

**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, 2007

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

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June 30, 2007

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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, 2007

Judges

Honorable Marie Baca	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 Mark A. Macaron	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 J. Michael Kavanaugh	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

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
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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, 2007 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, 2007, presented as supplemental information. 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, 2007 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, 2007, 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, 2007, 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 7, 2007 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 is not a required part of the basic financial statements but is supplemental 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 Management's Discussion and Analysis. 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 that collectively comprise the Court's basic financial statements and on the combining and individual fund financial statements. 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.

December 7, 2007

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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, 2007. 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, 2006

Condensed Financial Information:

	<u>FY2007</u>	<u>FY2006</u>	<u>Percent Change</u>
STATEMENT OF NET ASSETS			
ASSETS			
Current and other assets	\$ 1,014,306	\$ 1,286,512	-21.16%
Capital assets, net	936,428	1,213,647	-22.84%
Total assets	1,950,734	2,500,159	-21.98%
LIABILITIES			
Current liabilities	1,284,363	1,629,056	-21.16%
Long term liabilities	114,981	98,175	17.12%
Total liabilities	1,399,344	1,727,231	-18.98%
NET ASSETS			
Invested in capital assets	936,428	1,213,647	-22.84%
Restricted	453,101	333,385	35.91%
Unrestricted	(838,139)	(774,104)	8.27%
Total net assets	\$ 551,390	\$ 772,928	-28.66%

STATEMENT OF ACTIVITIES

REVENUES			
Program revenues	\$ 1,865,297	\$ 1,928,941	-3.30%
General revenue, net of reversion	20,439,733	18,696,700	9.32%
Total revenues	22,305,030	20,625,641	8.14%
EXPENSES			
Judicial	22,526,569	20,748,252	8.57%
Change in net assets	(221,539)	(122,611)	80.68%
Net assets, beginning of year	772,929	895,539	-13.69%
Net assets, end of year	\$ 551,390	\$ 772,928	-28.66%

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Financial Highlights

The financial position and results from operation for the Second Judicial District Court improved during the year ended June 30, 2007 as a result of increased funding levels. Total assets at June 30, 2007, were \$1,950,734. This includes cash and cash equivalents of \$1,032,110, due from external parties of \$115,485, due from other state agencies of \$208,618, due from local governments of \$33,454 and capital assets of \$936,428, net of accumulated depreciation of \$1,983,848. Total liabilities were \$1,399,344, including current liabilities of \$1,284,363 and long-term liabilities of \$114,981. Net assets include unrestricted net assets of (\$838,139), restricted net assets of \$453,101 and \$936,428 invested in capital assets.

Total revenues for the year ended June 30, 2007 were \$22,343,747. This included State general fund appropriation of \$19,107,436, net of reversion, revenue from other state funds of \$1,332,650, revenue from operating grants of \$634,923, charges for services in the amount of \$182,457, court fees of \$466,429 and revenue from federal grants of \$581,488. Total expenses were \$22,526,569. The total change in net assets for the year was a decrease of \$221,539, resulting in a net asset balance of \$551,390 as of June 30, 2007.

The amount due to the State General Fund was \$38,364. This reversion figure includes the actual amount reverted for fiscal year 2007. The Court Regular General Fund reversion for fiscal year 2007 was \$14,105. The Child Support Hearing Officer Program reversion for fiscal year 2007 was \$24,259.

Total fund equity was \$454,401 which includes \$1,300 for petty cash and other cash, \$247,502 from the Court Mediation fund, and \$205,599 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 2007 was due to an increase in accumulated depreciation of Capital Assets.

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 5.15% interest during the year ending June 30, 2007. 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, 2007

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 2007 legislative session lasted 60 days. The Court requested \$22.7 million and was appropriated \$22.5 million. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration.

Approved budgets increased by \$26,242 during the year from the original amount of \$22,520,100 to \$22,546,342. The less than 1% increase is primarily attributed to re-establishing budgets for the FDDC, VAWA and ACF grants. Actual budgetary basis expenditures of \$22,185,315 are within the total allowed in the final approved budget by \$361,027.

