

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2008

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

TABLE OF CONTENTS
JUNE 30, 2008

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS:	
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	19
Alternative Dispute Resolution Fund	20
Human Services Division Fund	21
Statement of Fiduciary Assets and Liabilities - Agency Funds	22
NOTES TO THE FINANCIAL STATEMENTS	23
SUPPLEMENTARY FINANCIAL INFORMATION	
NONMAJOR FUND	
Balance Sheet	35
Statement of Revenues, Expenditures, and Changes in Fund Balance	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Mediation Fund	37
OTHER SUPPLEMENTARY INFORMATION	
Statement of Fiduciary Assets and Liabilities - Court Clerk's Fund	38
Statement of Fiduciary Assets and Liabilities - Litigant's Fund	39
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	40
Schedule of Cash/Investment Accounts	41
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	42
Schedule of Findings and Responses	44
Exit Conference	45

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

OFFICIAL ROSTER
JUNE 30, 2008

JUDGES

<i>Honorable Robert E. Robles</i>	<i>Chief Judge, Division I</i>
<i>Honorable Stephen Bridgforth</i>	<i>Division II</i>
<i>Honorable Michael T. Murphy</i>	<i>Division III</i>
<i>Honorable Jerald A. Valentine</i>	<i>Division IV</i>
<i>Honorable Lisa C. Schultz</i>	<i>Division V</i>
<i>Honorable James T. Martin</i>	<i>Division VI</i>
<i>Honorable Douglas R. Driggers</i>	<i>Division VII</i>
<i>Honorable Fernando R. Macias</i>	<i>Division VIII</i>

ADMINISTRATIVE OFFICIALS

<i>Nadine Sanchez</i>	<i>Court Administrator</i>
<i>Viola Perea</i>	<i>Court Financial Manager</i>

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
Honorable Robert E. Robles, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico Third Judicial District Court, as of and for the year ended June 30, 2008, which collectively comprise the Third Judicial District Court's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Court's nonmajor governmental and fiduciary funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico Third Judicial District 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 basic 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 State of New Mexico Third Judicial District Court, are intended to present the financial position, the changes in financial position, and the respective budgetary comparisons of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Third Judicial District Court. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
Honorable Robert E. Robles, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico
Page Two

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Third Judicial District Court, as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund, Alternative Dispute Fund and the Human Services Division Fund 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 State of New Mexico Third Judicial District Court as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison of the nonmajor fund 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 our report dated December 5, 2008, on our consideration of the Third Judicial District Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the Third Judicial District Court's basic financial statements and individual fund financial statements. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

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

December 5, 2008

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The following is a discussion and analysis of the State of New Mexico Third Judicial District Court's (the District Court's) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and with the District Court's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

- The assets of the District Court exceeded its liabilities at the close of the fiscal year by \$695,200 (reported as net assets). Of this amount, \$227,073 (unrestricted net assets) may be used to meet the District Court's ongoing obligations to citizens and creditors and \$468,127 is invested in capital assets, net of related debt.
- The District Court's total net assets increased in fiscal year 2008 by \$107,280, all of which are governmental activities. The District Court does not engage in business-type activities.

Fund Highlights

- At the close of fiscal year 2008, the District Court's governmental funds reported combined ending fund balances of \$419,718, an increase of \$8,612 from the beginning of the year. The full amount is available to meet the District Court's current and future needs of specific programs.

Long-term Debt

- As in prior years, the Third Judicial District Court has not participated in the financing of capital assets through the sale of bonds or issuance of long-term notes. The only long-term debt incurred by the District Court is Accrued Compensated Absences. Compensated Absences increased by \$25,292 (12%) during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District Court's annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and a section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District Court:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District Court's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District Court, reporting the District Court's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services (the primary function of the District Court) were financed in the short-term as well as what remains for future spending or reversions.
 - Fiduciary fund statements provide information about the financial relationships in which the District Court acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

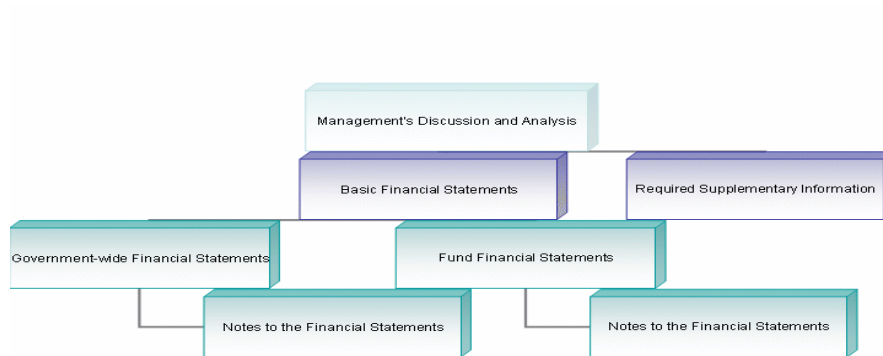


Figure 1. Required Components of the District Court's Annual Financial Report

Government-wide Statements

The government-wide statements report information about the District Court as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District Court'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.

The two government-wide statements report the District Court's net assets and how they have changed. Net assets (the difference between the District Court's assets and liabilities) are one way to measure the District Court's financial health or position.

- Over time, increases or decreases in the District Court's net assets are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District Court, you need to consider additional non-financial factors such as changes in the District Court's grant funding or the addition of a new program.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Fund Financial Statements

The fund financial statements provide more detailed information about the District Court's most significant funds, not the District Court as a whole. Funds are accounting devices that the District Court uses to keep track of specific sources of funding and spending for particular purposes. State law requires the establishment of certain funds. The State of New Mexico legislature establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants.

