



KRIEGEL/GRAY/SHAW & CO., P.C.

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2009

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

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JUNE 30, 2009**

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

OFFICIAL ROSTER
JUNE 30, 2009

JUDGES

<i>Honorable Manuel I. Arrieta</i>	<i>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>Chief Judge, 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>Gregory F. Toomey, J.D.</i>	<i>Court Administrator</i>
<i>Susan Wells Truitt</i>	<i>Acting Court Financial Manager</i>

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
Honorable Jerald A. Valentine, 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, 2009, 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, 2009, 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, 2009, 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.

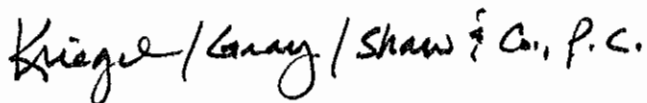
Mr. Hector H. Balderas, State Auditor and
Honorable Jerald A. Valentine, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico
Page Two

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, 2009, 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, 2009, 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 9, 2009, 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 9, 2009

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, 2009. 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 \$700,404 (reported as net assets). Of this amount, \$273,990 (unrestricted net assets) may be used to meet the District Court's ongoing obligations to citizens and creditors and \$426,414 is invested in capital assets, net of related debt.
- The District Court's total net assets increased in fiscal year 2009 by \$5,204, all of which are governmental activities. The District Court does not engage in business-type activities.

Fund Highlights

- At the close of fiscal year 2009, the District Court's governmental funds reported combined ending fund balances of \$487,083, an increase of \$67,365 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 decreased by \$7,270 (3.3%) 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, 2009

- 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.

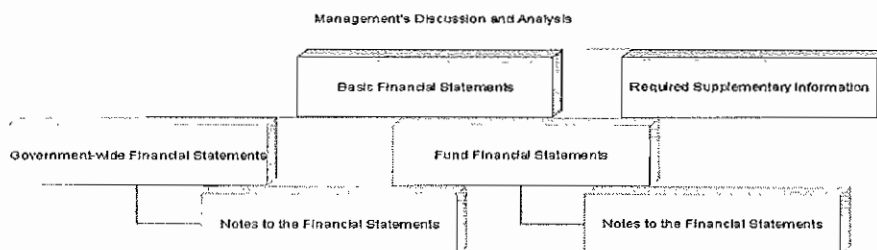


Figure 1. Required Components of the District Court's
Annual Financial Report

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, 2009

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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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
Assets, Liabilities and Net Assets as of June 30,

	Governmental Activities		
	2009	Restated 2008	Percent Change
Current Assets	\$953,709	\$1,019,220	(6.4%)
Capital Assets	426,414	472,606	(9.7%)
<i>Total Assets</i>	<u>1,380,123</u>	<u>1,491,826</u>	<u>(7.5%)</u>
Current Liabilities	466,626	599,502	(22.2%)
Long-term Liabilities	213,093	192,645	10.6%
<i>Total Liabilities</i>	<u>679,719</u>	<u>792,147</u>	<u>(14.2%)</u>
Net Assets:			
Invested in Capital Assets	426,414	472,606	(9.8%)
Unrestricted Net Assets	273,990	226,190	21.1%
<i>Total Net Assets</i>	<u>\$700,404</u>	<u>\$698,796</u>	<u>.2%</u>

The largest portion of the District Court's net assets, \$426,414 or 60.9%, 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, \$273,990 or 39.1%, 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, 2009

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

	Governmental Activities		
	2009	Restated 2008	Percent Change
Revenues			
Program Revenues			
Charges for Services	\$142,643	\$136,100	4.8%
Operating Grants and Contributions	427,113	386,330	10.5%
Capital Grants and Contributions	170,000	213,544	(20.4%)
Grant Revenues			
State Appropriations	6,497,094	6,241,686	4.1%
Transfer in - AOC	336,600	456,645	(26.3%)
<i>Total Revenues</i>	<i>7,573,450</i>	<i>7,434,305</i>	<i>1.9%</i>
Expenses			
General Government	7,571,842	7,322,546	3.4%
<i>Total Expenses</i>	<i>7,571,842</i>	<i>7,322,546</i>	<i>3.4%</i>
Increase (Decrease) in Net Assets	1,608	111,759	(98.6%)
Net Assets, July 1, as Restated	698,796	587,037	19.0%
<i>Net Assets, June 30</i>	<i>\$700,404</i>	<i>\$698,796</i>	<i>.2%</i>