The statement of revenues and expenditures reflects a balance of \$119,716 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, 2007 increased by \$1,068. 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 \$16,806 during the year.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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 \$19,145,800 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 \$941,971, or just under 5%, from the prior fiscal year. Other State Funds increased by \$791,258, or 143%, from the prior fiscal year. Other State Funds for the fiscal year 2007 include \$815,614 for a compensation package towards judges and employee salaries, \$42,400 to replace federal funds for drug courts, \$244,936 for Neutral Corner Program and \$229,700 for Truancy Court from PED. The Child Support Enforcement Hearing Officer fund was created through a Joint Powers agreement between the Human Services Department and the Second Judicial District Court for \$827,055. This reflects an increase of \$30,964.00, or 3.5%, over fiscal year 2006. Grant revenues decreased by \$128,773 or 34%, from the prior year. The amount of \$389,356 for grants under the general fund column includes funds received through the PreTrial Services Program, Violence Against Women Act (VAWA) grant and the Family Dependency Drug Court (FDDC) grant. Grant revenue from VAWA and FDDC 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 2007 was \$274,644, an increase of \$14,515 or just over 5% from fiscal year 2006. 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 2007, the revenue generated for this program was \$191,785 an increase of \$17,200; or just over 9% from fiscal year 2006. This is also a non-reverting fund.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Economic Factors and Next Year's Budget

The budget request for fiscal year 2008 was \$23.6 million, which included the general fund and special revenue funds. The approved appropriation was \$24.1 million. This included two additional judgeships and staff expansion.

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 NW, Albuquerque, NM 87102.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,032,110
Due from external parties	115,485
Due from other state agencies	208,618
Due from local governments	33,454
Capital assets, net (see Note 4)	<u>936,428</u>
 Total assets	 <u>\$ 1,950,734</u>
 LIABILITIES	
Accounts payable	\$ 117,123
Accrued payroll	779,426
Due to local governments	353
Due to State General Fund	38,364
Compensated absences (see Note 7)	
Due within one year	724,458
Due in more than one year	<u>114,981</u>
 Total liabilities	 <u>1,399,344</u>
 NET ASSETS	
Invested in capital assets	936,428
Restricted for program expenditures	453,101
Unrestricted	<u>(838,139)</u>
 Total net assets	 <u>\$ 551,390</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, 2007

	Governmental Activities
Expenses:	
Judicial:	
Administrative services	\$ 22,248,282
Depreciation expense	277,913
Loss on disposal of capital assets	374
Total expenses	22,526,569
 Program Revenues:	
Charges for services	182,457
Court fees	466,429
Federal grants - operating	581,488
Other operating grants	634,923
Total program revenues	1,865,297
Net program expenses	(20,661,272)
 General Revenue and Transfers:	
General fund appropriation	19,145,800
Other state funds	1,332,650
Transfers:	
Reversion to the Bernalillo County	(353)
Reversion to State General Fund	(38,364)
Total general revenue and transfers	20,439,733
Change in net assets	(221,539)
Net assets-June 30, 2006	772,929
Net assets -June 30, 2007	\$ 551,390

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, 2007

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Mediation Fund</u>	<u>Alternative Dispute Resolution</u>	
ASSETS				
Cash and cash equivalents	580,018	\$ 245,863	\$ 206,229	\$ 1,032,110
Due from external parties	100,450	8,630	6,405	115,485
Due from other funds	3,955	3,080	6,991	14,026
Due from other state agencies	208,618	-	-	208,618
Due from local governments	33,454	-	-	33,454
Total assets	<u>\$ 926,495</u>	<u>\$ 257,573</u>	<u>\$ 219,625</u>	<u>\$ 1,403,693</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 117,123	\$ -	\$ -	\$ 117,123
Accrued payroll	779,426	-	-	779,426
Due to other funds	10,071	-	3,955	14,026
Due to local governments	353	-	-	353
Due to State General Fund	38,364	-	-	38,364
Total liabilities	<u>945,337</u>	<u>-</u>	<u>3,955</u>	<u>949,292</u>
Fund Balances:				
Reserved for:				
Petty cash	1,300	-	-	1,300
Program expenditures	-	247,502	205,599	453,101
Total fund balances	<u>1,300</u>	<u>247,502</u>	<u>205,599</u>	<u>454,401</u>
Total liabilities and fund balances	<u>\$ 946,637</u>	<u>\$ 247,502</u>	<u>\$ 209,554</u>	<u>\$ 1,403,693</u>