The District Court has two types of funds – Governmental and Fiduciary. The District Court does not have business-type activities and, therefore, does not maintain proprietary funds.

- **Governmental Funds**

Most of the District 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. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District Court's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

- **Fiduciary Funds**

The District Court is the trustee, or fiduciary, for bond, restitution and other deposits made with the District Court in compliance with District Court orders.

The District Court is responsible for those assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District Court is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District Court's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities and a statement of changes in fiduciary assets and liabilities. We exclude these activities from the District Court's government-wide financial statements since the District Court cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

Net assets measure the difference between what the District Court owns (assets) and what the District Court owes (liabilities). Net assets may serve over time as a useful indicator of the District Court's financial position. The amount of total net assets is one measure of the health of the District Court's finances. This measure must be used with care because large portions of the balances related to capital assets that are unavailable to meet the day-to-day payments of the District Court.

The District Court's overall financial position and operations for the past year are summarized as follows based on the information included in the government-wide financial statements.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

State of New Mexico - Third Judicial District Court
Assets, Liabilities and Net Assets as of June 30,

	<u>2008</u>	<u>2007</u>	<u>Percent Change</u>
		<u>Governmental Activities</u>	
Current Assets	\$1,019,220	\$1,486,861	(31%)
Capital Assets	<u>468,127</u>	<u>371,885</u>	26%
Total Assets	<u>1,487,347</u>	<u>1,858,746</u>	(20%)
Current Liabilities	599,502	1,072,300	(44%)
Long-term Liabilities	<u>192,645</u>	<u>195,071</u>	(1%)
Total Liabilities	<u>792,147</u>	<u>1,267,371</u>	(37%)
Net Assets:			
Invested in Capital Assets	468,127	371,885	26%
Unrestricted Net Assets	<u>227,073</u>	<u>219,490</u>	3%
Total Net Assets	<u>\$695,200</u>	<u>\$591,375</u>	18%

The largest portion of the District Court's net assets, \$468,127 or 67%, represents capital assets. The District Court uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance of the District Court's net assets, \$227,073 or 33%, represents unrestricted net assets that may be used to meet the District Court's ongoing obligations to citizens and creditors. These assets may be used at the State's discretion but often have limitations on use based on state statutes.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year. As previously noted, the District Court does not engage in business-type activities and, therefore, only reports governmental and fiduciary activities.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

State of New Mexico - Third Judicial District Court
Changes in Net Assets
For the Fiscal Years ended June 30,

	<u>2008</u>	<u>2007</u>	<u>Percent Change¹</u>
		<u>Governmental Activities</u>	
Revenues			
Program Revenues			
Charges for Services	\$136,100	\$132,888	2%
Operating Grants and Contributions	386,330	362,969	6%
Capital Grants and Contributions	213,544	31,456	579%
General Revenues			
State Appropriations	6,241,686	5,722,966	9%
Transfer in – AOC	<u>456,645</u>	<u>594,195</u>	(23%)
Total Revenues	<u>7,434,305</u>	<u>6,844,474</u>	9%
Expenses			
General Government	<u>7,327,025</u>	<u>6,742,812</u>	9%
Total Expenses	<u>7,327,025</u>	<u>6,742,812</u>	9%
Increase (Decrease) in Net Assets	107,280	101,662	5%
Net Assets, July 1, as Restated	<u>587,920</u>	489,713	20%
Net Assets, June 30	<u>\$695,200</u>	<u>\$591,375</u>	18%

¹The Percent Change column shows the percentage change in operations from fiscal year 2007 to 2008 for each line item. The reader should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change, it may not have as significant effect as a change in a more material line item with a smaller percentage change.

General Revenues for the District Court consist primarily of State general fund appropriations. State general fund appropriations reported in fiscal year 2007 were \$5,722,966 and \$6,241,686 in 2008, an increase of \$518,720. This increase was primarily due to an increase for personnel related costs.

Total expenses for the District Court are all categorized as Primary government/Governmental activities. The District Court does not participate in any business-type activities.

General government expenses increased by \$584,213 from \$6,742,812 in fiscal year 2007 to \$7,327,025 in fiscal year 2008. This represents an increase of 9% and is primarily due to the increase in personnel costs and capital grant expenditures in FY08.

Depreciation expenses increased from \$92,508 in fiscal year 2007 to \$99,716 in fiscal year 2008, an increase of 8%.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental funds

As noted earlier, the District Court uses fund accounting to ensure and demonstrate compliance with legal requirements. The general government functions are contained in the General and Special Revenue funds. The focus of the District Court's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

General Fund

The general fund is the chief operating fund of the District Court. At June 30, 2008, the District Court's general fund reported a fund balance of \$36,340.

Alternative Dispute Fund

The Alternative Dispute (ADR) Fund is used to account for fees collected and expenses incurred pursuant to Section 34-6-45 of the New Mexico State Statutes. The District Court collects a fee of fifteen dollars on all new and reopened civil cases except domestic relations cases. The fee is deposited into the Alternative Dispute Resolution fund to be used to defray the cost of operating the District Court's Alternative Dispute Resolution program. Total fund balance increased by \$44,655 or 16% over the June 30, 2007 fund balance. The fund balance increase is due to an increase in Court fees collected and a substantial decrease in related expenditures. The decrease in expenditures was primarily due to the purchase of non capitalizable furniture and fixtures in the prior year but not in the current year. This fund is non-reverting.

Human Services Division Fund

The Human Services Division Fund is used to account for the proceeds and related expenditures from an interagency agreement between the Court and the New Mexico State Department of Human Services pursuant to Section 40-4B-1 (Child Support Hearing Officer Act) of the New Mexico Statutes. The purpose of the Child Support Hearing Officer Act is to provide the personnel necessary to insure prompt and full payment by obligated parties of child support obligations for their dependent children and, where applicable, attendant spousal support obligations. The Human Services Division fund balance changed only for a prior year restatement related to the correction of payroll liabilities. All unexpended funds are reverted.

