 30, 2019.

Annual future minimum lease payments are as follows:

2020	\$61,571
2021	33,892
2022	29,964
2023	15,841
Total	\$141,268

**NOTE 11. RISK OF LOSS**

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

**NOTE 12. UNRESTRICTED DEFICIT NET POSITION**

GASB34 requires recording of capitalized assets, net of accumulated depreciation and long-term liabilities, which result in an unrestricted net position deficit of \$170,820. This deficit is created by compensated absences liabilities which are expected to be paid from subsequent years state general fund appropriations.

**NOTE 13. SUBSEQUENT EVENTS**

The Court has evaluated subsequent events through September 28, 2019, which is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

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

AGENCY FUND

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2019

	June 30, 2018	Additions	Deletions	June 30, 2019
<b>LITIGANTS FUND:</b>				
<b>ASSETS</b>				
Cash - Trust Accounts	\$809,521	\$1,030,437	(\$910,219)	\$929,739
<b>Total assets</b>	<b>\$809,521</b>	<b>\$1,030,437</b>	<b>(\$910,219)</b>	<b>\$929,739</b>
 <b>LIABILITIES</b>				
Due to litigants	\$809,521	\$1,030,437	(\$910,219)	\$929,739
<b>Total liabilities</b>	<b>\$809,521</b>	<b>\$1,030,437</b>	<b>(\$910,219)</b>	<b>\$929,739</b>

The Notes to Financial Statements are an integral part of these statements.



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

**SCHEDULE OF OPERATING TRANSFERS**

JUNE 30, 2019

Description	Agency Transferred From	From Fund	To Fund	Reference	Transfer	
					In	Out
<b><u>Program Revenues</u></b>						
Other interagency services - Drug Court	State General Fund	85300	14500	Laws 2017, Ch 135, Sec 4 B (5)	\$120,893	
<i>Total Program Revenue</i>						\$120,893
<b><u>State Appropriations</u></b>						
General Fund Appropriation	State General Fund	85300	14500	Laws 2017, Ch 135, Sec 4 B (5)	\$6,657,700	
<i>Total State Appropriations</i>						\$6,657,700
<b><u>Other Financing Sources</u></b>						
CASA and water appropriation	Administrative Office of the Courts	13900	14500	Laws 2017, Ch 135, Sec 4 B (4)	\$585,079	
<i>Total Other Financing Sources</i>						\$585,079
<b><u>Reversion</u></b>						
General Fund Appropriation	Department of Finance & Administration	23500	85300	Laws 2017, Ch 135 Sec 3E - Reversion of Current year misc. income		\$16,838
<i>Total Reversion</i>						\$16,838

The Notes to Financial Statements are an integral part of these statements.

**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**

Mr. Brian S. Colón, State Auditor and  
The Honorable James M. Hudson, Chief Judge  
State of New Mexico  
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, the budgetary comparisons of the general fund and major special revenue funds, of the Fifth Judicial District Court as of and for the year ended June 30, 2019, 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 September 28, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered Fifth Judicial District 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 Fifth Judicial District Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fifth Judicial District Court's internal control.

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

Mr. Brian S. Colón, State Auditor and  
The Honorable James M. Hudson, Chief Judge  
State of New Mexico  
Fifth Judicial District Court  
Roswell, New Mexico  
Page Two

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fifth Judicial District Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kriegel/Gray/Shaw & Co., P.C.*

Kriegel/Gray/Shaw & Co., P.C.  
Las Cruces, New Mexico

September 28, 2019

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
SUMMARY OF AUDIT RESULTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**TYPE OF AUDIT REPORT ISSUED**

**Unmodified**

**AUDIT FINDINGS**

**TYPE**

**Current Year:**

None.

**Prior Year:**

None.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**CURRENT YEAR FINDINGS:**

None.

**CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:**

None.

**STATE OF NEW MEXICO**  
**FIFTH JUDICIAL DISTRICT COURT**  
EXIT CONFERENCE  
JUNE 30, 2019

**EXIT CONFERENCE:**

The exit conference was held October 29, 2019 and was attended by the following:

**Representing Fifth Judicial District Court:**

Honorable James M. Hudson, Chief Judge  
Kennon Crowhurst, Court Executive Officer  
Arlene Martinez, Court Financial Manager

**Representing Kriegel/Gray/Shaw & Co., P.C.:**

Debbie Gray, CPA/Shareholder  
Jesus Cortez, Staff Auditor  
Miguel Cortez, Staff Auditor

**FINANCIAL STATEMENT PREPARATION**

The auditing firm of Kriegel/Gray/Shaw & Co., P.C., with the aid of responsible Fifth Judicial District Court personnel, prepared the financial statements of the Fifth Judicial District Court as of and for the year ended June 30, 2019.