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, 2007

Total fund balances for governmental funds	\$ 454,401
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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	\$ 2,920,276	
Accumulated depreciation	<u>(1,983,848)</u>	
Total capital assets		936,428

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>(839,439)</u>
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Net Assets of Governmental Activities	<u><u>\$ 551,390</u></u>
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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, 2007

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Mediation Fund</u>	<u>Alternative Dispute Resolution</u>	
REVENUES				
Charges for services	\$ 182,458	\$ -	\$ -	\$ 182,458
Court fees	-	274,644	191,785	466,429
Federal grants - operating	581,488	-	-	581,488
Other grants	634,923	-	-	634,923
Total revenues	<u>1,398,869</u>	<u>274,644</u>	<u>191,785</u>	<u>1,865,298</u>
EXPENDITURES				
Current:				
Administrative services	21,840,560	200,914	142,773	22,184,247
Capital outlay	1,068	-	-	1,068
Total expenditures	<u>21,841,628</u>	<u>200,914</u>	<u>142,773</u>	<u>22,185,315</u>
Excess (deficiency) of revenues over expenditures	(20,442,759)	73,730	49,012	(20,320,017)
OTHER FINANCING SOURCES (USES)				
Transfers out:				
Reversions to the Bernalillo County	(353)	-	-	(353)
Reversions to the State General Fund:				
FY2007	(38,364)	-	-	(38,364)
Transfers in:				
General fund appropriation	19,145,800	-	-	19,145,800
Other state funds	1,332,650	-	-	1,332,650
Total other financing sources (uses)	<u>20,439,733</u>	<u>-</u>	<u>-</u>	<u>20,439,733</u>
Net change in fund balances	(3,026)	73,730	49,012	119,716
Fund balances - June 30, 2006	<u>4,326</u>	<u>173,772</u>	<u>156,587</u>	<u>334,685</u>
Fund balances - June 30, 2007	<u>\$ 1,300</u>	<u>\$ 247,502</u>	<u>\$ 205,599</u>	<u>\$ 454,401</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, 2007

Net Change in fund balances - total governmental funds \$ 119,716

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	\$ 1,068	
Depreciation expense	(277,913)	
Loss on disposal of capital assets	(374)	
Excess of depreciation expense over capital outlay		(277,219)

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

Increase in compensated absences	<u>(64,036)</u>
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Change in Net Assets of Governmental Activities	<u>\$ (221,539)</u>
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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, 2007

	GENERAL FUND			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Private gifts	\$ -	\$ 3,026	\$ -	\$ (3,026)
Misc. revenue	184,600	184,600	182,458	(2,142)
Appropriations	19,145,800	19,145,800	19,145,800	-
Federal grants	858,600	881,816	871,510	(10,306)
Other grants	369,800	369,800	344,901	(24,899)
Other financing sources	1,333,000	1,333,000	1,332,650	(350)
Total revenues	<u>\$ 21,891,800</u>	<u>\$ 21,918,042</u>	<u>\$ 21,877,319</u>	<u>\$ (40,723)</u>
EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$ 19,978,500	\$ 19,972,400	\$ 19,933,113	\$ 39,287
Contractual services	721,200	611,336	585,954	25,382
Other costs	1,192,100	1,334,306	1,322,561	11,745
Total expenditures	<u>\$ 21,891,800</u>	<u>\$ 21,918,042</u>	<u>\$ 21,841,628</u>	<u>\$ 76,414</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, 2007

	MEDIATION FUND			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Court costs	\$ 122,700	\$ 122,700	\$ 127,230	\$ 4,530
Pay/care individual	122,700	122,700	147,414	24,714
Total revenues	245,400	245,400	\$ 274,644	\$ 29,244
Fund balance	116,300	116,300		
Total resources	\$ 361,700	\$ 361,700		
EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$ 361,700	\$ 361,700	\$ 200,914	\$ 160,786

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, 2007

ALTERNATIVE DISPUTE RESOLUTION

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Court costs	\$ 222,100	\$ 222,100	<u>\$ 191,785</u>	<u>\$ (30,315)</u>
Fund balance	<u>44,500</u>	<u>44,500</u>		
Total resources	<u>\$ 266,600</u>	<u>\$ 266,600</u>		
EXPENDITURES				
Administrative Services:				
Personal services & benefits	<u>\$ 266,600</u>	<u>\$ 266,600</u>	<u>\$ 142,773</u>	<u>\$ 123,827</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, 2007

	<u>AGENCY FUND</u>
ASSETS	
Cash and cash equivalents	<u>\$ 8,122,003</u>
 LIABILITIES	
Due to external parties	<u>\$ 8,122,003</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, 2007

(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, 2007

(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, 2007

(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.