¹The Percent Change column shows the percentage change in operations from fiscal year 2008 to 2009 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 (net of reversions) reported in fiscal year 2008 were \$6,241,686 and \$6,497,094 in 2009, an increase of \$255,408. 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 \$249,296 from \$7,322,546 in fiscal year 2008 to \$7,571,842 in fiscal year 2009. This represents an increase of 3.4% and is primarily due to the increase in personnel costs.

Depreciation expenses increased from \$95,237 (restated) in fiscal year 2008 to \$113,288 in fiscal year 2009, an increase of 18.9%.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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, 2009, the District Court's general fund reported a fund balance of \$67,662.

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 \$51,504 or 15.6% over the June 30, 2008 fund balance. The fund balance increase is due to an increase in Court fees collected. 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 \$386,330 in fiscal year 2008 to \$427,113 in fiscal year 2009, an increase of 10.5%.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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 \$53,332 as of June 30, 2008 to \$38,754 as of June 30, 2009. The amount, \$14,578 represents a 27% decrease over fiscal year 2008. Fiscal year 2009 expenditures of \$65,924, which indicates essentially no change in spending compared with fiscal year 2008 expenditures. 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 2009 budget included \$6,599,900 (including an additional amount of \$57,500 for two new employees) in legislative appropriations for general operations and drug court programs, \$121,600 in Compensation Package, \$90,000 for CASA, \$159,000 for Water Adjudication, \$29,900 for copies and tapes reimbursement, \$11,100 for Drug Court program fees, and \$170,000 of State Capital Projects funds (received but not expended in 2008) all of which are included in the General Fund.

During fiscal year 2009, the District Court's overall general fund revenue budget decreased by \$95,300, or less than 1.3%. The decrease was predominantly a reduction in the legislative appropriation.

The variance between the final budget and actual in the expenditures section of the General Fund budgetary comparison was a favorable \$47,919. This was primarily due to non-expenditure for contractual services.

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, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, the Third Judicial District Court had \$426,414 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 decrease of \$46,192 or 9.8% over fiscal year 2008 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 2009, the Court made capital acquisitions of furniture and equipment.

Depreciation charges for this fiscal year totaled \$113,288.

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

	<u>Governmental Activities</u>		Percent Change
	2009	2008	
Furniture and Fixtures	\$258,507	\$201,071	28.6%
Equipment	734,796	725,136	1.3%
Data Processing	150,630	150,630	0%
Vehicles	184,298	184,298	0%
<i>Total</i>	\$1,328,231	\$1,261,135	5.3%

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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Third Judicial District Court requested a total budget of \$7,454,800 for Fiscal Year 2010 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 \$7,411,000 for fiscal year 2009, which includes \$121,600 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, 2009

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$918,016
Petty cash	100
Due from other state agencies	35,593
<i>Total current assets</i>	953,709

Noncurrent Assets:

Capital assets	1,328,231
Less: accumulated depreciation	(901,817)
<i>Total capital assets, net of depreciation</i>	426,414
<i>Total noncurrent assets</i>	426,414

<i>Total assets</i>	1,380,123
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LIABILITIES

Current Liabilities:

Accounts payable	157,861
Accrued payroll and payroll liabilities	278,219
Due to external parties	1,994
Due to Human Services Department	443
Due to State general fund	7,063
Due to State Treasurer's Office	21,046
<i>Total current liabilities</i>	466,626

Long-Term Liabilities:

Compensated absences - long term	213,093
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<i>Total liabilities</i>	679,719
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NET ASSETS

