

STATE OF NEW MEXICO

SECOND JUDICIAL DISTRICT COURT

**Financial Statements and Schedules
With Independent Auditor's Report Thereon**

For the Fiscal Year Ended June 30, 2008

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

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June 30, 2008

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

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**STATE OF NEW MEXICO
JUDICIAL DISTRICT COURT**

OFFICIAL ROSTER

June 30, 2008

Judges

Honorable William Parnall	Division 1
Honorable Stan Whitaker	Division 2
Honorable M. Monica Zamora	Division 3
Honorable Linda M. Vanzi	Division 4
Honorable Ted Baca	Division 5
Honorable Neil Candelaria	Division 6
Honorable John J. Romero	Division 7
Honorable Ross C. Sanchez	Division 8
Honorable Robert Schwartz	Division 9
Honorable Theresa Baca	Division 10
Honorable Ernesto Romero	Division 11
Honorable Clay Campbell	Division 12
Honorable Valerie A Mackie Huling	Division 13
Honorable Reed Sheppard	Division 14
Honorable Richard J. Knowles	Division 15
Honorable Carl J. Butkus	Division 16
Honorable Nan G. Nash	Division 17
Honorable Denise Barela Shepherd	Division 18
Honorable Albert S. Murdoch	Division 19
Honorable William F. Lang, Chief Judge	Division 20
Honorable Angela J. Jewell	Division 21
Honorable Deborah Davis Walker	Division 22
Honorable Geraldine E. Rivera	Division 23
Honorable Kenneth H. Martinez	Division 24
Honorable Elizabeth Whitefield	Division 25
Honorable Charles Brown	Division 26

Administrative Officials

Juanita Duran	Court Administrator
Arthur Gallegos	Deputy Court Administrator
Farah French	Fiscal Services Director

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
ONE CALLE MEDICO
SANTA FE, NEW MEXICO 87505

DAVID G. ZLOTNICK, CPA
ASA LAWS, CPA
RICHARD SANDOVAL, CPA

TELEPHONE (505) 982-3894
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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

and

Honorable William F. Lang, Chief Judge
Second Judicial District Court
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Second Judicial District Court (Court), as of and for the year ended June 30, 2008 which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the combining and individual fund financial statements of the Second Judicial District Court as of and for the year ended June 30, 2008, presented as supplementary information as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Second Judicial District Court are intended to present the financial position and changes in financial position of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the entire state of New Mexico as of June 30, 2008 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in conformity 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 combining and individual general fund accounts of the Court as of June 30, 2008, and the respective changes in financial position and respective budget comparisons thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2008 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and on the combining and individual fund financial statements and budgetary comparisons. The supplementary information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards included in the supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Court. The supplementary information schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

Zlotnick, Laws & Sandoval, P.C.
Zlotnick, Laws & Sandoval, P.C.

December 15, 2008

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The Second Judicial District Court's discussion and analysis is provided as an overview of the Court's financial activities for the fiscal year ending June 30, 2008. In fiscal year 2002, the Court adopted the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB 34) which established new financial reporting requirements for state and local governments throughout the United States. The new requirements were developed by GASB to make annual reports more comprehensive and easier to understand and use.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10), provide information about the Court as a whole and presents a longer term view of the court's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Court's operations in more detail than the government-wide statements by providing information about the Court's most significant funds. The Statement of Fiduciary Net Assets provides information about activities for which the Court acts solely as agent for the benefit of others, to whom the resources belong.

Government-Wide Financial Statements

Government-wide financial statements report information about the Court as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

Fund Financial Statements

The fund financial statements provide more detailed information about the Court's most significant funds, not the Court as a whole. Funds are accounting devices that the Court uses to keep track of specific sources of funding and spending for particular purposes.

The Court has two types of funds:

- Governmental funds - Most of the Court's basic services are included in governmental funds, which focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending.
- Fiduciary funds - The Court maintains three agency funds to account for monies held on behalf of others. These funds are purely custodial in nature thus do not include measurement of the results of operations.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Condensed Financial Information:

	<u>FY2008</u>	<u>FY2007</u>	Percent Change
STATEMENT OF NET ASSETS			
ASSETS			
Current and other assets	\$ 1,513,348	\$ 1,014,306	49.20%
Capital assets, net	695,642	936,428	-25.71%
Total assets	<u>2,208,990</u>	<u>1,950,734</u>	13.24%
LIABILITIES			
Current liabilities	1,755,008	1,284,363	36.64%
Long term liabilities	120,925	114,981	5.17%
Total liabilities	<u>1,875,933</u>	<u>1,399,344</u>	34.06%
NET ASSETS			
Invested in capital assets	695,642	936,428	-25.71%
Restricted	508,400	453,101	12.20%
Unrestricted	(870,985)	(838,139)	3.92%
Total net assets	<u>\$ 333,057</u>	<u>\$ 551,390</u>	-39.60%
STATEMENT OF ACTIVITIES			
REVENUES			
Program revenues	\$ 1,989,942	\$ 1,865,297	6.68%
General revenue, net of transfers	21,992,163	20,439,733	7.60%
Total revenues	<u>23,982,105</u>	<u>22,305,030</u>	7.52%
EXPENSES			
Judicial	<u>24,200,438</u>	<u>22,526,569</u>	7.43%
Change in net assets	(218,333)	(221,539)	-1.45%
Net assets, beginning of year	<u>551,390</u>	<u>772,929</u>	-28.66%
Net assets, end of year	<u>\$ 333,057</u>	<u>\$ 551,390</u>	-39.60%