Fund Financial Statements

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, 2007

(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 are demand deposits and savings accounts.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(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, 2007

(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. 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, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. 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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Compensated Absences Payable (Continued)

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

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.

F. 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.

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.

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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(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	\$ 1,030,810	\$ 1,030,810
Petty cash	1,300	1,300
	\$ 1,032,110	\$ 1,032,110
Agency Funds:		
New MexiGROW Local		
Government Investment Pool (LGIP)	\$ 6,834,228	\$ 6,866,092
Cash in Bank:		
FDIC insured	100,000	
Collateralized	845,817	
Uncollateralized	845,818	
Total cash in bank	1,791,635	1,255,912
Total cash - agency funds	\$ 8,625,863	\$ 8,122,004

Detail of pledged collateral for the \$1,691,635 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.

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, 2007 \$1,791,635 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>1,691,635</u>
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STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(3) CASH AND CASH EQUIVALENTS (Continued)

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, 2007 consists of the following:

New MexiGROW LGIP	AAA _m rated	\$6,866,902	24-day WAM
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(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Depreciable				
Furniture & Fixtures	\$ 1,590,121	\$ -0-	\$ (1,281)	\$ 1,588,840
Data Processing	792,500	1,068	(54,354)	739,214
Machinery & Equipment	512,960	-0-	(2,588)	510,372
Vehicles	51,850	-0-	-0-	51,850
Sub-total	2,947,431	1,068	(58,223)	2,890,276
Non-depreciable				
Artwork	30,000	-0-	-0-	30,000
Total	\$ 2,977,431	\$ 1,068	\$ (58,223)	\$ 2,920,276
Accumulated Depreciation:				
Furniture & Fixtures	\$ (797,988)	\$ (152,648)	\$ 907	\$ (949,729)
Data Processing	(752,320)	(32,020)	54,354	(729,986)
Machinery & Equipment	(184,520)	(85,838)	2,588	(267,770)
Vehicles	(28,956)	(7,407)	-0-	(36,363)
Total	(1,763,784)	(277,913)	57,849	(1,983,848)
Total (Net Asset)	\$ 1,213,647	\$ (276,845)	\$ (374)	\$ 936,428

Current year depreciation expense is \$277,913.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(5) INTERFUND BALANCES

Interfund balances at year end consist of the following:

	Due to		
	General Fund	Alternative Dispute Resolution	Total
Due from Mediation Fund	\$ 3,080	\$ -0-	\$ 3,080
Alternative Dispute Resolution	6,991	-0-	6,991
General Fund	-0-	3,955	3,955
Total	<u>\$ 10,071</u>	<u>\$ 3,955</u>	<u>\$ 14,026</u>

(6) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$38,364 in 2007 reversion that will be remitted to the state general fund during fiscal year ending June 30, 2008.

(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	\$ 746,978	\$ 941,400	\$ 879,549	\$ 808,829	\$ 697,192
Sick Leave	20,448	13,820	14,592	19,676	16,332
Compensatory Leave	7,978	2,956	-0-	10,934	10,934
Total	<u>\$ 775,404</u>	<u>\$ 958,176</u>	<u>\$ 894,141</u>	<u>\$ 839,439</u>	<u>\$ 724,458</u>

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(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 \$138,717 for the year ending June 30, 2007. Annual future minimum lease payments are as follows:

June 30, 2008	\$ 137,168
June 30, 2009	58,796
June 30, 2010	19,511
June 30, 2011	9,825
June 30, 2012	<u>-0-</u>
Total	<u>\$ 225,300</u>

(9) PERA RETIREMENT PLAN

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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

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, 2007, 2006 and 2005 were \$1,990,376, \$1,825,843, and \$1,734,122, 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, 2007

(10) JRA RETIREMENT PLAN

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.

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, 2007, 2006 and 2005 were \$298,420, \$236,670, and \$195,098, respectively, equal to the amount of the required contributions for each year.

