

**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, 2011**

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

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**June 30, 2011**

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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, 2011**

**Judges**

Honorable William Parnall	Division 1
Honorable Stan Whitaker	Division 2
Honorable M. Monica Zamora	Division 3
Honorable Beatrice Brickhouse	Division 4
Honorable Ted Baca, Chief Judge	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 Gerard Lavelle	Division 11
Honorable Clay Campbell	Division 12
Honorable Valerie A. Huling	Division 13
Honorable Reed Sheppard	Division 14
Honorable Alan Malott	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 Jacqueline D. Flores	Division 20
Honorable Alisa A. Hadfield	Division 21
Honorable Deborah Davis Walker	Division 22
Honorable Shannon Bacon	Division 23
Honorable Kenneth H. Martinez	Division 24
Honorable Elizabeth Whitefield	Division 25
Honorable Charles Brown	Division 26

**Administrative Officials**

Juanita Duran	Court Executive Officer
Judith Finfrock	Deputy Court Executive Officer
Arthur Gallegos	Deputy Court Executive Officer
Monica Roybal	Deputy Court Executive Officer
Farah French	Fiscal Services Director



## **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
Honorable Ted Baca, 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 of the State of New Mexico, Second Judicial District Court (Court), as of and for the year ended June 30, 2011 which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Court's nonmajor governmental funds, and the budgetary comparisons for the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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, 2011 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, 2011, 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 each nonmajor governmental fund of the Court as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the nonmajor funds 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 November 4, 2011 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 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. The additional schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Zlotnick, Laws & Sandoval, P.C.

November 4, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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, 2011. 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, 2011**

Condensed Financial Information:

	<u>FY2011</u>	<u>FY2010</u>	<u>Percent Change</u>
<b>STATEMENT OF NET ASSETS</b>			
<b>ASSETS</b>			
Current and other assets	\$ 1,990,463	\$ 1,942,748	2.46%
Capital assets, net	<u>129,163</u>	<u>286,158</u>	-54.86%
Total assets	<u>2,119,626</u>	<u>2,228,906</u>	-4.90%
<b>LIABILITIES</b>			
Current liabilities	2,109,411	2,125,432	-0.75%
Long term liabilities	<u>124,789</u>	<u>121,937</u>	2.34%
Total liabilities	<u>2,234,200</u>	<u>2,247,369</u>	-0.59%
<b>NET ASSETS</b>			
Invested in capital assets	129,163	286,158	-54.86%
Restricted	549,311	483,367	13.64%
Unrestricted	<u>(793,048)</u>	<u>(787,988)</u>	0.64%
Total net assets	<u>\$ (114,574)</u>	<u>\$ (18,463)</u>	520.56%
<b>STATEMENT OF ACTIVITIES</b>			
<b>REVENUES</b>			
Program revenues	\$ 2,515,582	\$ 2,135,751	17.78%
General revenue, net of transfers	<u>20,452,819</u>	<u>21,226,760</u>	-3.65%
Total revenues	22,968,401	23,362,511	-1.69%
<b>EXPENSES</b>			
Judicial	<u>23,064,512</u>	<u>23,696,765</u>	-2.67%
Change in net assets	(96,111)	(334,254)	-71.25%
Net assets, beginning of year	<u>(18,463)</u>	<u>315,791</u>	-105.85%
Net assets, end of year	<u><u>\$ (114,574)</u></u>	<u><u>\$ (18,463)</u></u>	<u>520.56%</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

Financial Highlights

The financial position and results from operation for the Second Judicial District Court during the year ended June 30, 2011 are detailed below. Total assets at June 30, 2011, were \$2,119,626. This includes petty cash of \$1,500 and Interest in State General Fund Investment Pool of \$1,590,720, due from external parties of \$9,638, due from other state agencies of \$194,242, due from local governments of \$82,457, supplies inventory of \$111,906 and capital assets of \$129,163, net of accumulated depreciation of \$2,808,414. Total liabilities were \$2,234,200, including current liabilities of \$2,109,411 and long-term liabilities of \$124,789. Net assets include unrestricted net assets of (\$793,048), restricted net assets of \$549,311 and \$129,163 invested in capital assets.

Total revenues for the year ended June 30, 2011 were \$22,968,401. This included State general fund appropriation of \$20,264,223, net of reversion, revenue from other state funds of \$188,596, charges for services in the amount of \$197,449, court fees of \$527,166, revenue from federal grants-operating of \$1,204,506 and revenue from other operating grants of \$586,461. Total expenses were \$23,064,512. The total change in net assets for the year was a decrease of \$96,111, resulting in a net asset balance of (\$114,574) as of June 30, 2011.

The amount due to the State General Fund was \$7,377. This reversion figure includes the actual amount reverted for fiscal year 2011. The Court Regular General Fund reversion for fiscal year 2011 was \$5,535. The Child Support Hearing Officer Program reversion for fiscal year 2011 was \$1,842.