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Financial Highlights

The financial position and results from operation for the Second Judicial District Court improved during the year ended June 30, 2008 as a result of increased funding levels. Total assets at June 30, 2008, were \$2,208,990. This includes cash and cash equivalents of \$1,429,993, due from external parties of \$7,752, due from other state agencies of \$13,600, due from local governments of \$62,003 and capital assets of \$695,642, net of accumulated depreciation of \$2,229,716. Total liabilities were \$1,875,933, including current liabilities of \$1,755,008 and long-term liabilities of \$120,925. Net assets include unrestricted net assets of (\$870,985), restricted net assets of \$508,400 and \$695,642 invested in capital assets.

Total revenues for the year ended June 30, 2008 were \$23,988,505. This included State general fund appropriation of \$20,868,548, net of reversion, revenue from other state funds of \$1,130,015, revenue from operating grants of \$387,946, charges for services in the amount of \$205,100, court fees of \$517,052 and revenue from federal grants of \$879,844. Total expenses were \$24,200,438. The total change in net assets for the year was a decrease of \$218,333, resulting in a net asset balance of \$333,057 as of June 30, 2008.

The amount due to the State General Fund was \$16,010. This reversion figure includes the actual amount reverted for fiscal year 2008. The Court Regular General Fund reversion for fiscal year 2008 was \$10,667. The Child Support Hearing Officer Program reversion for fiscal year 2008 was \$5,343.

Total fund equity was \$509,900 which includes \$1,500 for petty cash and other cash, \$285,892 from the Court Mediation fund, and \$222,508 from the Court Arbitration fund. Special Revenue Funds are non-reverting funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds include Court Mediation and Court Arbitration.

The decrease in net assets in fiscal year 2008 was due to an increase in accumulated depreciation of Capital Assets.

Other Financial Highlights

The Second Judicial District Court is responsible for monitoring and maintaining all litigant funds. Agency funds are not "operating" funds but are purely custodial and thus do not involve a measurement of results of operations. The funds are deposited into registry and savings trust accounts. The Court's savings account is established through the State Treasurer's Local Government Investment Pool (LGIP) and earned an average of 4.19% interest during the year ending June 30, 2008. In order for the Court to deposit funds into this account, deposits must exceed \$25,000 or the Court Order must specify the funds be deposited into a savings account. All other funds are deposited into the registry account through a local bank and all interest accrued is transferred to the State Treasurer's Office.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

General Fund Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to the Court. Budget adjustments require approval by the New Mexico Department of Finance and Administration. These budget adjustments fall into the following three categories:

- Amendments approved shortly after the beginning of the year to reflect the actual beginning account balances.
- Budget adjustments requests that increase or decrease other State funds based on actual revenues.
- Increases or reallocations of appropriations to prevent budget overruns.

The fiscal year 2008 legislative session lasted 30 days. The Court requested \$23.6 million and was appropriated \$24.1 million. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration.

Approved budgets increased by \$57,617 during the year from the original amount of \$24,174,558 to \$24,232,175. The less than 1% increase is primarily attributed to re-establishing the budget for the VAWA grant and increasing the UNMH Pre Trial Services and Child Support budgets to match the actual contract amounts. Actual budgetary basis expenditures of \$23,933,006 are within the total allowed in the final approved budget by \$299,169.

The statement of revenues and expenditures reflects a balance of \$55,499 for the net change in fund balances in the Total Governmental Funds column. Contributing factors to the excess were that the Court increased the revenue carryover for Special Revenue Funds. These special revenue funds include Mediation and Court Alternatives (Arbitration).

Capital Assets

The Court's capital assets for the year ended June 30, 2008 increased by \$5,082. This includes furniture and equipment needed for the courthouse. The Court does not own any real property or infrastructure assets.

Long Term Liabilities

Long term Liabilities consist entirely of accrued compensated absences. The long term portion of accrued compensated absences increased by \$5,944 during the year.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Agency Highlights

The fund financial statements provide more detailed information about the Second Judicial District Court's General Fund and its components, which include the child support enforcement hearing officer fund, grants, and contracts. The general fund appropriation of \$20,884,558 includes Court Regular, Adult Drug Court, Juvenile Drug Court, Domestic Violence FAIR Program, VAWA Program, Truancy Program, FDDC Program and Judicial Supervision Program f/k/a Mental Health Court. This amount is an increase of \$1,738,758, or just over 9%, from the prior fiscal year. Other State Funds decreased by \$202,635, or 15%, from the prior fiscal year. Other State Funds for the fiscal year 2008 include \$970,000 for a compensation package towards judges and employee salaries and \$160,000 for Truancy Court from PED. The Child Support Enforcement Hearing Officer fund was created through a grant agreement from the Human Services Department for \$870,136. This reflects an increase of \$43,081, or 5%, over fiscal year 2007. Grant revenues increased by \$8,297 or 2 %, from the prior year. The amount of \$397,653 for grants under the general fund column includes funds received through the PreTrial Services Program and Violence Against Women Act (VAWA) grant. Grant revenue from VAWA is on a cost reimbursement basis.