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$647,014, \$599,222, and \$557,422 in filing fees for the year ending June 30, 2007, 2006, and 2005, respectively.

(11) 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.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(12) RETIREE HEALTH CARE ACT CONTRIBUTION

The Retiree Health Care Act (Act) (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.30% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

STATE OF NEW MEXICO
 SECOND JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS

June 30, 2007

(12) **RETIREE HEALTH CARE ACT CONTRIBUTION (continued)**

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107. For the fiscal year ended June 30, 2007, the Court remitted \$185,635 in employer contributions and \$92,818 in employee contributions to the Retiree Health Care Authority.

In FY08, the Court will have to implement GASB statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). This Statement establishes standards for the measurement, recognition, and display of OPEB, expense/expenditures and related liabilities (assets), note disclosure, and if applicable, required supplementary information in the financial reports of the state and local governmental employers. The impact of implementing GASB Statement 45 on the Court financial statements for the fiscal year ended June 30, 2008 has not yet been determined because it depends on the affect implementing GASB Statement 43, Financial Reporting for Postemployment benefit Plans Other Than Pension Plans, has on the Retiree Health Care Authority financial statements in FY07.

(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, 2007 follows:

	Revenue	Expenditures
<u>General Fund</u>		
Budgetary Basis	\$ 21,877,319	\$ 21,841,628
Reclassified to other financing source	(20,478,450)	-0-
GAAP basis	\$ 1,398,869	\$ 21,841,628

(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, 2006 through June 30, 2007.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

COMBINING BALANCE SHEET - GENERAL FUND

June 30, 2007

	<u>COURT REGULAR</u>	<u>HEARING OFFICER</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 799,269	\$ (219,251)	\$ 580,018
Due from external parties	31,528	68,922	100,450
Due from other funds	3,955	-	3,955
Due from other state agencies	1,855	206,763	208,618
Due from local governments	33,454	-	33,454
	<u>\$ 870,061</u>	<u>\$ 56,434</u>	<u>\$ 926,495</u>
Total assets			
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 114,787	\$ 2,336	\$ 117,123
Accrued payroll	749,587	29,839	779,426
Due to other funds	10,071	-	10,071
Due to local governments	353	-	353
Due to State General Fund	14,105	24,259	38,364
	<u>888,903</u>	<u>56,434</u>	<u>945,337</u>
Total liabilities			
Fund Balances:			
Reserved for:			
Petty cash	1,300	-	1,300
	<u>1,300</u>	<u>-</u>	<u>1,300</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 890,203</u>	<u>\$ 56,434</u>	<u>\$ 946,637</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, 2007**

	<u>COURT REGULAR</u>	<u>HEARING OFFICER</u>	<u>TOTAL</u>
REVENUES			
Charges for services	\$ 182,458	\$ -	\$ 182,458
Federal grants - operating	44,455	537,033	581,488
Other grants	344,901	290,022	634,923
Total revenues	<u>571,814</u>	<u>827,055</u>	<u>1,398,869</u>
EXPENDITURES			
Current:			
Administrative services	21,038,832	801,728	21,840,560
Capital outlay	-	1,068	1,068
Total expenditures	<u>21,038,832</u>	<u>802,796</u>	<u>21,841,628</u>
Excess (deficiency) of revenues over expenditures	(20,467,018)	24,259	(20,442,759)
OTHER FINANCING SOURCES (USES)			
Transfers out:			
Reversions to the Bernalillo County	(353)	-	(353)
Reversions to the State General Fund:			
FY2007	(14,105)	(24,259)	(38,364)
Transfers in:			
General fund appropriation	19,145,800	-	19,145,800
Other state funds	1,332,650	-	1,332,650
Total other financing sources (uses)	<u>20,463,992</u>	<u>(24,259)</u>	<u>20,439,733</u>
Net change in fund balances	(3,026)	-	(3,026)
Fund balances - June 30, 2006	<u>4,326</u>	<u>-</u>	<u>4,326</u>
Fund balances - June 30, 2007	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 1,300</u>

