



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, 2011

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

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JUNE 30, 2011**

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

OFFICIAL ROSTER
JUNE 30, 2011

JUDGES

<i>Honorable Manuel I. Arrieta</i>	<i>Division I</i>
<i>Honorable Susan M. Riedel</i>	<i>Division II</i>
<i>Honorable Michael T. Murphy</i>	<i>Division III</i>
<i>Honorable Jacinto Palomino</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>Chief Judge, Division VII</i>
<i>Honorable Fernando R. Macias</i>	<i>Division VIII</i>

ADMINISTRATIVE OFFICIALS

<i>James H. Dempsey</i>	<i>Court Executive Officer</i>
<i>Oscar J. Arevalo</i>	<i>Chief Finance Officer</i>



INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
Honorable Douglas R. Driggers, 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, and the budgetary comparisons for the general fund and major special revenue funds of the Third Judicial District Court, as of and for the year ended June 30, 2011, which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Court's nonmajor governmental fund and the budgetary comparison for the nonmajor fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we express no such opinion. 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 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, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
Honorable Douglas R. Driggers, 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, 2011, and the respective changes in financial position and the respective budgetary comparisons for the general fund, and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the nonmajor governmental fund of the Court as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for 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 8, 2011, 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 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining 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 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.

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

December 8, 2011

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. 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 \$491,583 (reported as net assets). Of this amount, \$243,658 (restricted net assets) must be used primarily for adult drug court activities and \$247,925 is invested in capital assets, net of related debt.
- The District Court's total net assets increased in fiscal year 2011 by \$26,216, all of which are governmental activities. The District Court does not engage in business-type activities.

Fund Highlights

- At the close of fiscal year 2011, the District Court's governmental funds reported combined ending fund balances of \$430,664, an increase of \$53,659 from the beginning of the year. This increase was primarily due to Drug Court fees in the General Fund which were not reverted and excess of court revenues over estimated amounts.

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 \$44,824 (19%) 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, 2011

- 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.

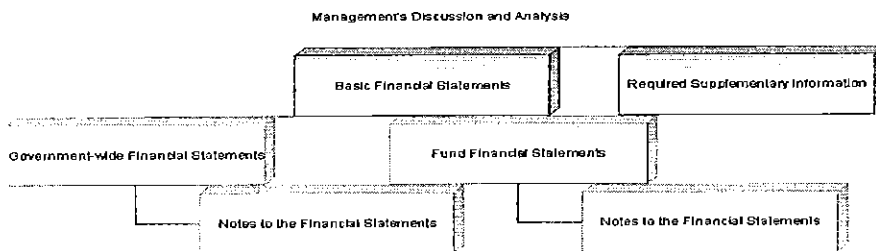


Figure 1. Required Components of the District Court's Annual Financial Report

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, 2011

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, 2011

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,

	<u>Governmental Activities</u>		Percent Change
	2011	2010	
Current Assets	\$826,744	\$906,973	(8.8%)
Capital Assets	247,925	320,192	(22.6%)
<i>Total Assets</i>	1,074,669	1,227,165	(12.4%)
Current Liabilities	396,080	529,968	(25.3%)
Long-term Liabilities	187,006	231,830	(19.3%)
<i>Total Liabilities</i>	583,086	761,798	(23.5%)
Net Assets:			
Invested in Capital Assets	247,925	320,192	(22.6%)
Restricted Net Assets	243,658	145,175	67.8%
<i>Total Net Assets</i>	\$491,583	\$465,367	5.63%

The largest portion of the District Court's net assets, \$247,925 or 50.4%, 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, \$243,658 or 49.6%, represents restricted 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, 2011

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

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2011</u>	<u>2010</u>	
Revenues			
Program Revenues			
Charges for Services	\$170,759	\$155,255	10.0%
Operating Grants and Contributions	437,700	427,113	2.48%
Capital Grants and Contributions	0	0	-
Grant Revenues			
State Appropriations	5,997,200	6,434,400	(6.8%)
Transfer in/out, net	199,861	74,972	166.6%
<i>Total Revenues</i>	<u>6,805,520</u>	<u>7,091,740</u>	<u>(4.0%)</u>
Expenses			
General Government	6,779,304	7,336,073	(7.6%)
<i>Total Expenses</i>	<u>6,779,304</u>	<u>7,336,073</u>	<u>(7.6%)</u>
Increase (Decrease) in Net Assets	26,216	(244,333)	(89.3%)
Net Assets, July 1	465,367	709,700	(34.4%)
<i>Net Assets, June 30</i>	<u>\$491,583</u>	<u>\$465,367</u>	<u>5.6%</u>