The Major Fund column in the fund financial statements, consists of the Court Mediation fund, which primarily supports the Court Clinic Division. The Court Clinic is a division within the Court that provides services to all District Court Judges, Hearing Officers, and Special Commissioners. The revenue generated comes from a portion of domestic relations filings fees collected as well as advisory consultation fees collected from clients based on a sliding fee scale. The Court has statutory authority to collect both these fees. Expenses incurred from the Court Mediation fund include salary and benefits. Revenue generated in fiscal year 2008 was \$314,702, an increase of \$40,058 or just over 13% from fiscal year 2007. The Court Mediation fund is non-reverting.

The Other Fund column in the fund financial statements consists of the Court Alternatives (Arbitration) Program, which offers settlement facilitation for civil and domestic relations cases. The program generates revenues through a portion of the civil filing fees collected. Pursuant to statute, any judicial district that has established a Court Alternatives Program may collect a fee of \$15 on all new and reopened civil cases. In fiscal year 2008, the revenue generated for this program was \$202,350 an increase of \$10,565; or just over 5% from fiscal year 2007. This is also a non-reverting fund.

Economic Factors and Next Year's Budget

The budget request for fiscal year 2009 was \$25.5, which included the general fund and special revenue funds. The approved appropriation was \$25.1 million. This included staff expansion.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Request for Information

This financial report is designed to provide the general public and other interested parties with a general overview of this Court's finances and accountability of funds. Questions concerning this report or request for additional information should be addressed to the Second Judicial District Court, 400 Lomas Blvd. NW, Albuquerque, NM 87102.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,429,993
Due from external parties	7,752
Due from other state agencies	13,600
Due from local governments	62,003
Capital assets, net (see Note 4)	<u>695,642</u>
 Total assets	 <u>\$ 2,208,990</u>
 LIABILITIES	
Accounts payable	\$ 69,492
Accrued payroll	923,873
Due to State General Fund	10,083
Compensated absences (see Note 7)	
Due within one year	751,560
Due in more than one year	<u>120,925</u>
 Total liabilities	 <u>1,875,933</u>
 NET ASSETS	
Invested in capital assets	695,642
Restricted for program expenditures	508,400
Unrestricted	<u>(870,985)</u>
 Total net assets	 <u>\$ 333,057</u>

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

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	<u>Governmental Activities</u>
Expenses:	
Judicial:	
Administrative services	\$ 23,954,570
Depreciation expense	245,868
Total expenses	<u>24,200,438</u>
 Program Revenues:	
Charges for services	205,100
Court fees	517,052
Federal grants - operating	588,214
Other operating grants	679,576
Total program revenues	<u>1,989,942</u>
 Net program expenses	 (22,210,496)
 General Revenue and Transfers:	
General fund appropriation	20,884,558
Other state funds	1,130,015
Transfers:	
Other transfer out - UNM	(6,400)
Reversion to State General Fund	(16,010)
Total general revenue and transfers	<u>21,992,163</u>
 Change in net assets	 (218,333)
 Net assets-June 30, 2007	 <u>551,390</u>
 Net assets -June 30, 2008	 <u><u>\$ 333,057</u></u>

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

FUND FINANCIAL STATEMENTS

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	Major Funds			
	General Fund	Mediation Fund	Alternative Dispute Resolution	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 936,778	\$ 267,302	\$ 225,913	\$ 1,429,993
Due from external parties	1,399	3,098	3,255	7,752
Due from other funds	-	26,155	-	26,155
Due from other state agencies	13,600	-	-	13,600
Due from local governments	62,003	-	-	62,003
 Total assets	 \$ 1,013,780	 \$ 296,555	 \$ 229,168	 \$ 1,539,503
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 69,492	\$ -	\$ -	\$ 69,492
Accrued payroll	906,550	10,663	6,660	923,873
Due to other funds	26,155	-	-	26,155
Due to State General Fund	10,083	-	-	10,083
 Total liabilities	 1,012,280	 10,663	 6,660	 1,029,603
 Fund Balances:				
Reserved for:				
Petty cash	1,500	-	-	1,500
Program expenditures	-	285,892	222,508	508,400
 Total fund balances	 1,500	 285,892	 222,508	 509,900
 Total liabilities and fund balances	 \$ 1,013,780	 \$ 296,555	 \$ 229,168	 \$ 1,539,503

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

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

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

June 30, 2008

Total fund balances for governmental funds	\$ 509,900
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:	
Property, plant & equipment	\$ 2,925,358
Accumulated depreciation	<u>(2,229,716)</u>
Total capital assets	695,642
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:	
Compensated absences	<u>(872,485)</u>
Net Assets of Governmental Activities	<u><u>\$ 333,057</u></u>