Invested in capital assets	426,414
Unrestricted	273,990

<i>Total net assets</i>	\$700,404
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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, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$7,458,554	\$142,643	\$427,113	\$170,000	(\$6,718,798)
Depreciation expense - unallocated	113,288	0	0	0	(113,288)
<i>Total governmental activities</i>	7,571,842	142,643	427,113	170,000	(6,832,086)
Business-type activities:	0	0	0	0	0
<i>Total primary government</i>	\$7,571,842	\$142,643	\$427,113	\$170,000	(\$6,832,086)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in Net Assets:			
Net (expense) revenue	(\$6,832,086)	\$0	(\$6,832,086)
General Revenues and Transfers:			
State general fund appropriations	6,504,600	0	6,504,600
Transfers - Administrative Office of the Courts	336,600	0	336,600
Reversions to State General Fund - 2009	(7,506)	0	(7,506)
<i>Total revenues and transfers</i>	6,833,694	0	6,833,694
<i>Change in net assets</i>	1,608	0	1,608
Net assets - June 30, 2008, as previously stated	695,200	0	695,200
Restatements	3,596	0	3,596
Net assets - June 30, 2008, as restated	698,796	0	698,796
<i>Net assets - June 30, 2009</i>	\$700,404	\$0	\$700,404

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, 2009

	Major Funds			Nonmajor Fund	Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund		
ASSETS					
Investment in the State Treasurer					
General Fund Investment Pool	\$496,228	\$380,667	\$0	\$41,121	\$918,016
Petty cash	100	0	0	0	\$100
Due from other state agencies	0	0	35,593	0	\$35,593
Due from other funds	11,436	0	0	0	11,436
Total assets	\$507,764	\$380,667	\$35,593	\$41,121	\$965,145
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$151,053	\$0	\$4,441	\$2,367	\$157,861
Accrued payroll and payroll liabilities	258,946	0	19,273	0	278,219
Due to other state agencies	21,046	0	443	0	21,489
Due to State general fund	7,063	0	0	0	7,063
Due to Litigants fund	1,994	0	0	0	1,994
Due to other funds	0	0	11,436	0	11,436
Total liabilities	440,102	0	35,593	2,367	478,062
FUND BALANCES					
Unreserved, Designated for future expenditures:					
Reported in:					
General fund	67,662	0	0	0	67,662
Special revenue funds	0	380,667	0	38,754	419,421
Total fund balances	67,662	380,667	0	38,754	487,083
Total liabilities and fund balances	\$507,764	\$380,667	\$35,593	\$41,121	\$965,145

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, 2009

FUND BALANCE of Governmental Funds	\$487,083
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.	426,414
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(213,093)
<hr/> <i>Net assets of governmental activities</i>	<hr/> \$700,404

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

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, 2009

	Major Funds				Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund	Nonmajor Fund	
REVENUES					
HSD contract revenue	\$0	\$0	\$427,113	\$0	\$427,113
Court fees	39,742	51,855	0	51,046	142,643
<i>Total revenues</i>	39,742	51,855	427,113	51,046	569,756
EXPENDITURES					
Current:					
Personal services	5,579,008	0	389,503	0	5,968,511
Contractual services	814,252	351	1,000	55,940	871,543
Other costs	552,201	0	36,167	9,684	598,052
Capital Outlay	67,096	0	0	0	67,096
<i>Total expenditures</i>	7,012,557	351	426,670	65,624	7,505,202
OTHER FINANCING SOURCES (USES)					
State general fund appropriations	6,674,600	0	0	0	6,674,600
Transfers from other state agencies	336,600	0	0	0	336,600
Transfers - reversion to State General Fund 2009	(7,063)	0	(443)	0	(7,506)
<i>Total other financing sources (uses)</i>	7,004,137	0	(443)	0	7,003,694
<i>Net change in fund balance</i>	31,322	51,504	0	(14,578)	68,248
Fund balance, beginning of year, as previously stated	36,340	329,163	883	53,332	419,718
Restatement	0	0	(883)	0	(883)
Fund balance, beginning of year, as restated - 6/30/2008	36,340	329,163	0	53,332	418,835
<i>Fund balance, end of year - 6/30/2009</i>	\$67,662	\$380,667	\$0	\$38,754	\$487,083

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, 2009

Net Change in Fund Balances - Governmental Funds **\$68,248**

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	(113,288)
Capital outlay	67,096

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	(20,448)
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<i>Change in net assets of governmental activities</i>	\$1,608
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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, 2009