Total fund equity was \$662,717, which includes \$1,500 for petty cash, \$111,906 for supplies inventory, \$325 from Adult Drug Court program fees, \$332,433 from the Court Mediation fund, and \$216,553 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 2011 was primarily 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 .23% interest during the year ending June 30, 2011. 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 any bank interest accrued is transferred to the State General Fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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 adjustment requests that increase or decrease other State funds based on actual revenues.
- Increases or reallocations of appropriations to prevent budget overruns.

The fiscal year 2011 legislative session lasted 60 days. The Court requested \$25.1 million and was appropriated \$22.8 million after an additional budget reduction of approximately 3.245% during the fiscal year 2011 special legislative session. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration.

Approved budgets increased by \$692,695, during the year from the original amount less the additional budget reduction of approximately 3.245% of \$22,782,500 to \$23,475,195. This 3% increase is primarily attributed to establishing the budget for the ARRA Federal Stimulus Funds, LETF DWI Grant for Juvenile Drug Court, AOC OJP Juvenile and Adult Drug Court grants, City of Albuquerque IGA VAWA Grant, Bernalillo County Judicial Supervision Program & Probation Violation Docket Grants, decreasing the Bernalillo County Pre Trial Services contract to match the actual contract amount and increasing the Child Support budget to match the actual contract amount. Actual budgetary basis expenditures of \$22,902,457 are within the total allowed in the final approved budget by \$572,738.

The statement of revenues and expenditures reflects a balance of \$65,944 for the net change in fund balances in the Total Governmental Funds column. Contributing factors to the increase 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, 2011 increased by \$6,430. This includes equipment and a computer 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 \$2,852 during the year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

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, the ARRA federal stimulus funds, grants, and contracts. The general fund appropriation of \$20,271,600 includes Court Regular, Adult Drug Court, Juvenile Drug Court and Judicial Supervision Program f/k/a Mental Health Court. This amount is a decrease of \$840,000, or 4%, from the prior fiscal year. There were Other State Funds for fiscal year 2011 consisting of \$188,596 for the LETF DWI Grant for Juvenile Drug Court. The Child Support Enforcement Hearing Officer fund was created through a grant agreement from the Human Services Department for \$971,241. This is an increase of 8% from fiscal year 2010. The ARRA Federal Stimulus funds were \$180,000. The amount of \$53,265 of Federal Grants under Court Regular consists of revenue from AOC OJP Juvenile and Adult Drug Court grants and City of Albuquerque IGA VAWA Grant. Grant revenues increased by \$136,913 or 27%, from the prior year. The amount of \$586,461 for other grants under the general fund column consists of funds received from Bernalillo County for the PreTrial Services Program, the Judicial Supervision Program and Probation Violation Dockets. Grant revenue is on a cost reimbursement basis.

The Court was advised that during the 2010 Special Legislative Session the Legislature would be revisiting the FY11 appropriations to make additional cuts in funding based on the State's current economic situation. The Court's budget was reduced by approximately 3.2%. The Court continued operational expense reductions made in FY10 as well as continuing to reduce office supplies, professional dues, cell phones and maintenance agreements and eliminating furniture purchases. Due to the 6.5% increase in new cases filings since FY08, the Court continued to limit customer service hours. The Clerks office hours for the general public continued to be from 10 a.m. – 4 p.m. The Court also held several positions open for the entire fiscal year and postponed hiring other positions. In addition to these reductions, it was also necessary to lay off employees.

The Major Fund column in the fund financial statement 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 and excess parent fees remitted by the provider for the Neutral Corner Supervised Visitation program. The Court has statutory authority to collect these fees.

Expenses incurred from the Court Mediation fund include salary and benefits and contractual services. The contractual services were for the Neutral Corner Supervised Visitation program. Revenue generated in fiscal year 2011 was \$297,501, an increase of \$15,753 or 6% from fiscal year 2010. The Court Mediation fund is non-reverting.

The other Major 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 2011, the revenue generated for this program was \$229,665, a decrease of \$28,305, or 11% from fiscal year 2010. This is also a non-reverting fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

Economic Factors and Next Year's Budget

The budget request for fiscal year 2012 was \$24.8 million, which included the general fund and special revenue funds. The approved appropriation was \$22.8 million. The Court will continue to enforce all operating expense reductions started in FY09 to operate within this limited budget, as well as holding 13.5 positions vacant for the entire fiscal year and postponing hiring many other positions. Currently, the Court has a vacancy rate of 8%. However, employee furloughs may be necessary as 96% of the Court's General Fund Budget funds personnel salaries and benefits. The Court is not anticipating any further cuts to the fiscal year 2012 budget, as we had in fiscal year 2011.

The Court is providing services to fewer clients in the Juvenile Drug Court and Adult Drug Court due to reduced treatment dollars. However, we are able to expand our treatment courts by undertaking a new initiative in fiscal year 2012; a Pretrial Services Veterans' Treatment Court program. The purpose of the program is to perform pretrial services dedicated to identifying veterans with possible behavioral health disorders for the purpose of diverting them from jail into pre-adjudication treatment. A grant from Optum Health will support this activity.