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, 2007

COURT REGULAR

	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Private gifts	\$ -	\$ 3,026	\$ -	\$ (3,026)
Misc. revenue	184,600	184,600	182,458	(2,142)
Appropriations	19,145,800	19,145,800	19,145,800	-
Federal grants	-	54,761	44,455	(10,306)
Other grants	369,800	369,800	344,901	(24,899)
Other financing sources	1,333,000	1,333,000	1,332,650	(350)
Total revenues	<u>\$21,033,200</u>	<u>\$21,090,987</u>	<u>\$21,050,264</u>	<u>\$ (40,723)</u>
EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$19,237,100	\$19,231,000	\$19,206,255	\$ 24,745
Contractual services	714,900	605,036	585,954	19,082
Other costs	1,081,200	1,254,951	1,246,623	8,328
Total expenditures	<u>\$21,033,200</u>	<u>\$21,090,987</u>	<u>\$21,038,832</u>	<u>\$ 52,155</u>

HEARING OFFICER

REVENUES				
Federal grants	<u>\$ 858,600</u>	<u>\$ 827,055</u>	<u>\$ 827,055</u>	<u>\$ -</u>
EXPENDITURES				
Administrative Services:				
Personal services & benefits	\$ 741,400	\$ 741,400	\$ 726,858	\$ 14,542
Contractual services	6,300	6,300	-	6,300
Other costs	110,900	79,355	75,938	3,417
Total expenditures	<u>\$ 858,600</u>	<u>\$ 827,055</u>	<u>\$ 802,796</u>	<u>\$ 24,259</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, 2007

	Agency Fund			
	Beginning Balance	Increase	Decrease	Ending Balance
Court clerk account	\$ 108,060	\$ 3,752,389	\$ 3,671,906	\$ 188,543
Litigant accounts	5,820,922	28,799,471	26,686,932	7,933,461
	\$ 5,928,982	\$ 32,551,860	\$ 30,358,838	\$ 8,122,004
Due to mediation	\$ 12,590	\$ 297,463	\$ 301,423	\$ 8,630
Due to arbitration	6,255	191,785	191,635	6,405
Due to court operating	8,706	1,168,279	1,076,535	100,450
Due to state general fund	13,577	429,021	429,563	13,035
Due to other agencies	66,932	1,665,841	1,672,750	60,023
Due to litigants	5,820,922	28,799,471	26,686,933	7,933,460
	\$ 5,928,982	\$ 32,551,860	\$ 30,358,839	\$ 8,122,003

See Auditor's Report.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

SCHEDULE OF OPERATING TRANSFERS

For the Year Ended June 30, 2007

	SHARE FUND	TITLE	TRANSFER	
			In	Out
General Fund - Regular (14200)				
(1)	85300	Department of Finance & Administration	\$18,758,800	\$ -
(2)	85300	Department of Finance & Administration	60,000	-
(3)	85300	Department of Finance & Administration	57,000	-
(4)	85300	Department of Finance & Administration	58,000	-
(5)	85300	Department of Finance & Administration	212,000	-
(6)	85300	Department of Finance & Administration	815,614	-
(7)	85300	Department of Finance & Administration	42,400	-
(8)	13900	Administrative Office of the Courts	244,936	-
(9)	79000	Public Education Department	229,700	-
General Fund - Hearing Officer (67900)				
(10)	N/A	Bernalillo County	-	353
			<u>\$20,478,450</u>	<u>\$ 353</u>

- (1) General Fund Appropriation, Laws of 2006, Chapter 109.
- (2) Domestic Violence, Laws of 2006, Chapter 110, Section 1, Subsection 4, Item D.
- (3) Drug Court, Laws of 2006, Chapter 110, Section 1, Subsection 4, Item A.
- (4) VAWA, Laws of 2006, Chapter 110, Section 1, Subsection 4, Item E.
- (5) Adult Mental Health, Laws of 2006, Chapter 110, Section 1, Subsection 4, Item B.
- (6) Compensation Package, Laws of 2006, Chapter 109.
- (7) Replace Federal Funds for Drug Courts, Laws of 2006, Chapter 109.
- (8) Neutral Corner, Laws of 2006, Chapter 109, Section 4, Item 4.
- (9) Truancy Court, Laws of 2006, Chapter 109, Section 4, Item I.
- (10) Reversion to Bernalillo County for excess on pretrial program.