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$6,542,400	\$6,447,800	\$6,447,800	\$0
Other state funds	98,500	97,800	96,542	(1,258)
Intra fed	0	0	0	0
Other financing sources	370,600	370,600	336,600	(34,000)
Fund balance (deferred revenue)	170,000	170,000	170,000	0
<i>Total revenues</i>	<u>7,181,500</u>	<u>7,086,200</u>	<u>7,050,942</u>	<u>(35,258)</u>
EXPENDITURES				
Personal services	5,703,600	5,614,900	5,606,726	8,174
Contractual services	953,400	851,800	814,252	37,548
Other costs	354,500	449,500	447,303	2,197
Capital outlay	170,000	170,000	170,000	0
<i>Total expenditures</i>	<u>7,181,500</u>	<u>7,086,200</u>	<u>7,038,281</u>	<u>47,919</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>\$12,661</u>	<u>\$12,661</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$12,661
Adjustments for current year reversions	(7,063)
Adjustments for current portion of accrued compensated absences accrued in prior year	27,718
Adjustment for unrealized losses - investments	(1,994)
Net change in fund balance	\$31,322

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, 2009

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court costs	\$30,000	\$30,000	\$51,855	\$21,855
EXPENDITURES				
Current:				
Contractual services	30,000	30,000	350	29,650
Other costs	0	0	0	0
<i>Total expenditures</i>	30,000	30,000	350	29,650
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$51,505	\$51,505

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, 2009

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Other financing sources	\$459,900	\$459,900	\$427,113	(\$32,787)
EXPENDITURES				
Current:				
Personnel services	373,500	389,700	389,503	197
Contractual services	1,100	1,100	1,000	100
Other costs	85,300	69,100	36,167	32,933
<i>Total expenditures</i>	459,900	459,900	426,670	33,230
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$443	\$443

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$443
Adjustments for current year reversions	(443)
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, 2009

	<u>Agency Funds</u>
ASSETS	
Cash	\$2,397,627
Due from general fund	1,994
Due from the State Treasurer	1,356
<hr/>	
<i>Total assets</i>	\$2,400,977
<hr/>	
LIABILITIES	
Due to State Treasurer	\$0
Deposits held in custody for others	2,400,977
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<i>Total liabilities</i>	\$2,400,977
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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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009 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, 2009

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.

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, 2009

NOTE 2. COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS (CONTINUED)

<u>Litigant's Fund – LGIP</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Weighted Average Maturity Days</u>
State Investment Pool** - LGIP	\$996,316	\$996,316	AAAm	43
State Investment Pool – Reserve Contingency Fund	13,290	11,297		♦
	\$1,009,606	\$1,007,613		

♦ The Reserve Contingency Fund was established from the State Investment Pool LGIP's remaining position in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset and, as such, a WAM cannot be calculated. The remaining balance of the fund has been written down to 85% based on the estimated recoverable amount. An unrealized loss of \$1,994 was recorded in the general fund as well as a due to the Litigant's Fund for the same amount.

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, New Mexico 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, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3. RETIREMENT PLANS (CONTINUED)

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, 2009, 2008, and 2007 were \$543,891, \$517,033, and \$460,402, 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, 2009, 2008, and 2007 were \$105,657, \$105,083, and \$94,174, respectively, equals to the amount of required contributions for the year.

NOTE 4. 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 NE., Suite 104, Albuquerque, New Mexico 87107.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (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.

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 January 1, 1998 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, 2009, 2008 and 2007 were \$53,001, \$51,090, and \$46,465, respectively, which equal the required contributions for each year.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Restatements	Additions	Deletions	Balance June 30, 2009
Furniture and fixtures	\$201,071	\$0	\$57,436	\$0	\$258,507
Equipment	725,136	0	9,660	0	734,796
Data processing	150,630	0	0	0	150,630
Vehicles	184,298	0	0	0	184,298
<i>Totals</i>	1,261,135	0	67,096	0	1,328,231
Less Accumulated Depreciation:					
Furniture and fixtures	(80,597)	0	(15,026)	0	(95,623)
Equipment	(444,000)	101	(71,027)	0	(514,926)
Data processing	(155,008)	4,378	0	0	(150,630)
Vehicles	(113,403)	0	(27,235)	0	(140,638)
<i>Total accumulated depreciation</i>	(793,008)	4,479	(113,288)	0	(901,817)
<i>Net Capital Assets</i>	\$468,127	\$4,479	(\$46,192)	\$0	\$426,414

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6. CAPITAL PROJECTS APPROPRIATIONS

The District Court had capital projects in process during the year as follows:

State General Fund Capital Projects appropriations:

	Original Amount	Expended as of 6/30/2009	Unencumbered Balance	Reversion Date
Architectural Planning	\$100,000	\$100,000	\$0	6/30/2011
Courthouse Assessment	\$70,000	\$70,000	\$0	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.