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

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	Mediation Fund	Alternative Dispute Resolution	
REVENUES				
Charges for services	\$ 205,100	\$ -	\$ -	\$ 205,100
Court fees	-	314,702	202,350	517,052
Federal grants - operating	588,214	-	-	588,214
Other grants	679,576	-	-	679,576
Total revenues	<u>1,472,890</u>	<u>314,702</u>	<u>202,350</u>	<u>1,989,942</u>
EXPENDITURES				
Current:				
Administrative services	23,459,771	276,312	185,441	23,921,524
Capital outlay	5,082	-	-	5,082
Total expenditures	<u>23,464,853</u>	<u>276,312</u>	<u>185,441</u>	<u>23,926,606</u>
Excess (deficiency) of revenues over expenditures	(21,991,963)	38,390	16,909	(21,936,664)
OTHER FINANCING SOURCES (USES)				
Transfers out:				
Other transfer out - UNM	(6,400)	-	-	(6,400)
Reversions to the State General Fund:				
FY2008	(16,010)	-	-	(16,010)
Transfers in:				
General fund appropriation	20,884,558	-	-	20,884,558
Other state funds	1,130,015	-	-	1,130,015
Bond proceeds appropriation	-	-	-	-
Total other financing sources (uses)	<u>21,992,163</u>	<u>-</u>	<u>-</u>	<u>21,992,163</u>
Net change in fund balances	200	38,390	16,909	55,499
Fund balances - June 30, 2007	<u>1,300</u>	<u>247,502</u>	<u>205,599</u>	<u>454,401</u>
Fund balances - June 30, 2008	<u>\$ 1,500</u>	<u>\$ 285,892</u>	<u>\$ 222,508</u>	<u>\$ 509,900</u>

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

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

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

For the Year Ended June 30, 2008

Net Change in fund balances - total governmental funds \$ 55,499

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the

Capital outlay	\$ 5,082	
Depreciation expense	<u>(245,868)</u>	
Excess of depreciation expense over capital outlay		(240,786)

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

Increase in compensated absences	<u>(33,046)</u>
----------------------------------	-----------------

Change in Net Assets of Governmental Activities \$ (218,333)

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

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

**Statement of Revenues and Expenditures-Budget and Actual
(Budgetary Basis)
GENERAL FUND**

For the Year Ended June 30, 2008

	GENERAL FUND			
	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Misc. revenue	\$ 184,600	\$ 184,600	\$ 205,100	\$ 20,500
Appropriations	20,884,558	20,884,558	20,884,558	-
Federal grants	826,900	879,871	879,844	(27)
Other grants	383,300	377,946	387,946	10,000
Other financing sources	<u>1,200,000</u>	<u>1,210,000</u>	<u>1,130,015</u>	<u>(79,985)</u>
Total revenues	<u><u>\$ 23,479,358</u></u>	<u><u>\$ 23,536,975</u></u>	<u><u>\$ 23,487,463</u></u>	<u><u>\$ (49,512)</u></u>
EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$ 21,742,358	\$ 21,694,333	\$ 21,633,716	\$ 60,617
Contractual services	502,200	362,810	359,508	3,302
Other costs	1,228,400	1,473,432	1,471,629	1,803
Other financing uses	<u>6,400</u>	<u>6,400</u>	<u>6,400</u>	<u>-</u>
Total expenditures	<u><u>\$ 23,479,358</u></u>	<u><u>\$ 23,536,975</u></u>	<u><u>\$ 23,471,253</u></u>	<u><u>\$ 65,722</u></u>

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

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

**Statement of Revenues and Expenditures-Budget and Actual
(Budgetary Basis)
MAJOR FUND**

For the Year Ended June 30, 2008

	MEDIATION FUND			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 133,700	\$ 133,700	\$ 121,560	\$ (12,140)
Pay/care individual	133,800	133,800	193,142	59,342
Total revenues	267,500	267,500	\$ 314,702	\$ 47,202
Fund balance	116,300	116,300		
Total resources	\$ 383,800	\$ 383,800		
EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$ 383,800	\$ 383,800	\$ 276,312	\$ 107,488

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

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

**Statement of Revenues and Expenditures-Budget and Actual
(Budgetary Basis)
MAJOR FUND**

For the Year Ended June 30, 2008

	ALTERNATIVE DISPUTE RESOLUTION			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 266,900	\$ 266,900	<u>\$ 202,350</u>	<u>\$ (64,550)</u>
Fund balance	<u>44,500</u>	<u>44,500</u>		
Total resources	<u>\$ 311,400</u>	<u>\$ 311,400</u>		
EXPENDITURES				
Administrative Services:				
Personal services & benefits	<u>\$ 311,400</u>	<u>\$ 311,400</u>	<u>\$ 185,441</u>	<u>\$ 125,959</u>

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

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS

June 30, 2008

	<u>AGENCY FUND</u>
ASSETS	
Cash and cash equivalents	<u>6,874,152</u>
LIABILITIES	
Due to external parties	<u>6,874,152</u>
NET ASSETS	
Total net assets	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Second Judicial District Court (Court) operates under Section 34-6-1, 34-6-2, 34-6-5 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Court covers Bernalillo County, New Mexico. The Court is comprised of twenty four 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."

The Second Judicial District Court is a component unit of the Judicial Branch and these financial statements include all funds and activities over which the Court has oversight responsibility. The Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The District Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Court has no component units that are required to be reported in its financial statements.

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

A. Basis of Accounting- GASB Statement No. 34

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Court, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Court has no business-type activities; therefore these statements only reflect governmental activities.

Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. Grants revenue is recorded when all applicable eligibility or reimbursement requirements are met.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the 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 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 Courts actual experience confirms 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting (continued)

The Court's fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Court first uses restricted resources then unrestricted resources.

The accounts of the Court are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Court:

Governmental Funds

General Fund - The General Fund is the general operating fund of the District Court. 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 SHARE fund number is #14200 - Court Regular.

