

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT

Annual Financial Report  
For the Year Ended June 30, 2018

## INTRODUCTORY SECTION

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 FIFTH JUDICIAL DISTRICT COURT  
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 June 30, 2018

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STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Official Roster  
June 30, 2018

**JUDGES**

Division 1	Honorable Raymond Romero
Division 2	Honorable Freddie Romero
Division 3	Honorable William G.W. Shoobridge
Division 4	Honorable Mark Sanchez
Division 5	Honorable Jane Shuler-Gray, Chief Judge
Division 6	Honorable James Hudson
Division 7	Honorable Gary Clingman (through 4/27/2018) Honorable Michael Stone (from 6/23/2018)
Division 8	Honorable Kea Riggs
Division 9	Honorable Lisa Riley
Division 10	Honorable Dustin Hunter
Division 11	Honorable Lee Kirksey

**ADMINISTRATIVE OFFICIALS**

Kennon Crowhurst	Court Executive Officer
Vacant	Deputy Court Executive Officer
Jamie (Katie) Espinoza	District Court Clerk, Chaves County
Karen Christesson	District Court Clerk, Eddy County
Nelda Cuellar	District Court Clerk, Lea County
Arlene Martinez	Court Financial Manager

FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

The Honorable Jane Shuler-Gray, Chief Judge  
Fifth Judicial District Court  
Roswell, New Mexico  
and  
Mr. Wayne Johnson, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and the major special revenue funds of the State of New Mexico, Fifth Judicial District Court (Court), as of and for the year ended June 30, 2018, 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, 2018, 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.

### **Auditors' 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 respective budgetary comparisons for the general fund and major special revenue funds as of June 30, 2018, and the respective changes in financial position 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, 2018, 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 financial statements that collectively comprise the Court's basic financial statements. The additional schedules listed as "supplemental 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 "supplemental 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 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 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 as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 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 solely to describe the scope of our testing of internal control over

State of New Mexico Fifth Judicial District Court and  
New Mexico Office of the State Auditor  
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financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court's 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

October 24, 2018



STATE OF NEW MEXICO  
 FIFTH JUDICIAL DISTRICT COURT  
 Statement of Net Position  
 June 30, 2018

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Petty cash	\$ 300
Investment in State General Fund Investment Pool	734,117
Total current assets	<u>734,417</u>
Non-current assets:	
Capital assets	368,845
Less: Accumulated depreciation	<u>(262,056)</u>
Total non-current assets	<u>106,789</u>
<b>Total assets</b>	<b>\$ <u>841,206</u></b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 248,651
Accrued payroll	103,654
Accrued taxes and benefits	128,303
Compensated absences - current	<u>148,235</u>
Total current liabilities	<u>628,843</u>
Non-current liabilities:	
Compensated absences	<u>17,464</u>
Total non-current liabilities	<u>17,464</u>
<b>Total liabilities</b>	<b><u>646,307</u></b>
<b>Net position</b>	
Net investment in capital assets	106,789
Restricted for:	
Mediations	168,654
Alternative dispute resolution	85,155
Unrestricted (deficit)	<u>(165,699)</u>
<b>Total net position</b>	<b><u>194,899</u></b>
<b>Total liabilities and net position</b>	<b>\$ <u>841,206</u></b>

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, 2018

	<u>Governmental Activities</u>
<b>Expenses</b>	
Judicial:	
Administrative services	\$ 7,129,364
Depreciation expense	<u>20,567</u>
Total expenses	<u>7,149,931</u>
 <b>Program Revenues:</b>	
Charges for services	121,899
Court fees	130,980
Other interagency services - LETF Drug Court	134,260
Other gifts and grants	<u>21,250</u>
Total program revenues	<u>408,389</u>
Net program expenses	(6,741,542)
 <b>General revenues and transfers</b>	
State general fund appropriations	6,555,500
Other state funds	340,563
State general fund reversion	<u>(45,558)</u>
Total general revenues and transfers	6,850,505
 <b>Change in net position</b>	108,963
Net position, beginning of year as previously stated	116,748
Prior period adjustment	<u>(30,812)</u>
Net position, beginning of year as restated	<u>85,936</u>
 <b>Net position, end of year</b>	 \$ <u><u>194,899</u></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, 2018