The Court is undergoing tremendous technological advancement. The Odyssey case management system, which was installed in June 2011, is progressing well and yet has caused a backlog in case docketing. The Court is planning to stop printing paper files when E-filing is installed in November 2011. Each of these events is contributing to a stronger, more responsive Court.

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, 2011**

	Governmental Activities
<b>ASSETS</b>	
Petty Cash	\$ 1,500
Investment in State General Fund Investment Pool	1,590,720
Due from external parties	9,638
Due from other state agencies	194,242
Due from local governments	82,457
Supplies inventory	111,906
Capital assets, net (see Note 5)	129,163
 Total assets	 \$ 2,119,626
 <b>LIABILITIES</b>	
Accounts payable	\$ 54,400
Accrued payroll	1,239,905
Due to State General Fund	1,939
Other liabilities	31,502
Compensated absences (see Note 8)	
Due within one year	781,665
Due in more than one year	124,789
 Total liabilities	 2,234,200
 <b>NET ASSETS</b>	
Invested in capital assets	129,163
Restricted for program expenditures	549,311
Unrestricted	(793,048)
 Total net assets	 \$ (114,574)

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, 2011**

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Judicial:	
Administrative services	\$ 22,901,087
Depreciation expense	163,425
Total expenses	<u>23,064,512</u>
 <b>Program Revenues:</b>	
Charges for services	197,449
Court fees	527,166
Federal grants - operating	1,204,506
Other operating grants	586,461
Total program revenues	<u>2,515,582</u>
 Net program expenses	 (20,548,930)
 <b>General Revenue:</b>	
General fund appropriation	20,271,600
Other state funds	188,596
Reversion to State General Fund	(7,377)
Total general revenue	<u>20,452,819</u>
 Change in net assets	 (96,111)
 Net assets at beginning of year	 <u>(18,463)</u>
 Net assets at end of year	 <u><u>\$ (114,574)</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, 2011**

	<b>Major Funds</b>			
	Combined General Funds	Mediation Fund (92000)	Alternative Dispute Resolution (92200)	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Petty Cash	\$ 1,500	\$ -	\$ -	\$ 1,500
Investment in SGFIP	988,441	372,678	229,601	1,590,720
Due from external parties	3,303	3,290	3,045	9,638
Due from other state agencies	194,242	-	-	194,242
Due from local governments	82,457	-	-	82,457
Supplies inventory	111,906	-	-	111,906
 Total assets	 \$ 1,381,849	 \$ 375,968	 \$ 232,646	 \$ 1,990,463
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 28,681	\$ 25,719	\$ -	\$ 54,400
Accrued payroll	1,205,996	17,816	16,093	1,239,905
Due to State General Fund	1,939	-	-	1,939
Other liabilities	31,502	-	-	31,502
 Total liabilities	 1,268,118	 43,535	 16,093	 1,327,746
 Fund Balances:				
Nonspendable:				
Petty cash	1,500	-	-	1,500
Inventory	111,906	-	-	111,906
Restricted	325	332,433	216,553	549,311
 Total fund balances	 113,731	 332,433	 216,553	 662,717
 Total liabilities and fund balances	 \$ 1,381,849	 \$ 375,968	 \$ 232,646	 \$ 1,990,463

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, 2011**

Total fund balances for governmental funds		\$ 662,717
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	2,937,577	
Accumulated depreciation	<u>(2,808,414)</u>	
Total capital assets		129,163
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>(906,454)</u>
Net Assets of Governmental Activities		<u><u>\$ (114,574)</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, 2011**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>Combined General Funds</b>	<b>Mediation Fund (92000)</b>	<b>Alternative Dispute Resolution (92200)</b>	
<b>REVENUES</b>				
Charges for services	\$ 197,449	\$ -	\$ -	\$ 197,449
Court fees	-	297,501	229,665	527,166
Federal grants - operating	1,204,506	-	-	1,204,506
Other grants	586,461	-	-	586,461
Total revenues	1,988,416	297,501	229,665	2,515,582
<b>EXPENDITURES</b>				
Judicial				
Current:				
Administrative services	22,434,480	223,541	238,006	22,896,027
Capital outlay	6,430	-	-	6,430
Total expenditures	22,440,910	223,541	238,006	22,902,457
Excess (deficiency) of revenues over expenditures	(20,452,494)	73,960	(8,341)	(20,386,875)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
Reversions to the State General Fund:				
FY2011	(7,377)	-	-	(7,377)
Transfers in:				
General fund appropriation	20,271,600	-	-	20,271,600
Other state funds	188,596	-	-	188,596
Total other financing sources (uses)	20,452,819	-	-	20,452,819
Net change in fund balances	325	73,960	(8,341)	65,944
Fund balances at beginning of year	117,924	258,473	224,894	601,291
Decrease in reserve for supplies inventory	(4,518)	-	-	(4,518)
Fund balances at end of year	\$ 113,731	\$ 332,433	\$ 216,553	\$ 662,717