Hearing Officer - The Child Support Enforcement Hearing Officer Fund is a component of the General Fund. It was created through a contract with the Human Services Department. Unused funds are to be refunded to the Human Services Department at program termination. The SHARE fund number is # 67900.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation - Fund Accounting (continued)

Special Revenue Funds - Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for operations of the Court.

Court Mediation - The Court has established a domestic relations mediation program pursuant to Section 5 (40-12-5, NMSA 1978 Comp.) of the Domestic Relations Mediations Act. Deposits to this fund shall include payments made through the imposition of a sliding fee scale and the collection of a surcharge provided for in the Domestic Relations Mediation Act. The fund is non-reverting. The SHARE fund number of the Mediation Fund is # 92000. This fund is considered a major fund.

Alternative Dispute Resolution - The Court has established an Alternative Dispute Resolution Fund pursuant to Section 34-6-45 NMSA 1978. The fund obtains its resources from the imposition of a \$15 fee on all new and reopened civil cases. The fund is non-reverting. The SHARE fund number is # 92200. This fund is considered a major fund.

Fiduciary Funds

Agency 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 are used to collect and distribute court fees assessed per State Statute.

C. Assets, Liabilities and Equity

Cash and Investments

The Court's cash and cash equivalents include demand deposits, savings accounts, investment in state general fund investment pool and local government investment pool used to hold litigant deposits.

Receivables

All receivables are fully collectible.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated.

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	10	years
Equipment and Machinery	5-10	years
Data Processing	3-5	years
Vehicles	7	years
Software	3	years

The Court does not depreciate its art collection to reflect the inexhaustible nature of art work.

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.

Long-Term Liabilities

Compensated Absences

The Court's policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current and noncurrent liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Equity

Government-Wide Statements

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

- i. *Invested 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.
- ii. *Restricted net assets*, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- iii. *Unrestricted net assets* are all other net assets that do not meet the definition of “restricted” or “invested 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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balances at year end represent amounts reserved for future program specific expenditures.

D. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee’s current hourly rate. Sick leave is payable annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements. Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 month - 3 yrs	10
Over 3 - 7 yrs	12
Over 7 - 14 yrs	14
Over 14 yrs - beyond	16

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Compensated Absences Payable (Continued)

The maximum accrued annual leave of 240 hours may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Court allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

Court General Fund resources have been used to liquidate accrued compensated absences in the past.

E. Program Revenues

Program revenues include federal and state grants, charges for tapes and copies of court proceedings and court fees collected per statute designated for court operations. Grant revenues are recognized when all eligibility requirements have been met.

F. Budgets and Budgetary Accounting

The Second Judicial District 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 Judicial Budget Office (JBO), the Legislative Finance Committee (LFC) and the Department of Finance and Administration 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 Second 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting (continued)

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 JBO and the director of the DFA - Budget Division. The current year budget was revised in a legal manner.

6. Legal budget control for expenditures and encumbrances is by category.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
8. The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.
9. Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.
10. The State of New Mexico and the Second Judicial District Court budget the Child Support Hearing Officer grant as federal money. The New Mexico Human Services Department considers the pass through fund to be 2/3 federal money.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Interfund Activity

Amounts due to and due from other funds were created because general fund money was used to pay for special projects of other funds which was then reimbursed by grantors. Interfund receivables or payables at year end are netted as part of the reconciliation to the government-wide financial statements.

(2) COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

Section 6-10-17, 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 issues separate financial statements which disclose the collateral pledged to secure these deposits.

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at year end are classified as follows:

	Bank Balance	Book Balance
Governmental Funds:		
Investment in State General Fund		
Investment Pool	\$ 1,428,493	\$ 1,428,493
Petty cash	1,500	1,500
	\$ 1,429,993	\$ 1,429,993
Agency Funds:		
New MexiGROW Local		
Government Investment Pool (LGIP)	\$ 5,795,729	\$ 5,807,255
Cash in Bank:		
FDIC insured	100,000	
Collateralized	496,790	
Uncollateralized	496,790	
Total cash in bank	1,093,580	1,066,897
Total cash - agency funds	\$ 6,889,309	\$ 6,874,152

Detail of pledged collateral for the \$993,580 is not available because the bank commingles pledged collateral for all state funds they hold. The collateralization of these accounts is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(3) CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk – Cash in Bank

Custodial credit risk is the risk that in the event of a bank failure the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. As of June 30, 2008 \$1,093,580 of the Court's bank account balances was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledged bank not in the name of the Court or the State of New Mexico.	\$ <u>993,580</u>
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With respect to the New MexiGROW LGIP, public funds are not required to disclose custodial credit risk and concentration of credit risk for external investment pool. The New MexiGROW LGIP has no foreign currency risk as all investments in the pool are in U.S. dollar denominated assets.