		<b>General Fund (14500)</b>	<b>Mediation Fund (92500)</b>	<b>Alternative Dispute Resolution Fund (68220)</b>	<b>Total</b>
<b>Assets</b>					
Petty cash	\$	300	-	-	300
Investment in State General Fund Investment Pool		<u>478,201</u>	<u>170,761</u>	<u>85,155</u>	<u>734,117</u>
Total assets	\$	<u>478,501</u>	<u>170,761</u>	<u>85,155</u>	<u>734,417</u>
<b>Liabilities and fund balances</b>					
<b>Current liabilities</b>					
Accounts payable	\$	246,544	2,107	-	248,651
Accrued payroll		103,654	-	-	103,654
Accrued taxes and benefits		<u>128,303</u>	<u>-</u>	<u>-</u>	<u>128,303</u>
Total liabilities		<u>478,501</u>	<u>2,107</u>	<u>-</u>	<u>480,608</u>
<b>Fund balances</b>					
Restricted		-	168,654	85,155	253,809
Unrestricted		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances		<u>-</u>	<u>168,654</u>	<u>85,155</u>	<u>253,809</u>
Total liabilities and fund balances	\$	<u>478,501</u>	<u>170,761</u>	<u>85,155</u>	<u>734,417</u>

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

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Position  
June 30, 2018

Total fund balances for governmental funds \$ 253,809

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 106,789

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 (165,699)  
Rounding -

**Net position of governmental activities** **\$ 194,899**

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, 2018

	<b>General</b>	<b>Mediation</b>	<b>Alternative Dispute Resolution</b>	<b>Total</b>
	<b>Fund (14500)</b>	<b>Fund (92500)</b>	<b>Fund (68220)</b>	<b>Total</b>
<b>Revenues</b>				
Charges for services	\$ 121,899	-	-	121,899
Court fees	-	45,825	85,155	130,980
Other interagency services - LETF Drug Court	134,260	-	-	134,260
Other gifts and grants	21,250	-	-	21,250
<b>Total revenues</b>	<u>277,409</u>	<u>45,825</u>	<u>85,155</u>	<u>408,389</u>
<b>Expenditures</b>				
Current:				
Judicial:				
Administrative services:				
Personal services and benefits	6,111,702	-	-	6,111,702
Contract services	380,850	14,333	-	395,183
Other costs	635,362	-	-	635,362
<b>Total expenditures</b>	<u>7,127,914</u>	<u>14,333</u>	<u>-</u>	<u>7,142,247</u>
Excess (deficiency) of revenues over expenditures	(6,850,505)	31,492	85,155	(6,733,858)
<b>Other financing sources (uses)</b>				
<b>Transfers in:</b>				
General fund appropriations	6,555,500	-	-	6,555,500
Transfers from other agencies	340,563	-	-	340,563
<b>Transfers (out):</b>				
Reversions to the state general fund	(45,558)	-	-	(45,558)
<b>Total other financing sources (uses)</b>	<u>6,850,505</u>	<u>-</u>	<u>-</u>	<u>6,850,505</u>
<b>Net change in fund balance</b>	-	31,492	85,155	116,647
Fund balance, beginning of year - previously stated	30,812	137,162	-	167,974
Prior period adjustment	(30,812)	-	-	(30,812)
Fund balance, beginning of year - restated	<u>-</u>	<u>137,162</u>	<u>-</u>	<u>137,162</u>
<b>Fund balance, ending</b>	\$ <u>-</u>	<u>168,654</u>	<u>85,155</u>	<u>253,809</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, 2018

Net change in fund balances - Total governmental funds \$ 116,647

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:

Depreciation expense	<u>(20,567)</u>	
Excess of depreciation expense over capital outlay		(20,567)