The contract from the New Mexico State Department of Human Services increased from \$362,969 in fiscal year 2007 to \$386,330 in fiscal year 2008, an increase of 6%.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Nonmajor Funds

The District Court maintains one other fund listed on the Governmental Funds statements as a nonmajor fund - Mediation Fund.

The Mediation Program Fund is used to account for fees collected and expenses incurred pursuant to Section 40-12-4 of the New Mexico State Statutes. The District Court collects a surcharge of thirty dollars on all new and reopened domestic relations cases. Parents involved in domestic relations cases and utilize mediation services also pay a portion of the cost of domestic relations mediation pursuant to a sliding fee scale approved by the supreme court and is based upon the parent's ability to pay for the specific service rendered. Money in this fund is used to offset the cost of operating the domestic relations mediation program and the supervised visitation program. The Mediation Program fund balance decreased from \$62,038 as of June 30, 2007 to \$53,332 as of June 30, 2008. The amount, \$8,706 represents a 14% decrease over fiscal year 2007. Fiscal year 2008 expenditures of \$65,626 indicate an increase in spending of \$9,944 over fiscal year 2007 expenditures. This increase is attributable to an increase in number of cases assigned to mediation during fiscal year 2008 by the division judges and the domestic violence special commissioner. This fund is non-reverting.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State of New Mexico Legislature makes annual appropriations to the District Court for general operations and drug court programs. Additionally, appropriations are made to the Administrative Office of the Courts for the Court Appointed Special Advocate (CASA) and Water Adjudication programs that are then transferred to the District Court. The District Court's original fiscal year 2008 budget included \$6,243,700 in legislative appropriations for general operations and drug court programs, \$227,800 in Compensation Package, \$86,100 for CASA, \$139,800 for Water Adjudication, \$29,000 for copies and tapes reimbursement, and \$10,800 for Drug Court program fees all of which are included in the General Fund.

During fiscal year 2008, the District Court's overall general fund revenue budget increased by \$3,238, or less than 1%. The increase was for CASA, due to an increase in allocation from the Administrative Office of the Courts.

The variance between the final budget and actual in the expenditures section of the General Fund budgetary comparison was a favorable \$178,323. This was primarily due to non-expenditure of capital projects funds.

All increases to the District Court's budget were made with the approval of the State Budget Division.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the Third Judicial District Court had \$468,127 invested in capital assets, net of accumulated depreciation, including furniture, fixtures, equipment, data processing equipment, and vehicles (see table below). This amount represents a net increase of \$96,242 or 26% over fiscal year 2007 figures. While governmental standards do not prescribe a minimum level for the capitalization of assets, the District Court has followed the Department of Finance and Administration's capitalization policy of \$5,000. This is the dollar value above which asset acquisitions are added to the capital accounts. As such, all capital assets with an original cost of less than \$5,000 that were purchased in the current fiscal year are not included on the reportable fixed asset list, however, remain on the physical inventory list for the District Court. During fiscal year 2008, the Court made several large capital acquisitions of vehicles and courtroom equipment.

Depreciation charges for this fiscal year totaled \$99,716.

State of New Mexico - Third Judicial District Court
Capital Assets as of June 30

		<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>Percent Change</u>
Furniture and fixtures	\$201,071	\$201,071	0%
Equipment	725,136	565,734	28%
Data Processing	150,630	150,630	0%
Vehicles	<u>184,298</u>	<u>147,742</u>	25%
Total	<u>\$1,261,135</u>	<u>\$1,065,177</u>	18%

As part of GASB 34 implementation, the District Court depreciated its capital assets using the straight-line depreciation method for all assets for which depreciation is applicable as instructed by the Department of Finance and Administration. In determining the estimated useful life, the District Court considered the asset's class, present condition, use of the asset and how long the asset was expected to meet service and technology standards. In all cases, salvage value was assumed to be zero.

Long-term Debt

As in prior years, the Third Judicial District Court has not participated in the financing of capital assets through the sale of bonds or issuance of long-term notes.

Infrastructure Assets

Infrastructure assets are defined as long-lived capital assets that are normally stationary in nature and that can normally be maintained for a significantly greater number of years than most capital assets. Infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. GASB 34 requires agencies with infrastructure assets to capitalize them and report major general infrastructure assets that were acquired in fiscal years ending after June 30, 1980, or that received major renovations, restorations or improvements during that period.

The Third Judicial District Court does not own any infrastructure assets and, as such, does not include any information under this heading.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Third Judicial District Court requested a total budget of \$7.57 million dollars for Fiscal Year 2009 for base budgets of all programs managed by the District Court including the General Court, Juvenile and Adult Drug Courts, Water Rights Adjudication, Court Appointed Special Advocate Program, Alternative Dispute Resolution, Mediation and Human Services Division (Child Support Hearing Officer program). The Court received \$7.2 million dollars for fiscal year 2008, which includes \$227,800 in funding for state approved employee compensation.