Interest Rate Risk & Credit Risk - New MexiGROW LGIP

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The New MexiGROW LGIP, a government investment pool is rated by Standard & Poor's. The Court's investment in the New MexiGROW LGIP at June 30, 2008 consists of the following:

New MexiGROW LGIP	AAA _m rated	\$5,807,255	46-day WAM
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(4) INTERFUND BALANCES

Interfund balances at year end consist of the following:

<u>Mediation Fund</u>	
Due from general fund	\$ <u>26,155</u>
 <u>General Fund</u>	
Due to Mediation fund	\$ <u>26,155</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(5) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Depreciable				
Furniture & Fixtures	\$ 1,588,840	\$ -0-	\$ -0-	\$ 1,588,840
Data Processing	739,214	-0-	-0-	739,214
Machinery & Equipment	510,372	5,082	-0-	515,454
Vehicles	51,850	-0-	-0-	51,850
Sub-total	2,890,276	5,082	-0-	2,895,358
Non-depreciable				
Artwork	30,000	-0-	-0-	30,000
Total	\$ 2,920,276	\$ 5,082	\$ -0-	\$ 2,925,358
Accumulated Depreciation:				
Furniture & Fixtures	\$ (949,729)	\$ (146,216)	\$ -0-	\$ (1,095,945)
Data Processing	(729,986)	(8,179)	-0-	(738,165)
Machinery & Equipment	(267,770)	(84,067)	-0-	(351,837)
Vehicles	(36,363)	(7,407)	-0-	(43,770)
Total	(1,983,848)	(245,868)	-0-	(2,229,716)
Total (Net Asset)	\$ 936,428	\$ (240,786)	\$ -0-	\$ 695,642

Current year depreciation expense is \$245,868.

(6) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$10,083 in 2008 reversion that will be remitted to the state general fund.

(7) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Annual Leave	\$ 808,829	\$ 1,022,159	\$ 987,629	\$ 843,359	\$ 728,944
Sick Leave	19,676	36,098	32,762	23,012	16,502
Compensatory Leave	10,934	-0-	4,820	6,114	6,114
Total	\$ 839,439	\$ 1,058,257	\$1,025,211	\$ 872,485	\$ 751,560

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(8) OPERATING LEASES

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual nonappropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$142,342 for the year ending June 30, 2008. Annual future minimum lease payments are as follows:

June 30, 2009	\$ 138,843
June 30, 2010	107,873
June 30, 2011	98,235
June 30, 2012	63,265
June 30, 2013	<u>7,517</u>
Total	<u>\$ 415,732</u>

(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 the New Mexico Public Employee's Retirement Association, which administers the plan.

(10) RETIREE HEALTH CARE ACT CONTRIBUTION

Plan Description

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(10) RETIREE HEALTH CARE ACT CONTRIBUTION (continued)

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan.

That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Second Judicial District Court's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$203,832, \$185,635 and \$171,378, respectively, which equal the required contributions for each year.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(11) PERA RETIREMENT PLAN

Plan Description

Substantially all of the Court's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Court is required to contribute 16.59% 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, 2008, 2007 and 2006 were \$2,178,262, \$1,990,376 and \$1,825,843, respectively, equal to the amount of the required contributions for each fiscal year.

(12) JRA RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute 7.5% of their gross salary. The Court is required to contribute 12% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2008, 2007 and 2006 were \$332,674, \$298,420 and \$236,670, respectively, equal to the amount of the required contributions for each year.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(12) JRA RETIREMENT PLAN (Continued)

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$666,368, \$647,014 and \$599,222, in filing fees for the year ending June 30, 2008, 2007 and 2006, respectively.

(13) RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP

A reconciliation of revenues and expenditures on the budgetary basis to revenues and expenditures on a GAAP basis for the fiscal year ended June 30, 2008 follows:

	<u>Revenue</u>	<u>Expenditures</u>
<u>General Fund</u>		
Budgetary Basis	\$ 23,487,463	\$ 23,471,253
Reclassified to other financing sources/uses	<u>(22,014,573)</u>	<u>(6,400)</u>
GAAP basis	\$ <u>1,472,890</u>	\$ <u>23,464,853</u>

(14) RISK OF LOSS

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. 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 with a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 01, 2007 through June 30, 2008.

SUPPLEMENTARY INFORMATION

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

COMBINING BALANCE SHEET - GENERAL FUND

June 30, 2008

	<u>COURT REGULAR</u>	<u>HEARING OFFICER</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 895,828	\$ 40,950	\$ 936,778
Due from external parties	1,399	-	1,399
Due from other state agencies	13,600	-	13,600
Due from local governments	62,003	-	62,003
Total assets	<u>\$ 972,830</u>	<u>\$ 40,950</u>	<u>\$ 1,013,780</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 68,908	\$ 584	\$ 69,492
Accrued payroll	871,527	35,023	906,550
Due to other funds	26,155	-	26,155
Due to State General Fund	4,740	5,343	10,083
Total liabilities	<u>971,330</u>	<u>40,950</u>	<u>1,012,280</u>
Fund Balances:			
Reserved for:			
Petty cash	1,500	-	1,500
Total fund balances	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total liabilities and fund balances	<u>\$ 972,830</u>	<u>\$ 40,950</u>	<u>\$ 1,013,780</u>

See Auditor's Report.