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, 2011**

Net Change in fund balances - total governmental funds		\$ 65,944
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Amounts reported for governmental activities in the statement of activities are different because:

Certain outlays are reported as expenditures in governmental funds. However, in the statement of activities, these costs are expensed as they are consumed or allocated over their estimated useful lives. In the current period these amounts are:

Capital outlay	6,430	
Depreciation expense	<u>(163,425)</u>	
Excess of depreciation expense over capital outlay		(156,995)
Supplies inventory		(4,518)

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

Increase in compensated absences		<u>(542)</u>
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Change in Net Assets of Governmental Activities		<u><u>\$ (96,111)</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 and Expenditures-Budget and Actual  
(Budgetary Basis)  
GENERAL FUNDS**

**For the Year Ended June 30, 2011**

	<b>COMBINED GENERAL FUNDS</b>			
	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Misc. revenue	\$ 230,000	\$ 230,000	\$ 197,449	\$ (32,551)
Appropriations	20,951,400	20,271,600	20,271,600	-
Federal grants	896,200	1,206,085	1,204,506	(1,579)
Other grants	556,500	749,781	586,461	(163,320)
Other financing sources	<u>-</u>	<u>189,529</u>	<u>188,596</u>	<u>(933)</u>
Total revenues	<u><u>22,634,100</u></u>	<u><u>22,646,995</u></u>	<u><u>22,448,612</u></u>	<u><u>(198,383)</u></u>
<b>EXPENDITURES</b>				
Administrative Services:				
Personal services & benefits	21,801,100	21,383,416	21,268,954	114,462
Contractual services	159,900	174,638	172,121	2,517
Other costs	<u>673,100</u>	<u>1,088,941</u>	<u>999,835</u>	<u>89,106</u>
Total expenditures	<u><u>\$ 22,634,100</u></u>	<u><u>\$ 22,646,995</u></u>	<u><u>\$ 22,440,910</u></u>	<u><u>\$ 206,085</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, 2011**

	<b>MEDIATION FUND (92000)</b>			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Court costs	\$ 122,500	\$ 122,500	\$ 117,960	\$ (4,540)
Pay/care individual	122,500	122,500	179,541	57,041
Total revenues	245,000	245,000	297,501	52,501
Fund balance	230,500	230,500		
Total resources	475,500	475,500		
<b>EXPENDITURES</b>				
Administrative Services:				
Personal services & benefits	400,500	400,500	172,103	228,397
Contractual services	75,000	75,000	51,438	23,562
Total expenditures	\$ 475,500	\$ 475,500	\$ 223,541	\$ 251,959

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, 2011**

	<b>ALTERNATIVE DISPUTE RESOLUTION (92200)</b>			
	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Court costs	\$ 180,000	\$ 180,000	\$ 229,665	\$ 49,665
Total revenues	180,000	180,000	229,665	49,665
Fund balance	172,700	172,700		
Total resources	352,700	352,700		
<b>EXPENDITURES</b>				
Administrative Services:				
Personal services & benefits	\$ 352,700	\$ 352,700	\$ 238,006	\$ 114,694

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, 2011**

	<u><b>AGENCY FUND</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,022,622
Interest in local government investment pool	<u>1,806,163</u>
Total	<u><u>\$ 2,828,785</u></u>
 <b>LIABILITIES</b>	
Due to external parties	<u><u>\$ 2,828,785</u></u>
 <b>NET ASSETS</b>	
Total net assets	<u><u>\$ -</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, 2011**

**(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 six 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, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Accounting- GASB Statement No. 34 (Continued)**

*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.

**B. Basis of Presentation - Fund Accounting**

*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, 2011**

**(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.

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

Court Regular - The Court Regular 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 Court calculates reversions to the State General Fund in accordance with the Department of Finance and Administration's White Paper. The SHARE fund number is #14200 - Court Regular.

In Fiscal Year 2011, the Court began collecting Drug Court Fees from Adult Drug Court participants pursuant to Statute 34-6-47, NMSA 1978 Comp. The fees are to be used to offset client service costs of the drug court program, consistent with standards approved by the Supreme Court. As of June 30, 2011, there was a remaining balance of \$326.50. Any remaining balances do not revert to the general fund at the end of the fiscal year.

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 at the end of fiscal year revert to the State General Fund. The SHARE fund number is # 67900.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation - Fund Accounting (continued)**

*Special Revenue Funds*

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.

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. Unexpended amounts at year end are restricted for future program expenditures in the statement of net assets.

*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 and savings accounts.

The Court also has investments pools maintained at the State Treasurer's Office to hold litigant deposits and to use for its operations.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities and Equity (continued)**

*Receivables*

All receivables are fully collectible.

*Supplies Inventory*

Supplies inventory consists of non-resale paper, postage and office supplies. The Court uses the purchases method to account for its inventory. At year end, the Court had a net decrease of \$4,518 to its supplies inventory.