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

Decrease in compensated absences		12,882
Rounding		<u>1</u>

**Change in net position of governmental activities \$ 108,963**

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 (Non-GAAP Budgetary Basis)  
General Fund (14500)  
For Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts (Non- GAAP Budgetary Basis)	
	Original	Final	Budgetary Basis)	
<b>Revenues</b>				
General fund appropriation	\$ 6,555,500	6,555,500	6,555,500	-
Interagency transfer	155,200	134,290	134,260	(30)
Court fees	70,000	114,700	121,899	7,199
Other gifts and grants	-	21,250	21,250	-
Other financing sources	340,500	340,500	340,563	63
Federal funds	-	-	-	-
<b>Total revenues</b>	<u>7,121,200</u>	<u>7,166,240</u>	<u>7,173,472</u>	<u>7,232</u>
Fund balance	-	-	-	-
<b>Total revenues and fund     balance</b>	<u>\$ 7,121,200</u>	<u>7,166,240</u>	<u>7,173,472</u>	<u>7,232</u>
<b>Expenditures</b>				
Administrative services:				
Personal services	\$ 6,209,600	6,131,700	6,111,702	19,998
Contractual services	530,900	387,114	380,850	6,264
Other	380,700	647,426	635,362	12,064
<b>Total expenditures</b>	<u>\$ 7,121,200</u>	<u>7,166,240</u>	<u>7,127,914</u>	<u>38,326</u>
Excess revenues over expenditures			45,558	45,558
<b>Items not budgeted:</b>				
Reversion fiscal year 2018			<u>45,558</u>	
Net change in fund balance		\$	<u><u>-</u></u>	

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 (Non-GAAP Budgetary Basis)  
 Mediation Fund (92500)  
 For Year Ended June 30, 2018

		Budgeted Amounts		Actual Amounts (Non- GAAP Budgetary Basis)	Variance With Final Budget Positive (Negative)
		Original	Final		
Revenues					
Court fees	\$	55,000	55,000	45,825	(9,175)
Total revenues		55,000	55,000	45,825	(9,175)
Fund balance		-	-	-	-
Total revenues and fund balances	\$	55,000	55,000	45,825	(9,175)
Expenditures					
Administrative services:					
Contract costs	\$	55,000	55,000	14,333	40,667
Total expenditures	\$	55,000	55,000	14,333	40,667
Excess revenues over expenditures				31,492	31,492
Items not budgeted:				-	
Net change in fund balance			\$	31,492	

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 (Non-GAAP Budgetary Basis)  
 Alternative Dispute Resolution Fund (68220)  
 For Year Ended June 30, 2018

		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts (Non- GAAP Budgetary Basis)	Final Budget Positive (Negative)
Revenues					
Court fees	\$	-	22,800	85,155	62,355
Total revenues		-	22,800	85,155	62,355
Fund balance		-	-	-	-
Total revenues and fund balances	\$	-	22,800	85,155	62,355
Expenditures					
Administrative services:					
Contractual services	\$	-	22,800	-	22,800
Total expenditures	\$	-	22,800	-	22,800
Excess revenues over expenditures				85,155	85,155
Items not budgeted:				-	
Net change in fund balance			\$	85,155	

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, 2018

**Assets**

Cash and cash equivalents	\$ <u>809,521</u>
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**Liabilities**

Deposits held for others (or due to external parties)	\$ <u>809,521</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, 2018

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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.

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:

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 statements distinguish between activities that are governmental and those that are

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide Financial Statements (continued)

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 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.

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

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.

Mediation (92500) - 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 (68220) - 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.

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

C. Fund Financial Statements (continued)

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

At June 30, 2018, 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:

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

**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. 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

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

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:

**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 credit-

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
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June 30, 2018

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Equity (continued)

ors (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 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.



STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting (continued)

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.

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, 2018

1. Summary of Significant Accounting Policies (continued)

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. 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.

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.