Hasler, Inc. lease for postal equipment for \$365 per month. This lease is 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.

NOTE 8. CASH/INVESTMENT CREDIT RISK

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

	Citizens Bank
Balance per Bank:	
Demand deposits	\$21,122
Time deposits	0
	21,122
FDIC Coverage	(21,122)
<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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

NOTE 9. DUE TO STATE OF NEW MEXICO GENERAL FUND

As of June 30, 2009, the amount due to the State General Fund is \$7,063. This amount is composed of the following:

	Reversions	Other	Total
General Fund:			
2009 Fiscal Year	\$7,063	\$0	\$7,063

NOTE 10. DUE FROM/TO OTHER FUNDS

Due From/To Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All balances are expected to be repaid within one year.

	Due to:		Totals
	General Fund	Human Services Division Fund	
Due From:			
General Fund	\$0	\$11,436	\$11,436
Litigant's Fund	1,994	0	1,994
Totals	\$1,994	\$11,436	\$13,430

NOTE 11. 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, 2009

NOTE 12. RESTATEMENT OF NET ASSETS

The Human Services Division Fund June 30, 2008 Fund Balance was adjusted for:

Prior year payroll liabilities adjusted incorrectly	(\$883)
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Restatement of Governmental Activities Net Assets at June 30, 2008:

Correction of prior year depreciation	\$4,479
Fund statement adjustments	(883)
<hr/>	
Total restatements – Governmental Activities	\$3,596

NOTE 13. LONG-TERM LIABILITIES

The Court did not have any debt at any time during the fiscal year ended June 30, 2009, except for compensated absences.

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Compensated absences	\$220,363	\$118,668	\$125,938	\$213,093	\$0

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

NOTE 14. INTER AGENCY TRANSFERS

	Agency #	SHARE Fund #	Agency #	SHARE Fund #	AMOUNT
	FROM		TO		
Reversions to the State General Fund – FY09	23300	14300	34100	85300	\$7,063
Reversions to the Human Services Division – FY09	23300	92400	63000	05200	\$443
Transfers from State General Fund – FY09	34100	85300	23300	14300	\$6,504,600
Transfers from Administrative Office of the Courts	21800	49500	23300	14300	\$336,600

SUPPLEMENTARY FINANCIAL INFORMATION

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NONMAJOR FUND
BALANCE SHEET
JUNE 30, 2009

	Mediation Fund
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$41,121
Due from other funds	0
Due from other state agencies	0
<i>Total assets</i>	\$41,121
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other agencies	\$0
Due to other funds (including negative cash balance)	0
Accounts payable	2,367
Accrued payroll	0
<i>Total liabilities</i>	2,367
FUND BALANCE	
Unreserved, Designated for future expenditures:	0
Special Revenue Fund	38,754
<i>Total fund balance</i>	38,754
<i>Total liabilities and fund balance</i>	\$41,121

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, 2009

	Mediation Fund
REVENUES:	
Other state funds - court fees	\$51,046
<i>Total revenues</i>	51,046
EXPENDITURES:	
Current:	
Contractual services	55,940
Other costs	9,684
<i>Total expenditures</i>	65,624
 <i>Net change in fund balance</i>	 (14,578)
Fund balance, beginning of year	53,332
<i>Fund balance, end of year</i>	\$38,754

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, 2009

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Other state funds	\$40,000	\$40,000	\$51,046	\$11,046
EXPENDITURES:				
Current:				
Contractual services	60,000	60,000	55,940	4,060
Other costs	10,000	10,000	9,684	316
<i>Total expenditures</i>	70,000	70,000	65,624	4,376
<i>Excess (deficiency) of revenues over expenditures</i>	(30,000)	(30,000)	(14,578)	15,422
Budgeted fund balance	30,000	30,000	14,578	(15,422)
	\$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, 2009