¹The Percent Change column shows the percentage change in operations from fiscal year 2010 to 2011 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 2010 were \$6,434,400 and \$5,997,200 in 2011, a decrease of \$436,800. This decrease was the result of a general fund appropriation reductions reflecting declining state revenues and declining economic position statewide, as well as nationally.

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 decreased by \$556,769 from \$7,336,073 in fiscal year 2010 to \$6,779,304 in fiscal year 2011. This represents a decrease of 7.6% and is primarily due to constricted State budgets due to the economic climate statewide.

Depreciation expenses decreased from \$106,222 in fiscal year 2010 to \$83,631 in fiscal year 2011, a decrease of 21.3%.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
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, 2011, the District Court's general fund reported a fund balance of \$137,876.

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 decreased by \$2,467 or 1.0% over the June 30, 2010 fund balance. The fund balance decrease is due to excess of expenditures over revenues. The budget allowed use of fund balance up to \$20,000 of which only \$2,467 was used. 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. All unexpended funds are reverted.

The contract from the New Mexico State Department of Human Services of \$417,700 decreased \$9,400 in fiscal year 2011.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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 increased from \$41,199 as of June 30, 2010 to \$43,064 as of June 30, 2011. The change of, \$1,865 represents a 4.5% increase over fiscal year 2010. Court fees increased in 2011 by \$3,361 (5.3%) due predominantly to an increase in the number of cases. Fiscal year 2011 expenditures of \$64,986, indicates an increase in spending compared with fiscal year 2010 expenditures of \$61,046 (increase of \$3,940 (6.4%)). The expenditures increase was due to an increase in mediation services. 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 final fiscal year 2011 budget was \$6,319,572, which included funding of \$96,900 for CASA, \$133,000 for Water Adjudication, and \$30,000 in Liquor Excuse Tax Funds for a portion of drug court costs, all of which are included in the General Fund.

During fiscal year 2011, the District Court's overall general fund revenue budget decreased by \$18,188 or .3%. The decrease was predominantly a reduction in CASA (\$17,900) and Water Funds (\$30,400) offset by the SJI Federal grant of \$20,000 and the LETF fund transfer from 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 \$98,175. This was primarily due to non-expenditure for contractual services.

All adjustments 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, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the Third Judicial District Court had \$247,925 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 \$72,267 or 22.6% over fiscal year 2010 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 2011, the Court made only one purchase, a copier.

Depreciation charges for this fiscal year totaled \$83,631.

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

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2011</u>	<u>2010</u>	
Furniture and Fixtures	\$258,507	\$258,507	-
Equipment	746,160	734,796	1.5%
Data Processing	150,630	150,630	-
Vehicles	184,298	184,298	-
<i>Total</i>	<u>\$1,339,595</u>	<u>\$1,328,231</u>	<u>.8%</u>

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, 2011**

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 \$7,001,700 for fiscal year 2012 for base budgets of all programs managed by the District Court including the General Court, Juvenile, Family Reunification 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 \$6,684,800 for fiscal year 2012. The General Fund for fiscal year 2012 has been further reduced by \$219,972 from fiscal year 2011.