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

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
GENERAL FUND
For the Year Ended June 30, 2008**

	COURT REGULAR	HEARING OFFICER	TOTAL
REVENUES			
Charges for services	\$ 205,100	\$ -	\$ 205,100
Federal grants - operating	9,707	578,507	588,214
Other grants	387,946	291,630	679,576
	602,753	870,137	1,472,890
EXPENDITURES			
Current:			
Administrative services	22,600,059	859,712	23,459,771
Capital outlay	-	5,082	5,082
	22,600,059	864,794	23,464,853
Excess (deficiency) of revenues over expenditures	(21,997,306)	5,343	(21,991,963)
OTHER FINANCING SOURCES (USES)			
Transfers out:			
Other transfer out - UNM	(6,400)	-	(6,400)
Reversions to the State General Fund:			
FY2008	(10,667)	(5,343)	(16,010)
Transfers in:			
General fund appropriation	20,884,558	-	20,884,558
Other state funds	1,130,015	-	1,130,015
Total other financing sources (uses)	21,997,506	(5,343)	21,992,163
Net change in fund balances	200	-	200
Fund balances - June 30, 2007	1,300	-	1,300
Fund balances - June 30, 2008	\$ 1,500	\$ -	\$ 1,500

See Auditor's Report

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

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND**

For the Year Ended June 30, 2008

COURT REGULAR				
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Misc. revenue	\$ 184,600	\$ 184,600	\$ 205,100	\$ 20,500
Appropriations	20,884,558	20,884,558	20,884,558	-
Federal grants	-	9,735	9,707	(28)
Other grants	383,300	377,946	387,946	10,000
Other financing sources	1,200,000	1,210,000	1,130,015	(79,985)
 Total revenues	<u>\$22,652,458</u>	<u>\$22,666,839</u>	<u>\$22,617,326</u>	<u>\$ (49,513)</u>
 EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$20,989,158	\$20,879,413	\$20,824,049	\$ 55,364
Contractual services	495,700	362,810	359,508	3,302
Other costs	1,161,200	1,418,216	1,416,502	1,714
Other financing uses	6,400	6,400	6,400	-
 Total expenditures	<u>\$22,652,458</u>	<u>\$22,666,839</u>	<u>\$22,606,459</u>	<u>\$ 60,380</u>
HEARING OFFICER				
REVENUES				
Federal grants	<u>\$ 826,900</u>	<u>\$ 870,136</u>	<u>\$ 870,137</u>	<u>\$ 1</u>
 EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$ 753,200	\$ 814,920	\$ 809,667	\$ 5,253
Contractual services	6,500	-	-	-
Other costs	67,200	55,216	55,127	89
 Total expenditures	<u>\$ 826,900</u>	<u>\$ 870,136</u>	<u>\$ 864,794</u>	<u>\$ 5,342</u>

See Auditor's Report.

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

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

For the Year Ended June 30, 2008

	Agency Fund			
	Beginning Balance	Increase	Decrease	Ending Balance
Court clerk account	\$ 188,543	4,343,292	\$ 4,495,267	\$ 36,568
Litigant accounts	7,933,460	16,154,146	17,250,022	6,837,584
	\$ 8,122,003	\$ 20,497,438	\$ 21,745,289	\$ 6,874,152
Due to mediation	\$ 8,630	\$ 314,702	\$ 320,234	\$ 3,098
Due to arbitration	6,405	202,350	205,500	3,255
Due to court operating	100,450	1,665,058	1,764,109	1,399
Due to state general fund	13,035	429,153	436,622	5,566
Due to other agencies	60,023	1,732,029	1,768,802	23,250
Due to litigants	7,933,460	16,154,146	17,250,022	6,837,584
	\$ 8,122,003	\$ 20,497,438	\$ 21,745,289	\$ 6,874,152

See Auditor's Report.

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

SCHEDULE OF OPERATING TRANSFERS

For the Year Ended June 30, 2008

	SHARE FUND	TITLE	TRANSFER	
			In	Out
General Fund - Regular (14200)				
(1)	85300	Department of Finance & Administration	\$20,005,600	\$ -
(2)	85300	Department of Finance & Administration	40,000	-
(3)	85300	Department of Finance & Administration	103,480	-
(4)	85300	Department of Finance & Administration	23,000	-
(5)	85300	Department of Finance & Administration	50,000	-
(6)	85300	Department of Finance & Administration	662,478	-
(7)	85300	Department of Finance & Administration	970,015	-
(8)	79000	Public Education Department	160,000	-
(9)	85300	Department of Finance & Administration	-	16,010
(10)	-	University of New Mexico	-	6,400
			\$22,014,573	\$ 22,410

- (1) General Fund Appropriation, Laws of 2007, Chapter 28, Section 4.
- (2) Judicial Specialists, Laws of 2007, Chapter 21, Section 1, Item 4A, Senate Bill 611.
- (3) Judicial Specialists, Laws of 2007, Chapter 21, Section 1, Item 4B, Senate Bill 611.
- (4) Staff Expansion, Laws of 2007, Chapter 21, Section 1, Item 4C, Senate Bill 611.
- (5) Civil Staff Attorney, Laws of 2007, Chapter 21, Section 1, Item 4D, Senate Bill 611.
- (6) Two Judgeships, Laws of 2007, Chapter 140, Section 7, Item A1, House Bill 291.
- (7) Compensation Package, Laws of 2007, Chapter 28, Section 8, Item A1 & A2.
- (8) Truancy Court, Laws of 2007, Chapter 28, Section 4.
- (9) Reversion to State General Fund already made.
- (10) Payment for new judge training.

See Auditor's Report.