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

2. Cash and Cash Equivalents

At June 30, 2018, cash and cash equivalents consisted of the following checking accounts:

	<u>Type</u>	<u>Interest Bearing</u>	<u>Bank Balance</u>	<u>O/S Deposits</u>	<u>O/S Checks</u>	<u>Book Balance</u>
<b>Agency Funds:</b>						
Litigant - Wells Fargo (Chaves)	Checking	Y	\$ 321,619		55	321,564
Litigant - Wells Fargo (Eddy)	Checking	Y	186,565		7,688	178,877
Litigant - Wells Fargo (Lea)	Checking	Y	<u>335,348</u>	<u>5,158</u>	<u>31,426</u>	<u>309,080</u>
Total agency funds in bank			843,532	5,158	39,169	<u>809,521</u>
Less FDIC insurance			<u>(250,000)</u>			
Total uninsured Public Funds			593,532			
50% collateral requirement			<u>(296,766)</u>			
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).

3. Investment in the State General Fund Investment Pool

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.

STATE OF NEW MEXICO  
 FIFTH JUDICIAL DISTRICT COURT  
 Notes to Financial Statements  
 June 30, 2018

3. Investment in the State General Fund Investment Pool (SGFIP) (continued)

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 not 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, 2018, 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, 2018 the Court had the following invested in the General Fund Investment Pool:

	<u>Share Fund #</u>	<u>Maturity</u>	<u>Account Balance</u>	<u>Fair Value</u>
<u>General Fund:</u>				
Investment in the State General Fund Investment Pool	145	1 day	\$ 478,201	478,201
<u>Mediation Fund:</u>				
Investment in the State General Fund Investment Pool	925	1 day	170,761	170,761
<u>Alternative Dispute Resolution Fund</u>				
Investment in the State General Fund Investment Pool	682	1 day	<u>85,155</u>	<u>85,155</u>
Total			\$ <u>734,117</u>	<u>734,117</u>

**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.

**Concentration of 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, 2018

3. Investment in the State General Fund Investment Pool (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.

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance 2017	Additions	Deletions	Balance 2018
Capital assets being depreciated:				
Furniture, fixtures & equipment	\$ 697,731	-	(328,886)	368,845
Less accumulated depreciation:				
Furniture, fixtures & equipment	(570,375)	(20,567)	328,886	(262,056)
Net capital assets	\$ <u>127,356</u>	<u>(20,567)</u>	<u>-</u>	<u>106,789</u>

Current depreciation expense is \$20,567. The Court does not have any debt related to capital assets.

5. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due within one year
Compensated absences	\$ <u>178,581</u>	<u>225,888</u>	<u>(238,770)</u>	<u>165,699</u>	<u>148,235</u>

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

5. Compensated Absences (continued)

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.

6. PERA Retirement Plan

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, 2018, 2017, and 2016 were \$503,793, \$487,327, and \$486,779, respectively, equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

7. Judicial Retirement Act (JRA) Retirement Plan

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).

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, 2018, 2017, and 2016 were \$192,886, \$198,355, and \$191,856, 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 JRA 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 \$280,181, \$234,549, and \$214,516, in filing fees for the years ending June 30, 2018, 2017, and 2016, respectively.

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

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

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

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, 2018, 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, 2018, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to section 10-7C-15 (G) NMSA 1978 at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distribution pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

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, 2018.



STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

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

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, 2018 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, 2018, 2017, and 2016 were \$91,435, \$90,291, and \$89,338, respectively, which equal the required contributions for each year.

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.

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 \$60,127 for the year ending June 30, 2018.

STATE OF NEW MEXICO  
 FIFTH JUDICIAL DISTRICT COURT  
 Notes to Financial Statements  
 June 30, 2018

10. Operating Leases (continued)

Annual future minimum lease payments are as follows:

2019	\$	67,381
2020		51,222
2021		18,051
2022		14,123
	\$	<u>150,777</u>

11. Risks of Loss

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

12. Unrestricted Deficit Net Position

GASB 34 requires recording of capitalized assets, net of accumulated depreciation and long-term liabilities, which result in an unrestricted net position deficit of \$165,699. This deficit is created by compensated absences liabilities which are expected to be paid from subsequent years state general fund appropriations.

13. Prior Year Adjustments

The prior period statements were restated as a result of prepaid postage in the amount of \$30,812 which should have been expensed in accordance with the State of New Mexico, Manual of Model Accounting Practices, FIN 10.1 Recording Inventory D.1.