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 (575) 523-8283.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$740,886
Petty cash	100
Uncollectible receivable	8,108
Due from other state agencies	77,650
<i>Total current assets</i>	<u>826,744</u>

Noncurrent Assets:

Capital assets	1,339,595
Less: accumulated depreciation	(1,091,670)
<i>Total capital assets, net of depreciation</i>	<u>247,925</u>
<i>Total noncurrent assets</i>	<u>247,925</u>

<i>Total assets</i>	<u>1,074,669</u>
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LIABILITIES

Current Liabilities:

Accounts payable	147,975
Accrued payroll and payroll liabilities	175,402
Due to external parties	2,444
Due to State general fund	20,139
Due to State Treasurer's Office	50,120
<i>Total current liabilities</i>	<u>396,080</u>

Long-Term Liabilities:

Compensated absences - long term	187,006
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<i>Total liabilities</i>	<u>583,086</u>
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NET ASSETS

Invested in capital assets	247,925
Restricted	243,658

<i>Total net assets</i>	<u>\$491,583</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$6,695,673	\$170,759	\$437,700	\$0	(\$6,087,214)
Depreciation expense - unallocated	83,631	0	0	0	(83,631)
<i>Total governmental activities</i>	6,779,304	170,759	437,700	0	(6,170,845)
Business-type activities:	0	0	0	0	0
<i>Total primary government</i>	\$6,779,304	\$170,759	\$437,700	\$0	(\$6,170,845)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in Net Assets:			
Net (expense) revenue	(\$6,170,845)	\$0	(\$6,170,845)
General Revenues and Transfers:			
State general fund appropriations	5,997,200	0	5,997,200
Transfers, net	220,001	0	220,001
Reversions to State General Fund - 2010	(20,140)	0	(20,140)
<i>Total revenues and transfers</i>	6,197,061	0	6,197,061
<i>Change in net assets</i>	26,216	0	26,216
Net assets - June 30, 2010, as previously stated	465,367	0	465,367
<i>Net assets - June 30, 2011</i>	\$491,583	\$0	\$491,583

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, 2011

	Major Funds				Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund	Nonmajor Fund	
ASSETS					
Investment in the State Treasurer					
General Fund Investment Pool	\$436,726	\$261,010	\$0	\$43,150	\$740,886
Petty cash	100	0	0	0	100
Uncollectible receivable	8,108	0	0	0	8,108
Due from other state agencies	8,033	0	69,617	0	77,650
Total assets	\$452,967	\$261,010	\$69,617	\$43,150	\$826,744
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$134,699	\$11,286	\$1,904	\$86	\$147,975
Accrued payroll and payroll liabilities	162,143	0	13,259	0	175,402
Due to State general fund	15,805	0	4,334	0	20,139
Due to State Treasurer - GF Investment Pool	0	0	50,120	0	50,120
Due to other funds	2,444	0	0	0	2,444
Total liabilities	315,091	11,286	69,617	86	396,080
FUND BALANCES					
Restricted for:					
Drug court	137,876	0	0	0	137,876
Arbitration	0	249,724	0	0	249,724
Mediation	0	0	0	43,064	43,064
Total fund balances	137,876	249,724	0	43,064	430,664
Total liabilities and fund balances	\$452,967	\$261,010	\$69,617	\$43,150	\$826,744

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, 2011

FUND BALANCE of Governmental Funds	\$430,664
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.	247,925
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(187,006)
<hr/> <i>Net assets of governmental activities</i>	<hr/> \$491,583

**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, 2011**

	Major Funds				Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund	Nonmajor Fund	
REVENUES					
HSD contract revenue	\$0	\$0	\$417,700	\$0	\$417,700
Court fees	54,183	49,725	0	66,851	170,759
Grant revenue - federal	20,000	0	0	0	20,000
<i>Total revenues</i>	74,183	49,725	417,700	66,851	608,459
EXPENDITURES					
Current:					
Personal services	5,255,577	16,899	396,207	0	5,668,683
Contractual services	691,175	25,550	1,000	60,000	777,725
Other costs	274,566	9,743	16,158	4,986	305,453
<i>Total expenditures</i>	6,221,318	52,192	413,365	64,986	6,751,861
OTHER FINANCING SOURCES (USES)					
State general fund appropriations	5,997,200	0	0	0	5,997,200
Transfers from (to) other state agencies	220,001	0	0	0	220,001
Transfers - reversion to State General Fund 2011	(15,805)	0	(4,335)	0	(20,140)
<i>Total other financing sources (uses)</i>	6,201,396	0	(4,335)	0	6,197,061
<i>Net change in fund balance</i>	54,261	(2,467)	0	1,865	53,659
Fund balance, beginning of year, as previously stated	83,615	252,191	0	41,199	377,005
<i>Fund balance, end of year - 6/30/2011</i>	\$137,876	\$249,724	\$0	\$43,064	\$430,664