CONTACTING THE DISTRICT COURT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, creditors and the general public with a general overview of the District Court's finances and to show the District Court's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Court Executive Officer, 201 W. Picacho, Las Cruces, New Mexico 88005 (505) 523-8283.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$1,019,220
<i>Total current assets</i>	<u>1,019,220</u>

Noncurrent Assets:

Capital assets	1,261,135
Less: accumulated depreciation	(793,008)
<i>Total capital assets, net of depreciation</i>	<u>468,127</u>
<i>Total noncurrent assets</i>	<u>468,127</u>

<i>Total assets</i>	<u>1,487,347</u>
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LIABILITIES

Current Liabilities:

Accounts payable	89,093
Accrued payroll and payroll liabilities	246,820
Compensated absences - short term	27,718
Due to Human Services Department	63,577
Due to state general fund	2,294
Deferred revenues	170,000
<i>Total current liabilities</i>	<u>599,502</u>

Long-Term Liabilities:

Compensated absences - long term	192,645
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<i>Total liabilities</i>	792,147
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NET ASSETS

Invested in capital assets	468,127
Unrestricted	227,073

<i>Total net assets</i>	<u>\$695,200</u>
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The Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF ACTIVITIES

JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$7,227,309	\$136,100	\$386,330	\$213,544	(\$6,491,335)
Depreciation expense - unallocated	99,716	0	0	0	(99,716)
<i>Total governmental activities</i>	<i>7,327,025</i>	<i>136,100</i>	<i>386,330</i>	<i>213,544</i>	<i>(6,591,051)</i>
Business-type activities:	0	0	0	0	0
<i>Total primary government</i>	<i>\$7,327,025</i>	<i>\$136,100</i>	<i>\$386,330</i>	<i>\$213,544</i>	<i>(\$6,591,051)</i>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in Net Assets:			
Net (expense) revenue	(\$6,591,051)	\$0	(\$6,591,051)
General Revenues and Transfers:			
State general fund appropriations	6,243,980	0	6,243,980
Transfers - Administrative Office of the Courts	456,645	0	456,645
Reversions to State General Fund - 2008	(2,294)	0	(2,294)
<i>Total revenues and transfers</i>	<i>6,698,331</i>	<i>0</i>	<i>6,698,331</i>
<i>Change in net assets</i>	<i>107,280</i>	<i>0</i>	<i>107,280</i>
Net assets - June 30, 2007, as previously stated	591,375	0	591,375
Restatement	(3,455)	0	(3,455)
Net assets - June 30, 2007, as restated	587,920	0	587,920
<i>Net assets - June 30, 2008</i>	<i>\$695,200</i>	<i>\$0</i>	<i>\$695,200</i>

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

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

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

	Major Funds				Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund	Nonmajor Fund	
ASSETS					
Investment in the State Treasurer					
General Fund Investment Pool	\$543,763	\$329,237	\$88,436	\$57,784	\$1,019,220
Due from other state agencies	0	0	0	0	0
Total assets	\$543,763	\$329,237	\$88,436	\$57,784	\$1,019,220
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$74,271	\$74	\$10,296	\$4,452	\$89,093
Accrued payroll and payroll liabilities	233,140	0	13,680	0	246,820
Accrued compensated absences - short term	27,718	0	0	0	27,718
Due to other state agencies	2,294	0	63,577	0	65,871
Deferred revenues	170,000	0	0	0	170,000
Total liabilities	507,423	74	87,553	4,452	599,502
 FUND BALANCES					
Unreserved, Designated for future expenditures:					
Reported in:					
General fund	36,340	0	0	0	36,340
Special revenue funds	0	329,163	883	53,332	383,378
Total fund balances	36,340	329,163	883	53,332	419,718
Total liabilities and fund balances	\$543,763	\$329,237	\$88,436	\$57,784	\$1,019,220

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

FUND BALANCE of Governmental Funds	\$419,718
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.	468,127
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(192,645)
<hr/>	
<i>Net assets of governmental activities</i>	\$695,200
<hr/>	

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

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Major Funds				Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund	Nonmajor Fund	
REVENUES					
HSD contract revenue	\$0	\$0	\$386,330	\$0	\$386,330
Court fees	34,165	45,015	0	56,920	136,100
<i>Total revenues</i>	34,165	45,015	386,330	56,920	522,430
EXPENDITURES					
Current:					
Personal services	5,377,584	0	315,857	0	5,693,441
Contractual services	837,657	360	1,000	56,103	895,120
Other costs	544,592	0	69,473	9,523	623,588
Capital Outlay	213,544	0	0	0	213,544
<i>Total expenditures</i>	6,973,377	360	386,330	65,626	7,425,693
OTHER FINANCING SOURCES (USES)					
State general fund appropriations	6,457,244	0	0	0	6,457,244
Transfers from other state agencies	456,925	0	0	0	456,925
Transfers - reversion to State General Fund 2008	(2,294)	0	0	0	(2,294)
<i>Total other financing sources (uses)</i>	6,911,875	0	0	0	6,911,875
<i>Net change in fund balance</i>	(27,337)	44,655	0	(8,706)	8,612
Fund balance, beginning of year, as previously stated	68,015	284,508	0	62,038	414,561
Restatement	(4,338)	0	883	0	(3,455)
Fund balance, beginning of year, as restated - 6/30/2007	63,677	284,508	883	62,038	411,106
<i>Fund balance, end of year - 6/30/2008</i>	\$36,340	\$329,163	\$883	\$53,332	\$419,718

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
RECONCILIATION OF THE CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Governmental Funds \$8,612

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays and depreciation in the current period are:

Depreciation expense	(99,716)
Capital outlay	195,958

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	2,426
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<i>Change in net assets of governmental activities</i>	\$107,280
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**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT**