*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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities and Equity (continued)**

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:

- 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.

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

Governmental fund equity is classified as fund balance. Fund balances are classified into spendable and non-spendable classifications. The non-spendable classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The spendable classifications are as follows:

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, Liabilities and Equity (continued)**

***Restricted Fund Balances***

In the governmental fund financial statements restrictions of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. The amount of net assets restricted due to enabling legislation at June 30, 2011 is summarized below:

Restricted for Adult Drug Court	\$ 325
Restricted for Mediation	332,433
Restricted for Arbitration	<u>216,553</u>
Total	<u>\$ 549,311</u>

***Committed fund balances***

Committed fund balances consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Court through policy action). The Court has no committed fund balances as of June 30, 2011.

***Assigned fund balances***

Assigned fund balances consist of fund balances which are constrained by the government intent to be used for specific purposes, but are neither committed nor restricted. Intent can be expressed by (a) the governing body itself, or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Court has no assigned fund balances as of June 30, 2011.

***Unassigned fund balances***

Unassigned fund balances consist of are all other fund balances which have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the general fund. Generally, the policy of the Court is to first apply committed resources when an expense is incurred for purposes which have committed, assigned, or unassigned fund balances available for use. The Court has no unassigned fund balances at year end.



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 sick leave of 8 hours a month and 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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.
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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Budgets and Budgetary Accounting (continued)**

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.

**H. Inter-fund 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. Inter-fund 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's Office issues separate financial statements which disclose the collateral pledged to secure State Treasurer cash and investments, and can be access at the State Treasurer's website [www.stonm.org](http://www.stonm.org).

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(3) CASH AND CASH EQUIVALENTS**

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

	Bank Balance	Book Balance
Governmental Funds:		
Petty cash		\$ <u>1,500</u>
Agency Funds:		
Cash in Bank	\$ 1,108,199	\$ <u>1,022,622</u>
Less: FDIC coverage	<u>250,000</u>	
Uninsured litigant funds	858,199	
Pledged Collateral held by pledging bank's trust department or agent but not in the Court's name	<u>429,099</u>	
Uninsured and uncollateralized	\$ <u>429,100</u>	

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, 2011 \$858,199 of the Court's bank account balances was exposed to custodial credit risk.

**(4) INVESTMENTS**

Investments at year end are classified as follows:

	State Treasurer Balance
Governmental Funds:	
State Treasurer's General Fund Investment Pool (GFIP)	\$ <u>1,590,720</u>
Agency Funds:	
State Treasurer's Local Government Investment Pool (LGIP)	\$ 1,784,938
State Treasurer's Reserve Contingency Fund	<u>21,225</u>
Total external investment pools	<u>1,806,163</u>

With respect to the LGIP, public funds are not required to disclose custodial credit risk and concentration of credit risk for external investment pool. However, the LGIP portfolio is posted on the State Treasurer's website [www.stonm.org](http://www.stonm.org) and available for review by participants at any time. The LGIP has no foreign currency risk as all investments in the pool are in U.S. dollar denominated assets.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(4) INVESTMENTS (Continued)**

Interest Rate Risk & Credit Risk - 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 LGIP, a government investment pool is rated by Standard & Poor's. The Court's investment in the LGIP at June 30, 2011 consists of the following:

LGIP	AAA <sub>m</sub> rated	\$1,784,938	36-day WAM
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Contingency

The New Mexico State Treasurer's Office invested a portion of the LGIP in The Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008 and 2009. On September 15, 2008, the balance of the LGIP's investment in the Fund was \$381.7 million. On September 16, 2008, The Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the Fund were frozen.

On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of approximately \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close of business on July 9, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. There have been no additional distributions in the past year.

The New Mexico State Treasurer's Office believes that there may be additional distributions.

Uncertainty remains, however, as to the timing and amounts of these distributions. Effective November 24, 2010, all remaining assets were transferred to a liquidating services agent, Crederian Fund Services LLC. In that role, Crederian will facilitate (1) Form 1099 reporting for calendar year 2010 and subsequent years and (2) any further Fund distributions to shareholders.

**(5) DUE FROM / DUE TO**

Due from in the Statement of Net Assets consists of grants and other receivable from external parties at year end.