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, 2011

Net Change in Fund Balances - Governmental Funds **\$53,659**

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	(83,631)
Capital outlay	11,364

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	44,824
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<i>Change in net assets of governmental activities</i>	\$26,216
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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, 2011**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$6,198,200	\$5,997,200	\$5,997,200	\$0
Court fees	30,000	30,000	54,183	24,183
Federal grant	0	20,000	20,000	0
Other financing sources	229,900	262,372	220,001	(42,371)
<i>Total revenues</i>	<u>6,458,100</u>	<u>6,309,572</u>	<u>6,291,384</u>	<u>(18,188)</u>
EXPENDITURES				
Personal services	5,428,500	5,255,600	5,255,577	23
Contractual services	758,200	775,727	691,175	84,552
Other costs	281,400	288,245	274,645	13,600
<i>Total expenditures</i>	<u>6,468,100</u>	<u>6,319,572</u>	<u>6,221,397</u>	<u>98,175</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(10,000)	(10,000)	69,987	79,987
<i>Budgeted fund balance</i>	10,000	10,000	10,000	0
	<u>\$0</u>	<u>\$0</u>	<u>\$79,987</u>	<u>\$79,987</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$69,987
Adjustments for current year reversions	(15,805)
Adjustment for unrealized gains - investments	78
Net change in fund balance	\$54,260

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, 2011

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court costs	\$50,000	\$50,000	\$49,725	(\$275)
EXPENDITURES				
Current:				
Personal services	53,000	33,000	16,899	16,101
Contractual services	7,000	27,000	25,550	1,450
Other costs	10,000	10,000	9,743	257
<i>Total expenditures</i>	70,000	70,000	52,192	17,808
<i>Excess (deficiency) of revenues over expenditures</i>	(20,000)	(20,000)	(2,467)	17,533
Budgeted fund balance	20,000	20,000	20,000	0
	\$0	\$0	\$17,533	\$17,533

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, 2011

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Other financing sources	\$427,100	\$427,100	\$417,700	(\$9,400)
EXPENDITURES				
Current:				
Personnel services	392,900	400,500	396,207	4,293
Contractual services	1,000	1,000	1,000	0
Other costs	33,200	25,600	16,158	9,442
<i>Total expenditures</i>	427,100	427,100	413,365	13,735
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$4,335	\$4,335

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$4,335
Adjustments for current year reversions	(4,335)
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, 2011

	<u>Agency Funds</u>
ASSETS	
Cash	\$2,496,629
Due from general fund	1,356
Due from other funds	2,444
<hr/>	
<i>Total assets</i>	\$2,500,429
<hr/> <hr/>	
LIABILITIES	
Deposits held in custody for others	\$2,500,429
<hr/>	
<i>Total liabilities</i>	\$2,500,429
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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, 2011

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, 2011

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.

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.

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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as:

Nonspendable Fund Balance – includes amounts that by their nature are not expendable such as inventories, prepaids and long-term notes receivable.

Restricted Fund Balance – includes amounts that have constraints placed on their use which are:

externally imposed by:

- Creditors (such as debt covenants)
- Grantors
- Contributors
- Laws or regulations of other governments (state and federal)

The Court does not have unassigned fund balance because all unassigned unexpended funds revert back to the State General Fund.

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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011 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.

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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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.

<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	\$1,231,242	\$1,231,242	AAAm	36
State Investment Pool – Reserve Contingency Fund	1,625	1,381		♦
	\$1,232,867	\$1,232,623		

♦ 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 \$244 was recorded in the general fund as well as a due to the Litigant's Fund for the same amount.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

Funding Policy

PERA

Plan members are required to contribute 8.92% of their gross salary. The State of New Mexico Third Judicial District Court is required to contribute 15.09% 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, 2011, 2010, and 2009 were \$452,458, \$498,005, and \$543,891, respectively, which equals the amount of required contributions for the year.