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$6,243,700	\$6,243,700	\$6,243,700	\$0
Other state funds	39,800	39,800	34,165	(5,635)
Intra fed	0	0	0	0
Other financing sources	453,700	456,938	456,925	(13)
Fund balance (deferred revenue)	383,544	383,544	213,544	(170,000)
<i>Total revenues</i>	<u>7,120,744</u>	<u>7,123,982</u>	<u>6,948,334</u>	<u>(175,648)</u>
EXPENDITURES				
Personal services	5,408,900	5,353,500	5,349,866	3,634
Contractual services	927,700	839,638	837,657	1,981
Other costs	400,600	547,300	544,592	2,708
Capital outlay	383,544	383,544	213,544	170,000
<i>Total expenditures</i>	<u>7,120,744</u>	<u>7,123,982</u>	<u>6,945,659</u>	<u>178,323</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>\$2,675</u>	<u>\$2,675</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,675
Adjustments for current year reversions	(2,294)
Adjustments for current portion of accrued compensated absences	(27,718)
Net change in fund balance	(\$27,337)

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
ALTERNATIVE DISPUTE RESOLUTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court costs	\$30,000	\$30,000	\$45,015	\$15,015
EXPENDITURES				
Current:				
Contractual services	30,000	30,000	360	29,640
Other costs	0	0	0	0
<i>Total expenditures</i>	30,000	30,000	360	29,640
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$44,655	(\$44,655)

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

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

HUMAN SERVICES DIVISION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Other financing sources	\$363,000	\$387,488	\$387,488	\$0
EXPENDITURES				
Current:				
Personnel services	292,500	316,988	315,857	1,131
Contractual services	1,000	1,000	1,000	0
Other costs	69,500	69,500	69,473	27
<i>Total expenditures</i>	363,000	387,488	386,330	1,158
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$1,158	(\$1,158)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$1,158
Adjustments for current year reversions	(1,158)
Net change in fund balance	\$0

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

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS

JUNE 30, 2008

	Agency Funds
ASSETS	
Cash	\$3,479,717
Due from the State Treasurer	1,356
<i>Total assets</i>	\$3,481,073
LIABILITIES	
Due to State Treasurer	\$36,719
Deposits held in custody for others	3,444,354
<i>Total liabilities</i>	\$3,481,073

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Third Judicial District Court (District Court) operates under Section 34-6-1 through 34-6-3, 34-6-6, and 34-6-17 through 34-6-46, NMSA, 1978 Compilation. The Third Judicial district covers Dona Ana County. The Third Judicial District Court is the state court of general jurisdiction and is authorized to hear and determine all civil and criminal cases that are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The accounting policies of the Third Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the section of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential components units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District Court has no component units, and is not a component unit of another governmental agency.

Basis of Accounting

The accounts of the District 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 various funds are grouped into two broad fund categories and two generic fund types as follows:

Governmental Fund Type

General Fund - The General Fund is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico with the exception of certain fees generated by the court, certain contracts related to grants of another agency and appropriations related to capital projects. The SHARE number for the General Fund of the District Court is 14300. Because reverting and non-reverting funds are in the same fund class coding in the SHARE system is used to identify each type.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Alternative Dispute Resolution Fund - The Alternative Dispute Resolution Fund is used to account for proceeds from surcharges on all civil cases except for domestic relations and children's cases. These fees do not revert to the State of New Mexico; rather they are used to provide arbitration for civil cases except for domestic relations and children's cases. The authority to establish the fund is NM State Statute 34-6-45. The Third Judicial District Court has determined this fund to be a major fund whose SHARE number is 87700.

Human Services Division Fund - The Human Services Division Fund is used to account for the proceeds from state grants through the New Mexico State Department of Human Services and the expenditures there from. These funds are used to provide for the enforcement of child support payments and prohibitions against domestic violence. Any unencumbered balance remaining is reverted to the General Fund of the State of New Mexico. The authority for the creation and maintenance of the fund is given under New Mexico State Statute 40-4b-1. The Third Judicial District Court has determined this fund to be a major fund whose SHARE number is 92400.

Mediation Program Fund - The Mediation Program Fund is used to account for proceeds from surcharges on domestic filing fees. The authority for the creation and maintenance of the fund is given under New Mexico State Statute 40-12-5. These fees are used to provide mediation services and counseling for cases involving children or contested divorces. These funds do not revert to the State of New Mexico. The Third Judicial District Court has determined this fund to be a nonmajor fund whose SHARE number is 92300.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the District 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.

Litigant's Fund - These monies are amounts collected from persons involved in pending lawsuits. The court has custody and, if directed by the court, may invest these monies until refunded to litigants. The interest earned, if stated in the court order, is refunded and, if not stated, the interest earned is transferred to the state general fund.

Court Clerk's Fund - These monies are collected from individuals filing with the court. These monies are remitted intact to the New Mexico State Treasurer.

Basis of Presentation - Fund Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District Court, the primary government, as a whole, without displaying individual funds or fund types. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District Court. The District 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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Private-sector standards of accounting and financial reporting (FASB pronouncements) issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Non-exchange transactions, in which the Court gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Program revenues derive directly from the program itself or from parties outside the court or citizenry, as a whole; they reduce the net cost of the function to be financed from the court's general revenues. These statements report three categories of program revenues as follows:

Charges for service, which arise from charges to customers or applicants who purchase, use or directly benefit from the service provided. The Court charges for various court costs.

Operating grants and contributions arising from other governments, organizations, or individuals that are restricted for use in a particular program. The category includes contract receipts received for the operations of the Juvenile Drug Court and Family Dependency Court.

Capital grants and contributions arising from other governments, organizations, or individuals that are restricted for capital purposes - to purchase, construct or renovate capital assets associated with a specific program. This category consists of state capital outlay bonds received by the Court.

It is the Court's policy to first apply restricted resources (grant funds) when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Financial Statements

The governmental fund and agency fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized in the accounting period in which they become available and measurable; expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay current liabilities of the current period.

Those revenues susceptible to accrual are federal and state grants and as such are recognized in the accounting period when they become both measurable and available. A reconciliation is provided with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity

Cash and Investments

The District Court cash and cash equivalents are considered to be demand deposits, savings accounts and certificates of deposits.

Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The court defines capital assets as assets with lives of greater than one year and a cost or donated value of \$5,000 or greater. The court includes software in capital assets under the data processing category.

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 years
Automotive	5 years
Data Processing	3 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity

Government-Wide Statements

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

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District Court has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net assets with constraints placed on the 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.
3. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The District Court follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1st, the District Court submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1st. The appropriation request includes proposed expenditures and the means of financing them.
2. 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.
3. The Governor of the State of New Mexico within the legally prescribed time limit signs the Act into law.
4. The District Court submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective on July 1st. The Director of the DFA - Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal budget control for expenditures is by expenditure category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) modified accrual basis. The District Court changed its method of budgeting for the fiscal year ending June 30, 2008 to the modified accrual basis from a non-GAAP method where encumbrances are treated as expenditures. The budget for this State Agency is adopted on the modified accrual basis of accounting except for 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 years budget.
8. Appropriations lapse at the end of the fiscal year. All unexpended amounts within the General Fund revert to the State General Fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Governmental Funds. Encumbrances related to single year appropriations lapse at year-end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year are reclassified as accounts payable. Any remaining encumbrances related to single year appropriations are reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Annual Leave

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month
Less than 3 years	10
Over 3 - 7 years	12
Over 7 - 14 years	14
14 years and greater	16

A maximum of 240 hours of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums.

At June 30, 2008, accrued compensated absences payable for accumulated annual leave totaled \$220,363. The current portion of this liability is recorded in the fund statements (\$27,718) and the long-term portion is recorded in the government-wide statements (\$192,645) as a long-term liability.

NOTE 2. COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

The District Court's deposits at year-end were covered by federal depository insurance or by collateral held in the financial institution's name. The collateral is placed in safekeeping and pledged to the District Court. The District Court invests all money in interest or non-interest bearing savings accounts, checking accounts, certificates of deposit, and short-term investment funds held by the State of New Mexico Treasurer.

Section 6-10-16, NMSA 1978 Compilation requires that fifty percent of the balance not covered by FDIC or FSLIC to be pledged. If the securities pledged are U.S. government securities, they are pledged at market value; if they are New Mexico municipal bonds, they are pledged at par value. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure the short-term investment deposits and the categories of risk involved.

The Litigant Agency Funds are in the State Investment Pool, which is not rated, although the securities within the pool are rated.

- a. The investments are valued at fair value based on quoted market prices as of the valuation date;
- b. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10 1A and E, NMSA 1978.
- c. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested; and
- d. Participation in the local government investment pool is voluntary.
- e. Separately issued financial statements are available from the New Mexico State Treasurer that does disclose the collateral pledged to secure State Treasurer cash and investments.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3. RETIREMENT PLANS

Public Employees Retirement Act (PERA)

Substantially all of the District Court 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, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. 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.

Retirement Plan (JRA)

Substantially all of the District Court judges or justices participate in a judicial retirement system authorized under the Judicial Retirement Act (10-12B-1 TO 10-12B-19 NMSA 1978). The retirement board provided for in the Public Employee Retirement Act is the administrator of the plan, which is a cost sharing multiple employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

PERA

Plan members are required to contribute 7.42% of their gross salary. The State of New Mexico Third Judicial District Court is required to contribute 16.59% of gross covered salary. The contribution requirements of plan members and the State of New Mexico Third Judicial District Court are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature.

The State of New Mexico Third Judicial District Court contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$517,033, \$460,402, and \$429,128, respectively, which equals the amount of required contributions for the year.

JRA

Plan members, while in office, shall contribute 7.5% of salary to the member contribution fund. The State of New Mexico Third Judicial District Court shall contribute 12% of salary for each member in office to the fund. The contribution requirements of plan members and the State of New Mexico Third Judicial District Court are established in state statute under Chapter 10, Article 12B-10 and 12B-11 NMSA 1978. The requirements may be amended by acts of the legislature. The State of New Mexico Third Judicial District Court contributions to JRA for the years ending June 30, 2008, 2007, and 2006 were \$105,083, \$94,174, and \$69,428, respectively, equals to the amount of required contributions for the year.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4. POST EMPLOYMENT BENEFITS

Standard Note Disclosure for an Employer Contributing to a Cost-Sharing Multiple-Employer Defined Benefit Postemployment Healthcare Plan (GASBS 45.24)

Note X. Post-Employment Benefits – State Retiree Health Care Plan

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

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

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 NF., Suite 104, Albuquerque, New Mexico 87107.

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4. POST EMPLOYMENT BENEFITS (CONTINUED)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The District Court's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$51,090, \$46,465 and \$41,683, respectively, which equal the required contributions for each year.

NOTE 5. CAPITAL ASSETS

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

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Furniture and fixtures	\$201,071	\$0	\$0	\$201,071
Equipment	565,734	159,402	0	725,136
Data processing	150,630	0	0	150,630
Vehicles	147,742	36,556	0	184,298
<i>Totals</i>	1,065,177	195,958	0	1,261,135
Less Accumulated Depreciation:				
Furniture and fixtures	(65,571)	(15,026)	0	(80,597)
Equipment	(396,142)	(47,858)	0	(444,000)
Data processing	(143,999)	(11,009)	0	(155,008)
Vehicles	(87,580)	(25,823)	0	(113,403)
<i>Total accumulated depreciation</i>	(693,292)	(99,716)	0	(793,008)
<i>Net Capital Assets</i>	\$371,885	\$96,242	\$0	\$468,127

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6. DEFERRED REVENUES

The District Court has recorded deferred revenues (and grant revenues receivable) for various projects as follows:

Deferred:	
State General Fund Capital Projects	\$170,000

State General Fund Capital Projects appropriations:

	Original Amount	Expended as of 6/30/2008	Unencumbered Balance	Reversion Date
Courthouse Equipment and Furnishing	\$90,000	\$90,000	\$0	6/30/2008
Courtroom and Chambers Furnishing	\$65,000	\$65,000	\$0	6/30/2011
Security Improvements	\$90,000	\$90,000	\$0	6/30/2011
Architectural Planning	\$100,000	\$0	\$100,000	6/30/2011
Courthouse Assessment	\$70,000	\$0	\$70,000	6/30/2011

NOTE 7. OPERATING LEASES

The District Court has the following leases, which can be terminated due to lack of funding from the legislature with no penalty to the agency.