ASSETS

Cash	\$0
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<i>Total assets</i>	\$0
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LIABILITIES

Due to NM State Treasurer	\$0
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Due to litigant account	0
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<i>Total liabilities</i>	\$0
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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, 2009

ASSETS

Cash	\$2,397,627
Due from general fund	1,994
Due from the State Treasurer	1,356

Total assets

\$2,400,977

LIABILITIES

Deposit held in custody for others	\$2,400,977
Due to State Treasurer	0

Total liabilities

\$2,400,977

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, 2009

	June 30, 2008	Additions	Deletions	June 30, 2009
COURT CLERKS FUND:				
ASSETS				
Cash	\$37,170	\$495,954	\$533,124	\$0
LIABILITIES				
Due to N.M. State Treasurer	\$34,970	\$495,954	\$530,924	\$0
Due to state general fund	2,200	0	2,200	0
<i>Total liabilities</i>	<i>\$37,170</i>	<i>\$495,954</i>	<i>\$533,124</i>	<i>\$0</i>
LITIGANTS FUND:				
ASSETS				
Cash	\$3,442,547	\$2,448,574	\$3,493,494	\$2,397,627
Due from the State Treasurer	1,356	0	0	1,356
Due from general fund	0	1,994	0	1,994
<i>Total assets</i>	<i>\$3,443,903</i>	<i>\$2,450,568</i>	<i>\$3,493,494</i>	<i>\$2,400,977</i>
LIABILITIES				
Deposits held in custody of others	3,442,154	2,450,568	3,491,745	2,400,977
Due to N.M. State Treasurer	1,749	0	1,749	0
<i>Total liabilities</i>	<i>\$3,443,903</i>	<i>\$2,450,568</i>	<i>\$3,493,494</i>	<i>\$2,400,977</i>
TOTAL ALL AGENCY FUNDS:				
ASSETS				
Cash	\$3,479,717	\$2,944,528	\$4,026,618	\$2,397,627
Due from the State Treasurer	1,356	0	0	1,356
Due from general fund	0	1,994	0	1,994
<i>Total assets</i>	<i>\$3,481,073</i>	<i>\$2,946,522</i>	<i>\$4,026,618</i>	<i>\$2,400,977</i>
LIABILITIES				
Due to N.M. State Treasurer	\$36,719	\$495,954	\$532,673	\$0
Deposits held in custody for others	3,442,154	2,450,568	3,491,745	2,400,977
Due to state general fund	2,200	0	2,200	0
<i>Total liabilities</i>	<i>\$3,481,073</i>	<i>\$2,946,522</i>	<i>\$4,026,618</i>	<i>\$2,400,977</i>

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, 2009

	Type of Account	Per Bank Balance June 30, 2008	Reconciling Items	Reconciled Balance June 30, 2009
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$496,223	\$0	\$496,223
OTHER FUNDS				
New Mexico State Treasurer	Checking	380,667	0	380,667
New Mexico State Treasurer	Checking	41,121	0	41,121
New Mexico State Treasurer	Checking	0	0	0
<i>Total</i>		\$918,011	\$0	918,011
Petty Cash				100
<i>Balance per statement of net assets</i>				\$918,111
AGENCY FUNDS				
Court Clerk's Fund:				
Bank of the West - On behalf of NM State Treasurer	Checking	\$0	\$0	\$0
Litigant's Fund:				
New Mexico State Treasurer	LGIP	996,316	0	996,316
New Mexico State Treasurer-Reserve Contingency Fund	LGIP	13,291	(1,994)	11,297
Citizen's Bank	Savings	3,564	0	3,564
Citizen's Bank	Savings	17,558	0	17,558
Bank of the West	Checking	1,425,043	(56,151)	1,368,892
<i>Total Litigant's Fund</i>		2,455,772	(58,145)	2,397,627
<i>Total Agency Funds</i>		\$2,455,772	(\$58,145)	\$2,397,627

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 Jerald A. Valentine, 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, 2009, and have issued our report thereon dated December 9, 2009. 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.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, findings 2009-01 and 2009-02.