JRA

Plan members, while in office, shall contribute 9% of salary to the member contribution fund. The State of New Mexico Third Judicial District Court shall contribute 10.5% 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, 2011, 2010, and 2009 were \$83,990, \$90,346, and \$105,657, 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, 2011

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 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.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

(1)

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

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY12	1.834%	.917%
FY13	2.000%	1.000%

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

⁽²⁾
For employees who are members of an enhanced retirement plan (members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

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

Also, 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, 2011, 2010 and 2009 were \$68,640, \$54,109, and \$53,001, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. CAPITAL ASSETS

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Furniture and fixtures	\$258,507	\$0	\$0	\$258,507
Equipment	734,796	11,364	0	746,160
Data processing	150,630	0	0	150,630
Vehicles	184,298	0	0	184,298
<i>Totals</i>	1,328,231	11,364	0	1,339,595
Less Accumulated Depreciation:				
Furniture and fixtures	(117,071)	(21,539)	0	(138,610)
Equipment	(581,432)	(54,780)	0	(636,212)
Data processing	(150,630)	0	0	(150,630)
Vehicles	(158,906)	(7,312)	0	(166,218)
<i>Total accumulated depreciation</i>	(1,008,039)	(83,631)	0	(1,091,670)
<i>Net Capital Assets</i>	\$320,192	(\$72,267)	\$0	\$247,925

Depreciation expense for the year is \$83,631.

NOTE 6. 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.

Pure Water lease for water dispensers for \$50 per month on a month-to-month basis.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7. 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	\$3,582
Time deposits	0
	3,582
FDIC Coverage	(3,582)
	\$0
<i>Uninsured balance</i>	

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 8. DUE TO STATE OF NEW MEXICO GENERAL FUND

As of June 30, 2011, the amount due to the State General Fund is \$20,139. This amount is composed of the following:

	<u>Agency #</u>	<u>Fund #</u>	<u>Reversions</u>	<u>Other</u>	<u>Total</u>
General Fund:					
2011 Fiscal Year	34101	85300	\$15,805	\$0	\$15,805
2011 Fiscal Year – HSD	63000	05200	4,334	0	4,334
			\$20,139	\$0	\$20,139

NOTE 9. 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.

	<u>Due to: General Fund</u>
Due From:	
Litigant's Fund	\$2,444
	\$2,444

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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.

NOTE 11. LONG-TERM LIABILITIES

The Court did not have any debt at any time during the fiscal year ended June 30, 2011, except for compensated absences.

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Compensated absences	\$231,830	\$182,746	\$227,570	\$187,006	\$0

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

NOTE 12. INTER AGENCY TRANSFERS

	Agency #	SHARE Fund #	Agency #	SHARE Fund #	AMOUNT
	FROM		TO		
Reversions to the State General Fund – FY11	23300	14300	34101	85300	\$15,805
Reversions to the Human Services Division – FY11	23300	92400	63000	05200	\$4,334
Transfers from Administrative Office of the Courts	21800	13900	23300	14300	\$220,001

SUPPLEMENTARY FINANCIAL INFORMATION

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NONMAJOR FUND - MEDIATION FUND
BALANCE SHEET
JUNE 30, 2011

	Mediation Fund
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$43,150
Due from other funds	0
Due from other state agencies	0
Total assets	\$43,150
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other agencies	\$0
Due to other funds (including negative cash balance)	0
Accounts payable	86
Accrued payroll	0
Total liabilities	86
FUND BALANCE	
Unreserved, Designated for future expenditures:	
Special Revenue Fund	43,064
Total fund balance	43,064
Total liabilities and fund balance	\$43,150

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

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NONMAJOR FUND - MEDIATION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Mediation Fund
REVENUES:	
Other state funds - court fees	\$66,851
<i>Total revenues</i>	66,851
EXPENDITURES:	
Current:	
Contractual services	60,000
Other costs	4,986
<i>Total expenditures</i>	64,986
 <i>Net change in fund balance</i>	 1,865
Fund balance, beginning of year	41,199
<i>Fund balance, end of year</i>	43,064

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, 2011

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Other state funds - court costs	\$50,000	\$50,000	\$66,851	\$16,851
EXPENDITURES:				
Current:				
Contractual services	60,000	60,000	60,000	0
Other costs	5,000	5,000	4,986	14
<i>Total expenditures</i>	65,000	65,000	64,986	14
<i>Excess (deficiency) of revenues over expenditures</i>	(15,000)	(15,000)	1,865	16,865
Budgeted fund balance	15,000	15,000	15,000	0
	\$0	\$0	\$16,865	\$16,865