The due to State General Fund in the Statement of Net Assets includes \$1,939 in 2011 reversion that will be remitted to the state general fund.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(6) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>Depreciable</b>				
Furniture & Fixtures	\$ 1,606,105	\$ -0-	\$ -0-	\$ 1,606,105
Data Processing	731,268	1,354	-0-	732,622
Machinery & Equipment	511,924	5,076	-0-	517,000
Vehicles	51,850	-0-	-0-	51,850
Sub-total	<u>2,901,147</u>	<u>6,430</u>	<u>-0-</u>	<u>2,907,577</u>
<b>Non-depreciable</b>				
Artwork	<u>30,000</u>	<u>-0-</u>	<u>-0-</u>	<u>30,000</u>
Total	<u>\$ 2,931,147</u>	<u>\$ 6,430</u>	<u>\$ -0-</u>	<u>\$ 2,937,577</u>
Accumulated Depreciation:				
Furniture & Fixtures	\$ (1,382,309)	\$ (143,549)	\$ -0-	\$ (1,525,858)
Data Processing	(709,136)	(11,274)	-0-	(720,410)
Machinery & Equipment	(501,694)	(8,602)	-0-	(510,296)
Vehicles	(51,850)	-0-	-0-	(51,850)
Total	<u>(2,644,989)</u>	<u>(163,425)</u>	<u>-0-</u>	<u>(2,808,414)</u>
Total (Net Asset)	<u>\$ 286,158</u>	<u>\$ (156,995)</u>	<u>\$ -0-</u>	<u>\$ 129,163</u>

Current year depreciation expense is \$163,425.

**(7) OTHER LIABILITIES**

The amount in other liabilities represents refunds from PERA to an ineligible employee (retired from ERB) who had made retirement contributions since joining the Court.

**(8) COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Annual Leave	\$ 877,464	\$ 1,016,841	\$1,019,890	\$ 874,415	\$ 757,604
Sick Leave	23,378	20,364	20,900	22,842	14,864
Compensatory Leave	5,071	4,126	-0-	9,197	9,197
Total	<u>\$ 905,913</u>	<u>\$ 1,041,331</u>	<u>\$1,040,790</u>	<u>\$ 906,454</u>	<u>\$ 781,665</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(9) OPERATING LEASES**

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$118,265 for the year ending June 30, 2011. Annual future minimum lease payments are as follows:

June 30, 2012	\$ 99,903
June 30, 2013	43,079
June 30, 2014	6,496
June 30, 2015	2,684
June 30, 2016	<u>-0-</u>
Total	<u>\$ 152,162</u>

**(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.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, 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. In the fiscal year ending June 30, 2011 through June 30, 2013 the contribution rates for the employees and employers will rise as follow:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

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

Also, 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, 2011, 2010 and 2009 were \$269,408, \$209,646 and \$211,574, respectively, which equal the required contributions for each year.

**(11) 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 [10-12B-1 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. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 9.0% of their gross salary. The Court is required to contribute 10.5% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2011, 2010 and 2009 were \$305,756, \$303,174 and \$344,993, 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 \$731,272, \$805,714 and \$745,560, in filing fees for the year ending June 30, 2011, 2010 and 2009, respectively (attributed to JRA portion only).

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(12) 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](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 15.09% 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, 2011, 2010 and 2009 were \$1,908,038, \$2,016,974 and \$2,246,990, respectively, equal to the amount of the required contributions for each fiscal year.

**(13) 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 the 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 Employees Retirement Association, which administers the plan.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**(14) 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, 2011 follows:

	<u>Revenue</u>
<u>General Funds</u>	
Budgetary Basis	\$ 22,448,612
Reclassified to other financing sources/uses	<u>(20,460,196)</u>
GAAP basis	<u>\$ 1,988,416</u>

**(15) 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, 2010 through June 30, 2011.

## **SUPPLEMENTARY INFORMATION**

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

**COMBINING BALANCE SHEET - GENERAL FUNDS**

**June 30, 2011**

	COURT REGULAR (14200)	HEARING OFFICER (67900)	ARRA FUND (89000)	TOTAL
<b>ASSETS</b>				
Petty Cash	\$ 1,500	\$ -	\$ -	\$ 1,500
Investment in SGFIP	1,095,368	(106,927)	-	988,441
Due from external parties	3,303	-	-	3,303
Due from other state agencies	32,368	161,874	-	194,242
Due from local governments	82,457	-	-	82,457
Supplies inventory	111,906	-	-	111,906
 Total assets	 \$ 1,326,902	 \$ 54,947	 \$ -	 \$ 1,381,849
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 27,890	\$ 791	\$ -	\$ 28,681
Accrued payroll	1,153,682	52,314	-	1,205,996
Due to State General Fund	97	1,842	-	1,939
Other liabilities	31,502	-	-	31,502
 Total liabilities	 1,213,171	 54,947	 -	 1,268,118
Fund Balances:				
Nonspendable:				
Petty cash	1,500	-	-	1,500
Inventory	111,906	-	-	111,906
Restricted	325	-	-	325
 Total fund balances	 113,731	 -	 -	 113,731
 Total liabilities and fund balances	 \$ 1,326,902	 \$ 54,947	 \$ -	 \$ 1,381,849

See Auditor's Report.