Xerox leases for three digital copiers for a total of \$1,185 per month. These leases are annually renewable.

Pitney Bowes lease for postal equipment for \$1,160 per quarter. These leases are annually renewable.

Telshor Storage lease for storage unit is on a month-to-month basis for \$104 per month.

Water King lease for water dispensers for a total of \$70 per month.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8. CASH/INVESTMENT CREDIT RISK

The amounts held in trust for other parties are insured and collateralized as follows:

	<u>Citizens Bank</u>
Balance per Bank:	
Demand deposits	\$21,031
Time deposits	0
	21,031
FDIC Coverage	(21,031)
	<i>Uninsured balance</i> \$0

Investment in the State Treasurer General Fund Investment Pool

The remaining amounts held in trust are held in accounts with the State Treasurers Office. In addition, the District Court’s operating bank account is also maintained and monitored by the State Treasurer’s Office. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure their deposits.

The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended.

NOTE 9. DUE TO STATE OF NEW MEXICO GENERAL FUND

As of June 30, 2008, the amount due to the State General Fund is \$2,294. This amount is composed of the following:

	Reversions	Other	Total
General Fund:			
2008 Fiscal Year	\$2,294	\$0	\$2,294

NOTE 10. RISK OF LOSS

The District Court’s Office is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workman’s compensation, general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Court is not liable for more than the premiums paid.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 11. RESTATEMENT OF NET ASSETS

The General Fund June 30, 2007 Fund Balance was adjusted for:

Prior year payroll liabilities not cleared	(\$585)
2001 accounts receivable not collectible	(1,323)
Unexpended 2007 CYFD funds reverted	(2,440)
Correction of receipts held in suspense from 2006	10
<i>Uninsured balance</i>	<i>(\$4,338)</i>

The Human Services Division Fund June 30, 2007 Fund Balance was adjusted for:

Prior year payroll liabilities cleared incorrectly	\$883
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Restatement of Governmental Activities Net Assets at June 30, 2007:

Fund statement adjustments	(\$3,455)
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NOTE 12 LONG-TERM LIABILITIES

The Court did not have any debt at any time during the fiscal year ended June 30, 2008, except for compensated absences.

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Compensated absences	\$195,071	\$407,742	\$382,450	\$220,363	\$27,718

The Court uses current operating funds (general fund) classified as wages and salaries to liquidate accrued compensated absences.

NOTE 13 INTER AGENCY TRANSFERS

	Agency #	SHARE Fund #	Agency #	SHARE Fund #	
	FROM		TO		AMOUNT
Reversions to the State General Fund – FY08	23300	14300	34100	85300	\$2,294
Reversions to the Human Services Division – FY08	23300	92400	63000	05200	\$1,158
Transfers from State General Fund – FY08	34100	85300	23300	14300	\$6,241,686
Transfers from Administrative Office of the Courts	21800	49500	23300	14300	\$456,645
Transfers from State General Fund – Capital Outlay - (STB04 A 04-0178)	34100	40700	23300	14300	\$50,000

SUPPLEMENTARY FINANCIAL INFORMATION

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

NONMAJOR FUND

BALANCE SHEET

JUNE 30, 2008

	Mediation Fund
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$57,784
Due from other funds	0
Due from other state agencies	0
<hr/>	
Total assets	\$57,784
<hr/>	
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other agencies	\$0
Due to other funds (including negative cash balance)	0
Accounts payable	4,452
Accrued payroll	0
<hr/>	
<i>Total liabilities</i>	4,452
<hr/>	
FUND BALANCE	
Unreserved, Designated for future expenditures:	
Special Revenue Fund	53,332
<hr/>	
<i>Total fund balance</i>	53,332
<hr/>	
Total liabilities and fund balance	\$57,784
<hr/>	

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

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

NONMAJOR FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Mediation Fund</u>
REVENUES:	
Other state funds - court fees	\$56,920
<i>Total revenues</i>	<u>56,920</u>
EXPENDITURES:	
Current:	
Contractual services	56,103
Other costs	9,523
<i>Total expenditures</i>	<u>65,626</u>
<i>Net change in fund balance</i>	(8,706)
Fund balance, beginning of year	62,038
<i>Fund balance, end of year</i>	<u>\$53,332</u>

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

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

NONMAJOR - MEDIATION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Other state funds	\$40,000	\$40,000	\$56,920	\$16,920
EXPENDITURES:				
Current:				
Contractual services	60,000	60,000	56,103	3,897
Other costs	10,000	10,000	9,523	477
<i>Total expenditures</i>	70,000	70,000	65,626	4,374
<i>Excess (deficiency) of revenues over expenditures</i>	(30,000)	(30,000)	(8,706)	21,294
Budgeted fund balance	30,000	30,000	8,706	(21,294)
	\$0	\$0	\$0	\$0

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
COURT CLERK'S FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008

ASSETS

Cash	\$37,170
<hr/>	
<i>Total assets</i>	\$37,170

LIABILITIES

Due to NM State Treasurer	\$34,970
Due to litigant account	2,200
<hr/>	
<i>Total liabilities</i>	\$37,170