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

OTHER SUPPLEMENTARY INFORMATION

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

AGENCY FUNDS

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2011

	June 30, 2010	Additions	Deletions	June 30, 2011
LITIGANTS FUND:				
ASSETS				
Cash	\$2,764,546	\$1,415,690	\$1,683,607	\$2,496,629
Due from the State Treasurer	1,356	0	0	1,356
Due from general fund	2,522	0	78	2,444
<i>Total assets</i>	\$2,768,424	\$1,415,690	\$1,683,685	\$2,500,429
LIABILITIES				
Deposits held in custody of others	2,768,424	1,415,690	1,683,685	2,500,429
<i>Total liabilities</i>	\$2,768,424	\$1,415,690	\$1,683,685	\$2,500,429

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, 2011

	Type of Account	Per Bank Balance June 30, 2010	Reconciling Items	Reconciled Balance June 30, 2011
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$436,726	\$0	\$436,726
OTHER FUNDS				
New Mexico State Treasurer	Checking	261,010	0	261,010
New Mexico State Treasurer	Checking	43,150	0	43,150
<i>Total</i>		\$740,886	\$0	740,886
Petty Cash				100
<i>Balance per statement of net assets</i>				\$740,986
AGENCY FUNDS				
Litigant's Fund:				
New Mexico State Treasurer	LGIP	\$1,231,242	\$0	\$1,231,242
New Mexico State Treasurer-Reserve Contingency Fund	LGIP	1,625	(244)	1,381
Citizen's Bank	Savings	3,581	0	3,581
Bank of the West	Checking	1,296,405	(35,980)	1,260,425
<i>Total Litigant's Fund</i>		\$2,532,853	(\$36,224)	\$2,496,629

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 Douglas R. Driggers, 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 combining and individual funds and related budgetary comparisons presented as supplementary information of the Third Judicial District Court as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2010-01, 2010-02, 2010-04, 2009-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Hector H. Balderas, State Auditor and
Honorable Douglas R. Driggers, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-02 and 2009-04.

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

This report is intended solely for the information and use of management, others within the entity, the New Mexico Department of Finance and Administration, the State Auditor, the New Mexico Legislature, and applicable federal grantors, 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 8, 2011

**THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:

2010-01 Inadequate Review of Daily Sales Reports – Significant Deficiency

Repeated with modification.

Statement of Condition – During testwork of receipts, we noted two instances in a sample of 40 in which the reported deposit amount and receipt total per the client’s “Banking Report” did not agree.

Criteria – Good internal controls require careful comparison and review of electronic output to supporting documentation.

Cause – Inadequate review of “banking report” attached to daily reconciliations.

Effect – Potential for errors to go undetected.

Recommendation – Daily reports supporting daily transactions should be carefully reviewed so as to catch discrepancies in a timely manner. Any discrepancies noted should be addressed, documented, and included as part of the supporting documentation for the day’s daily reports.

Management’s Response – For the deposits of 8/26/10 and 2/10/11 the “Deposit Amount” column of the Banking Report did not match the deposit amount. Occasionally and sporadically the Banking Report which reflects deposits recorded in FACTS reports that a particular check received had a deposit amount of “0” even though the “Receipt Total” amount on the same report is correct. The end result is that the total of the “Deposit Amount” column does not match the actual deposit amount. This problem has been reported to the JID Help Desk for remediation. Their response is that there is a “glitch or bug” in the system which they are reluctant to fix because conversion to the new Odyssey software will take place within the new few months. The Help Desk’s solution is for us to disregard the error in the Banking Report as long as there are other reports that can be used to verify the deposit.

There are three other reports that are used to verify the daily deposit: 1) the Distribution Report, 2) the Fee Book, and 3) the Receipt Edit Report. The use of these reports ensures that the daily deposit will be correct even when there is an error in the Banking Report “Deposit Amount” column. Financial staff verifying the daily deposit are now required to circle any error in the Banking Report to indicate that they are aware of the problem and that they used the other reports to ensure the deposit verification was done correctly.