Mr. Hector H. Balderas, State Auditor and
Honorable Jerald A. Valentine, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico
Page Two

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 2009-04.

We noted a certain other matter that is required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16, and section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses as finding 2009-03.

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.

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

December 9, 2009

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CURRENT YEAR REPORTABLE CONDITIONS:

2009-01 Procurement Files – Unable to Locate

Statement of Condition – Files for two of the 10 selected procurement transactions could not be located.

Criteria – Documentation must be maintained to provide evidence of compliance with State procurement code 13-1-1 to 13-1-199 NMSA 1978.

Cause – Multiple changes in court management and financial management.

Effect – Potential that services were not procured in accordance with state requirements.

Recommendation – The Court should reestablish control procedures over business documents and consider centralized maintenance of records to alleviate problems upon changes in personnel.

Management's Response – Management will evaluate current practices regarding control over business documents in general and those that apply when there is a transition in employees. Additionally, management has implemented procedures requiring that all documentation related to FY10's service contracts are filed with the respective signed original contracts, retained in the Deputy Court Executive Officer's office, to include: RFP's, applications, and all other documentation related to procuring professional services.

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CURRENT YEAR REPORTABLE CONDITIONS (CONTINUED):

2009-02 Vacation/Sick Leave Reporting

Statement of Condition – Use of vacation/sick leave is not consistently and timely reported by the departments to payroll/HR.

Criteria – Good internal controls require timely and consistent reporting of leave time used by each department to control leave use and maintenance of leave records.

Cause – The departments are not providing timely consistent documentation to payroll/HR for leave use as it is approved.

Effect – Allows for potential abuse in which leave is taken without reduction of leave hours available and numerous corrections to leave records.

Recommendation – The Court should reiterate and enforce procedures that require department supervisors to approve and report leave to payroll/HR.

Management's Response – New procedures are in the process of being drafted for employee reporting of leave in the SHARE system and for supervisory review and approval. Implementation is expected to begin February 2010.

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CURRENT YEAR REPORTABLE CONDITIONS (CONTINUED):

2009-03 Cell Phone Usage Review Procedures

Statement of Condition – During testwork of cell phone activity, we noted the Court’s policy regarding cell phone use does not require review of cell phone bills by department supervisors for non-business use and abuse.

Criteria – Cell phones are provided for business use only; good internal controls require monitoring of cell phone usage to limit costs to business purposes.

Cause – Policy is written to address use by Drug Court officer’s and is signed to acknowledge use by users. It appears a policy to address administrative procedures was overlooked.

Effect – Misuse/personal use of cell phones may go undetected and therefore, the Courts may inappropriately use public funds.

Recommendation – A policy addressing the procedures for monitoring and review of cell phone use should be prepared and implemented.

Management’s Response – A procedure for review and approval of monthly cell phone use has been developed and implemented, and will be formalized by February 2010.

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

CURRENT YEAR REPORTABLE CONDITIONS (CONTINUED):

2009-04 Involuntary Terminations Not Paid in Accordance with Employment Law

Statement of Condition – During our review of terminated employees, we noted that employees who are involuntarily terminated are not paid within five days of termination.

Criteria – Employment law requires terminated employees to be paid out within five days of termination.

Cause – Normal payroll processing procedures (lag time between pay periods and pay date) through DFA will not accommodate a five day turn around (share system inflexible). In addition, DFA does not allow the processing of manual warrants, except for a few specific exceptions.

Effect – Potential additional pay due to the employee for the Courts noncompliance with the five day requirement.

Recommendation – The Court and DFA should work together to implement procedures which would allow them to meet the five day requirement for involuntary terminations.

Management's Response – Management will work with DFA to develop procedures to resolve the noncompliance issues for involuntary terminations, presently caused by limitations in the SHARE system and DFA's practice of not issuing manual payroll checks.

**THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

PRIOR YEAR REPORTABLE CONDITIONS:

2005-03 Reversions Not Timely

Resolved and not repeated.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2009

EXIT CONFERENCE:

The exit conference was held December 15, 2009 and was attended by the following:

From Third Judicial District Court:

Honorable Jerald A. Valentine, Chief Judge
Susan Wells Truitt, Budget Analyst
Candace Brown, 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, 2009.