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

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
GENERAL FUNDS  
For the Year Ended June 30, 2011**

	<u>COURT REGULAR (14200)</u>	<u>HEARING OFFICER (67900)</u>	<u>ARRA FUND (89000)</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Charges for services	\$ 197,449	\$ -	\$ -	\$ 197,449
Federal grants - operating	53,265	971,241	180,000	1,204,506
Other grants	<u>586,461</u>	<u>-</u>	<u>-</u>	<u>586,461</u>
Total revenues	<u>837,175</u>	<u>971,241</u>	<u>180,000</u>	<u>1,988,416</u>
<b>EXPENDITURES</b>				
Judicial				
Current:				
Administrative services	21,286,435	968,045	180,000	22,434,480
Capital outlay	<u>5,076</u>	<u>1,354</u>	<u>-</u>	<u>6,430</u>
Total expenditures	<u>21,291,511</u>	<u>969,399</u>	<u>180,000</u>	<u>22,440,910</u>
Excess (deficiency) of revenues over expenditures	(20,454,336)	1,842	-	(20,452,494)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out:				
Reversions to the State General Fund:				
FY2011	(5,535)	(1,842)	-	(7,377)
Transfers in:				
General fund appropriation	20,271,600	-	-	20,271,600
Other state funds	<u>188,596</u>	<u>-</u>	<u>-</u>	<u>188,596</u>
Total other financing sources (uses)	<u>20,454,661</u>	<u>(1,842)</u>	<u>-</u>	<u>20,452,819</u>
Net change in fund balances	325	-	-	325
Fund balances at beginning balance	117,924	-	-	117,924
Decrease in reserve for supplies inventory	<u>(4,518)</u>	<u>-</u>	<u>-</u>	<u>(4,518)</u>
Fund balances at end of year	<u>\$ 113,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,731</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 FUNDS**

**For the Year Ended June 30, 2011**

	Budget Original	Budget Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>COURT REGULAR (14200)</b>				
<b>REVENUES</b>				
Misc. revenue	\$ 230,000	\$ 230,000	\$ 197,449	\$ (32,551)
Appropriations	20,951,400	20,271,600	20,271,600	-
Federal grants	-	54,844	53,265	(1,579)
Other grants	556,500	749,781	586,461	(163,320)
Other financing sources	-	189,529	188,596	(933)
	<u>21,737,900</u>	<u>21,495,754</u>	<u>21,297,371</u>	<u>(198,383)</u>
<b>EXPENDITURES</b>				
Administrative Services:				
Personal services & benefits	20,984,000	20,281,342	20,168,069	113,273
Contractual services	159,900	174,638	172,121	2,517
Other costs	594,000	1,039,774	951,321	88,453
	<u>\$ 21,737,900</u>	<u>\$ 21,495,754</u>	<u>\$ 21,291,511</u>	<u>\$ 204,243</u>
<b>HEARING OFFICER (67900)</b>				
<b>REVENUES</b>				
Federal grants	<u>\$ 896,200</u>	<u>\$ 971,241</u>	<u>\$ 971,241</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Administrative Services:				
Personal services & benefits	817,100	922,074	920,885	1,189
Other costs	79,100	49,167	48,514	653
	<u>\$ 896,200</u>	<u>\$ 971,241</u>	<u>\$ 969,399</u>	<u>\$ 1,842</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 FUNDS**

**For the Year Ended June 30, 2011**

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>ARRA FUND (89000)</b>				
<b>REVENUES</b>				
Federal grants	\$ -	\$ 180,000	\$ 180,000	\$ -
<b>EXPENDITURES</b>				
Administrative Services:				
Personal services & benefits	-	180,000	180,000	-
Total expenditures	\$ -	\$ 180,000	\$ 180,000	\$ -
<b>TOTAL GENREAL FUNDS</b>				
<b>REVENUES</b>				
Misc. revenue	\$ 230,000	\$ 230,000	\$ 197,449	\$ (32,551)
Appropriations	20,951,400	20,271,600	20,271,600	-
Federal grants	896,200	1,206,085	1,204,506	(1,579)
Other grants	556,500	749,781	586,461	(163,320)
Other financing sources	-	189,529	188,596	(933)
Total revenues	<u>22,634,100</u>	<u>22,646,995</u>	<u>22,448,612</u>	<u>(198,383)</u>
<b>EXPENDITURES</b>				
Administrative Services:				
Personal services & benefits	21,801,100	21,383,416	21,268,954	114,462
Contractual services	159,900	174,638	172,121	2,517
Other costs	673,100	1,088,941	999,835	89,106
Total expenditures	<u>\$ 22,634,100</u>	<u>\$ 22,646,995</u>	<u>\$ 22,440,910</u>	<u>\$ 206,085</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, 2011**

	<b>Agency Fund</b>			
	Beginning Balance	Increase	Decrease	Ending Balance
Cash and cash equivalents	\$ 755,531	\$ 9,940,823	\$ 9,673,732	\$1,022,622
Interest in local government investment pool	2,807,260	4,333,315	5,334,412	1,806,163
Total	\$ 3,562,791	\$ 14,274,138	\$ 15,008,144	\$2,828,785
Due to litigants	\$ 3,562,791	\$ 14,274,138	\$ 15,008,144	\$2,828,785

See Auditor's Report.