See Auditor's Report.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

SCHEDULE OF DEPOSITS AND INVESTMENTS

June 30, 2007

	<u>SHARE/ Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
Governmental Funds			
New Mexico State Treasurer			
Court Regular	14200		\$ 797,969
Child Support Hearing Officer	67900		(219,251)
Court Mediation	92000		245,863
Court Arbitration (Alternative Dispute)	92200		206,229
Petty cash	N/A		<u>1,300</u>
Total governmental			<u><u>\$ 1,032,110</u></u>
 AGENCY FUND			
Litigant Accounts:			
Wells Fargo	Checking	\$ 612,132	\$ 37,945
Wells Fargo	Checking	1,033,389	1,029,423
New MexiGROW Local Government			
Investment Pool	Investment	6,834,228	6,866,092
Court Clerk Account:			
Wells Fargo	Checking	<u>146,114</u>	<u>188,544</u>
Total Agency Fund		<u><u>\$ 8,625,863</u></u>	<u><u>\$ 8,122,004</u></u>

See Auditor's Report

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

MEMORANDUM OF UNDERSTANDING

June 30, 2007

- 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, 2006 to June 30, 2007.
- 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, 2007

<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	\$ 4,455
Administrative Office of the Courts			
Family Dependency Drug Court	16-580	2004-DD-BX-1453	<u>40,000</u>
Total U.S. Department of Justice			44,455
<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	<u>537,033</u>
			<u>\$ 581,488</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 statements.

Note 2 Outstanding Loans and Subrecipients

The Court does not have any outstanding loan nor provides federal awards for subrecipients.

See Auditor's Report.

OTHER REPORTS

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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, and 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, 2007 and have issued our reported thereon dated December 7, 2007. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as item 07-1.

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 agency's internal control.

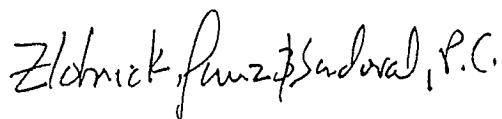
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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.

The Court's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Court's response and, accordingly, we express no opinion on it.

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 7, 2007

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, 2007. 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, 2007.

Internal Control Over Compliance

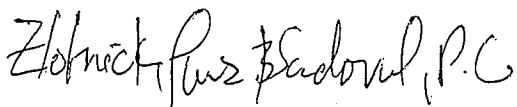
The management of the Court is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Court's internal control over compliance 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, and 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 7, 2007

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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 No

B. Significant deficiencies identified that
are not considered to be material
weaknesses? Yes No

Noncompliance material to the financial
statements noted? Yes No

Federal Awards

Internal control over major programs:

A. Material weaknesses identified? Yes No

B. Significant deficiencies identified that
are not considered to be material
weaknesses? Yes 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 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? Yes No

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Section II - Financial Statement Findings

07-1

COMPENSATED ABSENCES

Condition:

We compared 36 employee pay stubs for pay period ending 6/29/07 to the leave report in SHARE, and found 5 discrepancies. The pay stubs showed that the employees have compensatory time balances but the SHARE report showed none.

Criteria:

The leave tracking system should be accurate and complete. Sick leave, annual leave and compensatory time used by employees should be traceable from the timesheets to the leave tracking system.

Cause:

The leave tracking system in SHARE does not show detail for hours earned or used in any given pay period. In addition, the compensatory time earned by employees has to be generated in a separate report.

Effect:

The leave system in SHARE is inadequate and unreliable. The data could not be used by Court personnel. With the implementation of SHARE, the leave tracking responsibilities shifted from the HR division to individual division directors and supervisors. Each division manager maintains a separate leave tracking system using a combination of calendars, spreadsheets, and leave request forms, etc. to ensure annual leave, sick leave and compensatory time used is reflected on the employee timesheets.

Recommendation:

DFA needs to continue improving SHARE as it relates to leave tracking.

Agency Response:

The Second Judicial District Court agrees with the recommendation that DFA needs to continue improving SHARE as it relates to leave tracking.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Section III - Federal Awards Findings

No matters were reported.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

PRIOR YEAR FINDINGS

Year Ended June 30, 2007

**Reference
Number**

Condition

Disposition

06-01

Payroll Test

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 individual to oversee our services.

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

EXIT CONFERENCE

June 30, 2007

The contents of this report were discussed at an exit conference held on December 12, 2007 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

Ban Trinh, 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.