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

SCHEDULE OF DEPOSITS AND INVESTMENTS

June 30, 2008

	<u>SHARE/ Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
Governmental Funds			
New Mexico State Treasurer			
Court Regular	14200		\$ 894,328
Child Support Hearing Officer	67900		40,950
Court Mediation	92000		267,302
Court Arbitration (Alternative Dispute)	92200		225,913
Petty cash	N/A		<u>1,500</u>
Total governmental			<u><u>\$ 1,429,993</u></u>
 AGENCY FUND			
Litigant Accounts:			
Wells Fargo	Checking	\$ 189	\$ 5
Wells Fargo	Checking	1,093,391	1,030,323
New MexiGROW Local Government			
Investment Pool	Investment	5,795,729	5,807,255
Court Clerk Account:			
Wells Fargo	Checking	<u>-</u>	<u>36,569</u>
Total Agency Fund		<u><u>\$ 6,889,309</u></u>	<u><u>\$ 6,874,152</u></u>

See Auditor's Report

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

MEMORANDUM OF UNDERSTANDING

June 30, 2008

- a) Participants: The Second Judicial District Attorney's Office and the Second Judicial District Court.
- b) Responsible party for operations: The Second Judicial District Attorney's Office.
- c) Descriptions – The scope of this agreement is for the District Attorney's Office to provide a paralegal/legal assistant for the Adult Drug Court. The paralegal/legal assistant will provide screening for all pre-indictment cases and make referrals based on the results of each screening. The paralegal/legal assistant will work with the District Attorney and Public Defender to put together diversion packets.
- d) Beginning and ending dates of agreement: July 1, 2007 to June 30, 2008.
- e) Total estimated amount of project is \$44,300.
- f) The Court contributed \$44,300 in the current fiscal year.
- g) The District Attorney's Office has audit responsibility.
- h) The District Attorney's Office is the fiscal agent.
- i) The District Attorney's Office reports all revenues and expenditures.

See Auditor's Report

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Pass through program from:			
New Mexico Crime Victims Reparation Commission			
Violence Against Women Act	16-588	2007-WF-231	\$ 9,707
 <u>U.S. Department of Health and Human Services</u>			
Pass through from New Mexico Human Services Department			
* Child Support Enforcement	93-563	GSA 06-630-6000-0008 A-2	<u>578,507</u>
			<u>\$ 588,214</u>

* Denotes Major Program

Note 1> Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial

Note 2> Outstanding Loans and Subrecipients

The Court does not receive any non-cash assistance, outstanding loan nor provides federal awards for subrecipients.

Note 3> Other

About 2/3 of the pass through grant from NM Human Services Department is considered to be federal funds.

See Auditor's Report.

OTHER REPORTS

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
ONE CALLE MEDICO
SANTA FE, NEW MEXICO 87505

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

Hector H. Balderas
New Mexico State Auditor
and
Honorable William F. Lang, Chief Judge
Second Judicial District Court
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, which collectively comprise the Court's basic financial statements as listed in the table of contents, and the combining and individual funds presented as supplementary information of the State of New Mexico, Second Judicial District Court (Court), as of and for the year ended June 30, 2008 and have issued our reported thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Court's internal control.

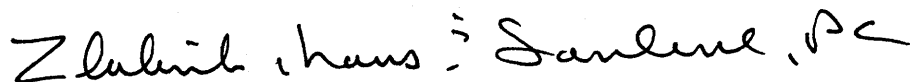
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the Court, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and applicable federal grantors, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Zlotnick, Laws & Sandoval, P.C.

December 15, 2008

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
and
Honorable William F. Lang, Chief Judge
Second Judicial District Court
Albuquerque, New Mexico

Compliance

We have audited the compliance of the State of New Mexico, Second Judicial District Court (Court) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Court's management. Our responsibility is to express an opinion on the Court's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Court's compliance with those requirements.

In our opinion, the Second Judicial District Court complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

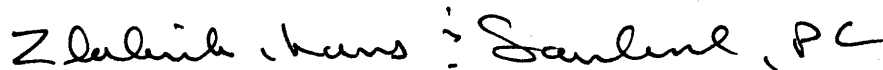
The management of the Court is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Court's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Court, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and applicable federal grantors, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Zlotnick, Laws & Sandoval, P.C.

December 15, 2008

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- A. Material weaknesses identified _____ Yes X No
- B. Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X No

Noncompliance material to the financial
statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- A. Material weaknesses identified? _____ Yes X No
- B. Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X No

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are
required to be reported in accordance
with 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers
93-563

Name of Federal Program or Cluster
Child Support Enforcement

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Section II - Financial Statement Findings

No matters were reported.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Section III - Federal Awards Findings

No matters were reported.

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

PRIOR YEAR FINDINGS

Year Ended June 30, 2008

<u>Reference Number</u>	<u>Condition</u>	<u>Disposition</u>
07-01	Compensated Absences	Resolved

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

Although the Court has expertise to prepare the financial statements, they contracted with and paid the auditor to prepare the report and assigned an individual to oversee our services.

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

EXIT CONFERENCE

June 30, 2008

The contents of this report were discussed at an exit conference held on December 9, 2008 with the following in attendance:

2nd Judicial District Court

Honorable William F. Lang, Chief Judge

Juanita M. Duran, Court Administrator

Farah French, Fiscal Services Director

Zlotnick, Laws & Sandoval, P.C.

Asa Laws, CPA

We appreciate the opportunity to be of service to the Second Judicial District Court and also appreciated the assistance provided to us by the management and staff.