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

**SCHEDULE OF OPERATING TRANSFERS**

**For the Year Ended June 30, 2011**

	SHARE FUND	TITLE	TRANSFER	
			In	Out
<b>General Fund - Regular (14200)</b>				
(1)	85300	Department of Finance & Administration	\$ 20,271,600	\$ -
(2)	13900	Administrative Office of the Court	188,596	-
(3)	85300	Department of Finance & Administration	-	5,535
<b>Child Support Hearing Officer (67900)</b>				
(3)	85300	Department of Finance & Administration	-	1,842
			<b>\$ 20,460,196</b>	<b>\$ 7,377</b>

- (1) General Fund Appropriation, Laws of 2010, Chapter 6, Section 4.
- (2) LETF DWI grant.
- (3) Reversion to State General Fund.

See Auditor's Report.

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

**SCHEDULE OF DEPOSITS AND INVESTMENTS**

**June 30, 2011**

	<b>SHARE Account</b>	<b>SHARE Balance</b>
<b>Governmental Funds</b>		
Interest in State General Fund Investment Pool		
Court Regular	14200	\$ 1,095,368
Child Support Hearing Officer	67900	(106,927)
Court Mediation	92000	372,678
Court Arbitration (Alternative Dispute)	92200	229,601
<b>Total governmental</b>		<b>\$ 1,590,720</b>

	<b>Type of Account</b>	<b>Bank Balance</b>	<b>Reconciled Balance</b>
<b>AGENCY FUND</b>			
Cash in Bank			
Wells Fargo	Checking	\$ 76,692	\$ 1
Wells Fargo	Checking	1,031,507	1,022,621
State Treasurer			
Local Gov't Investment Pool	Investment	1,784,612	1,784,938
Reserve Contingency Fund	Investment	21,225	21,225
<b>Total Agency Fund</b>		<b>\$ 2,914,036</b>	<b>\$ 2,828,785</b>

See Auditor's Report

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

**MEMORANDUM OF UNDERSTANDING**

**June 30, 2011**

<u>Participants</u>	<u>Operation Responsibility</u>	<u>Description</u>	<u>Term</u>	<u>Total Estimated Amount</u>	<u>Agency Contribution</u>	<u>Audit Responsibility</u>
Second District Court &:						
-Administrative Office of the Court	Second District Court	Support adult and juvenile drug court in NM	11/1/2009 - 6/30/2011	\$ 53,000	\$ 13,725	Second District Court
-Administrative Office of the Court	Second District Court	Support drug court of NM.	7/01/2010 - 6/30/2011	\$189,529	\$ 188,596	Second District Court

(1) Reporting is the responsibility of all parties involved.

(2) The revenues and expenditures are reported in the books of the responsible party.

See Auditor's Report

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Pass through from:			
Administrative Office of the Courts			
Juvenile Drug Court	16.585	2009-D1-BX-0134	\$ 8,082
Adult Drug Court	16.585	2009-D1-BX-0134	5,643
Total Administrative Office of the Courts			<u>13,725</u>
City of Albuquerque			
Violence Against Women Act	16.588	2009-EF-S6-0049	39,540
Total U.S. Department of Justice			<u>53,265</u>
<u>U.S. Department of Education</u>			
Pass through from:			
Administrative Office of the Courts			
State Fiscal Stabilization Fund			
ARRA Federal Stimulus Funds	84.397	GSF-AOC-01FurPrev	180,000
<u>U.S. Department of Health and Human Services</u>			
Pass through from:			
NM Human Services Department			
* Child Support Enforcement	93-563	GSA 11-630-7101-0017	648,483
			<u>\$ 881,748</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 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**

**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 Ted Baca, 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, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the State of New Mexico, Second Judicial District Court (Court), as of and for the year ended June 30, 2011 and have issued our reported thereon dated November 4, 2011. 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.

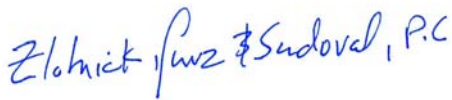
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

November 4, 2011



**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 Ted Baca, 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, 2011. 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, 2011.

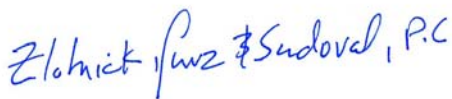
## Internal Control Over Compliance

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 deficiency in 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 material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

November 4, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Section I - Summary of Auditor's Results**

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**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, 2011**

**Section II - Financial Statement Findings**

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*No matters were reported.*

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2011**

**Section III - Federal Awards Findings**

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*No matters were reported.*

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

**PRIOR YEAR FINDINGS**

**Year Ended June 30, 2011**

<b><u>Reference Number</u></b>	<b><u>Condition</u></b>	<b><u>Disposition</u></b>
2010-1	Time Approval	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, 2011**

The contents of this report were discussed at an exit conference held on November 22, 2011 with the following in attendance:

**2<sup>nd</sup> Judicial District Court**

Honorable Ted Baca, Chief Judge

Gregory Ireland, Court Executive Officer

Farah French, Fiscal Services Director

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

Ban Trinh, CPA

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.