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT

LITIGANT'S FUND

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2008

ASSETS

Cash	\$3,442,547
Due from the State Treasurer	1,356

Total assets

\$3,443,903

LIABILITIES

Deposit held in custody for others	\$3,442,154
Due to State Treasurer	1,749

Total liabilities

\$3,443,903

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

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

AGENCY FUNDS

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2008

	June 30, 2007	Additions	Deletions	June 30, 2008
COURT CLERKS FUND:				
ASSETS				
Cash	\$49,077	\$1,186,390	\$1,198,297	\$37,170
LIABILITIES				
Due to N.M. State Treasurer	\$46,877	\$1,186,390	\$1,198,297	\$34,970
Due to state general fund	2,200	0	0	2,200
<i>Total liabilities</i>	\$49,077	\$1,186,390	\$1,198,297	\$37,170
LITIGANTS FUND:				
ASSETS				
Cash	\$3,458,531	\$2,479,134	\$2,495,118	\$3,442,547
Due from the State Treasurer	1,356	0	0	1,356
<i>Total assets</i>	\$3,459,887	\$2,479,134	\$2,495,118	\$3,443,903
LIABILITIES				
Deposits held in custody of others	3,457,451	2,478,550	2,493,847	3,442,154
Due to N.M. State Treasurer	2,436	584	1,271	1,749
<i>Total liabilities</i>	\$3,459,887	\$2,479,134	\$2,495,118	\$3,443,903
TOTAL ALL AGENCY FUNDS:				
ASSETS				
Cash	\$3,507,608	\$3,665,524	\$3,693,415	\$3,479,717
Due from the State Treasurer	1,356	0	0	1,356
<i>Total assets</i>	\$3,508,964	\$3,665,524	\$3,693,415	\$3,481,073
LIABILITIES				
Due to N.M. State Treasurer	\$49,313	\$1,186,974	\$1,199,568	\$36,719
Deposits held in custody for others	3,457,451	2,478,550	2,493,847	3,442,154
Due to state general fund	2,200	0	0	2,200
<i>Total liabilities</i>	\$3,508,964	\$3,665,524	\$3,693,415	\$3,481,073

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF CASH / INVESTMENT ACCOUNTS
JUNE 30, 2008

	Type of Account	Per Bank Balance June 30, 2008	Reconciling Items	Reconciled Balance June 30, 2008
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$543,663	\$0	\$543,663
OTHER FUNDS				
New Mexico State Treasurer	Checking	329,237	0	329,237
New Mexico State Treasurer	Checking	88,436	0	88,436
New Mexico State Treasurer	Checking	57,784	0	57,784
<i>Total</i>		\$1,019,120	\$0	1,019,120
Petty Cash				100
<i>Balance per statement of net assets</i>				\$1,019,220
AGENCY FUNDS				
Court Clerk's Fund:				
Bank of the West - On behalf of NM State Treasurer	Checking	\$26,501	\$10,669	\$37,170
Litigant's Fund:				
New Mexico State Treasurer	LGIP	1,268,639	0	1,268,639
Citizen's Bank	Savings	17,482	0	17,482
Citizen's Bank	Savings	3,549	0	3,549
Bank of the West	Checking	2,199,352	(46,475)	2,152,877
<i>Total Litigant's Fund</i>		3,489,022	(46,475)	3,442,547
<i>Total Agency Funds</i>		\$3,515,523	(\$35,806)	\$3,479,717

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

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

Mr. Hector H. Balderas, State Auditor and
Honorable Robert E. Robles, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund, and major special revenue funds, and the individual funds presented as supplementary information of the Third Judicial District Court as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Third Judicial District Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Third Judicial District Court's financial statements that is more than inconsequential will not be prevented or detected by the Third Judicial District Court's internal control.

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

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

Mr. Hector H. Balderas, State Auditor and
Honorable Robert E. Robles, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Third Judicial District Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2005-03.

Third Judicial District Court's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Third Judicial District Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

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

December 5, 2008

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CURRENT YEAR REPORTABLE CONDITIONS:

None.

PRIOR YEAR REPORTABLE CONDITIONS:

2007-01 Wages Incorrectly Excluded From PERA

Resolved and not repeated.

2007-02 Procurement Requirements Not Correctly Followed

Resolved and not repeated.

2005-03 Reversions Not Timely

Repeated with modification.

Statement of Condition – The reversion for the year ending June 30, 2005 for Human Services Division funding for \$30,564 was not submitted as of June 30, 2008.

Criteria – Unexpended funds from single year state appropriations must be reverted to the state general fund by September 30th of the following year or within 45 days of the audit, per Section 6-5-10, NMSA 1978.

Cause – Oversight.

Effect – The Court is not in compliance with the reversion requirements, per statute. May affect future years appropriations.

Recommendation – A tickler system should be utilized to ensure that deadlines are not missed.

Management's Response – The reversion of FY06 HSD funds were not submitted timely due to an oversight. Management will continue to monitor and create internal policies and procedures to ensure future reversions are submitted in a timely manner.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2008

EXIT CONFERENCE:

The exit conference was held December 10, 2008 and was attended by the following:

From Third Judicial District Court:

Honorable Jerald A. Valentine, Chief Judge (current)
Susan Wells, Budget Analyst
Viola Perea, Court Financial Manager
Mark Perea, Deputy Court Administrator

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA, Shareholder

FINANCIAL STATEMENT PREPARATION

The auditing firm of Kriegel/Gray/Shaw & Co., P.C., with the aid of responsible Third Judicial District Court personnel, prepared the financial statements of the Third Judicial District Court as of and for the year ended June 30, 2008.