14. New Accounting Standards

GASB 75

GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Notes to Financial Statements  
June 30, 2018

14. New Accounting Standards (continued)

GASB 75 (continued)

68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18). The Court adopted GASB Statement No. 75 during fiscal year 2018, with no significant impact to the Court's financial statement.

GASB 85

GASB Statement No. 85 Omnibus 2017 address practice issues identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (OPEB).

GASB 85 is effective for fiscal years beginning after June 15, 2017 (FY18). The Court adopted GASB Statement No. 85 during fiscal year 2018, with no significant impact to the Court's financial statements.

15. Evaluation of Subsequent Events

The Court has evaluated subsequent events through October 24, 2018, which is the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
 FIFTH JUDICIAL DISTRICT COURT  
 Statement of Changes in Fiduciary Assets and Liabilities  
 June 30, 2018

		Beginning Balance	Additions	Deletions	Ending Balance
<b>Assets</b>					
Cash in bank:					
State treasurer account	\$	-	1,268,753	(1,268,753)	-
Trust accounts		<u>2,151,581</u>	<u>501,846</u>	<u>(1,843,906)</u>	<u>809,521</u>
	\$	<u>2,151,581</u>	<u>1,770,599</u>	<u>(3,112,659)</u>	<u>809,521</u>
<b>Liabilities</b>					
Due to state treasurer	\$	-	1,268,753	(1,268,753)	-
Due to litigants		<u>2,151,581</u>	<u>501,846</u>	<u>(1,843,906)</u>	<u>809,521</u>
	\$	<u>2,151,581</u>	<u>1,770,599</u>	<u>(3,112,659)</u>	<u>809,521</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO  
 FIFTH JUDICIAL DISTRICT COURT  
 Schedule of Operating Transfers  
 For the Year Ended June 30, 2018

Description	Agency Transferred From	From Fund	To Fund	Reference	Transfer	
					In	Out
<b><u>Program Revenues</u></b>						
Other interagency services - LETF Drug Court	State General Fund	85300	14500	Laws 2017, Ch 135, Sec 4 B (5)	\$ 134,260	-
<b>Total Program Revenues</b>					\$ <u>134,260</u>	<u>-</u>
<b><u>State Appropriations</u></b>						
General Fund Appropriation	State General Fund	85300	14500	Laws 2017, Ch 135, Sec 4 B (5)	\$ 6,555,500	-
<b>Total State Appropriations</b>					\$ <u>6,555,500</u>	<u>-</u>
<b><u>Other Financing Sources</u></b>						
CASA and water appropriation	Administrative Office of the Courts	13900		Laws 2017, Ch 135, Sec 4 B (4)	\$ 340,563	-
<b>Total Other Financing Sources</b>					\$ <u>340,563</u>	<u>-</u>
<b><u>Reversion</u></b>						
General Fund Appropriation	Department of Finance & Administration	23500	85300	Laws 2017, Ch 135 Sec 3E - Reversion of current year miscellaneous income	\$ -	45,558
<b>Total Reversion</b>					\$ <u>-</u>	<u>45,558</u>

See Independent Auditors' Report.

INDEPENDENT AUDITORS' 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*

The Honorable Jane Schuler-Gray, Chief Judge  
Fifth Judicial District Court  
Roswell, New Mexico  
and  
Mr. Wayne Johnson, New Mexico State Auditor

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, and the budgetary comparisons of the general fund and major special revenue funds of the Fifth Judicial District Court (Court), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements and have issued our report thereon dated October 24, 2018. We also have audited the financial statements of the Court's fiduciary funds as of and for the year ended June 30, 2018, as listed in the table of contents.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Court'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

October 24, 2018



STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Schedule of Findings and Responses  
June 30, 2018

**Current Year Findings**

None.

**Prior Year Findings**

None.

STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT COURT  
Exit Conference  
June 30, 2018

The contents of this report were discussed at an exit conference held October 24, 2018.

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, LLC was represented by:

Ronald E. Schranz, CPA, CVA

The financial statements were prepared by the auditors, Burt & Company CPAs, LLC, with the assistance of the Court's personnel. However, the financial statements are the responsibility of management.