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED):

2010-02 Personnel Documentation Missing/Incomplete – Significant Deficiency

Repeated with modification.

Statement of Condition – We noted in our sample of 40, 29 employee files did not include documentation of the authorized pay rate.

Criteria – Good internal controls require that authorized rates of pay be clearly documented to support compensation paid.

Cause – Oversight.

Effect – Potential to pay unauthorized rates, especially when turnover in the human resources department and other management personnel has occurred.

Recommendation – All required documentation should be fully completed and consistently maintained.

Management's Response – The Human Resources Administrator is ensuring that each new hire's pay rate and any pay rate changes for any current employee are properly documented with a Personnel/Position Action Request Form which contains the required approvals. This documentation is placed within the employee's personnel file. PPAR forms will be prepared and approved to verify the pay rates of all other employees where such documentation is missing from the employee's personnel file.

**THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED):

2010-03 Procurement Requirements Not Followed

Resolved and not repeated.

2010-04 Receivable/Revenue Not Recorded in Proper Fiscal Period – Significant Deficiency

Repeated.

Statement of Condition – The grant revenue and corresponding receivable (\$10,920) for the State Justice Institute’s Curriculum Adaption and Training Grant was not recorded in the proper fiscal year ending June 30, 2010. The revenue was recorded in the fiscal year ending June 30, 2011.

Criteria – Generally Accepted Accounting Principles on the accrual basis require that revenues be recognized when they are earned and become measurable.

Cause – The Courts did not timely request grant revenues as expenditures were incurred nor properly budget and record the grant revenue as receivable. These oversights appear to have been caused by personnel changes/vacancies in the financial division. In addition, when court personnel identified the need to record an account receivable and corresponding revenue after the fiscal year end DFA refused to allow the adjustment for the fiscal year ended June 30, 2010.

Effect – Revenue for the fiscal year ending June 30, 2010 was understated by \$10,920 and revenue for the fiscal year ending June 30, 2011 is overstated by the same.

Recommendation – The Courts should require that all revenue invoiced be entered into the general ledger system prior to mailing/submitting to the payer. In addition, all invoicing should be coordinated through the financial division to insure timely recording.

Management’s Response – The Court agrees with this finding. Although revenues were not properly recorded in FY10 and FY11 for the Justice Institute’s Curriculum Adaption and Training Grant, a similar situation will not be allowed in the future. All revenues shall be recognized when they are earned and become measurable and shall be recorded in SHARE within the proper fiscal year.

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED):

2010-05 Grant Not Budgeted

Resolved and not repeated.

2010-06 Inadequate Internal Controls Over Passwords

Resolved and not repeated.

2010-07 Noncompliance with Unclaimed Property Act

Resolved and not repeated.

2010-08 Benefits Not Accrued in Compliance with Policy

Resolved and not repeated.

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED):

2009-02 Vacation/Sick Leave Reporting – Significant Deficiency

Repeated.

Statement of Condition – Through our inquiries of personnel and SAS 99 interviews it was noted that the 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 for all court employees.

Management's Response – Internal Operating Policy and Procedure No. 2011-015, signed by the Chief Judge on July 7, 2011 requires that: 1) Court Staff will enter any leave taken into the SHARE system; 2) Court Staff will enter comp time accrued into the SHARE system; and 3) the "flexing" of undocumented time will not be allowed. The Court is enforcing compliance with this policy by requiring that supervisors, responsible for reviewing and approving employee's time sheets, ensure that time sheets are correctly completed and that they reflect actual leave taken. Also that each exception (i.e. sick, vacation, extra hours worked, etc.) entered into a time sheet has the required form documentation, with required signatures to ensure that the exception has been correctly entered, verified and approved.

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED):

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

Repeated.

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. (5 out of 15 terminations)

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 – Unfortunately, due to SHARE and DFA controls, the court in most instances cannot comply with the stated law. The AOC HR has worked extensively with DFA to no avail. The DFA controls simply cannot accommodate this directive, rendering agencies unable to comply with the law.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2011**

EXIT CONFERENCE:

The exit conference was held December 12, 2011 and was attended by the following:

From Third Judicial District Court:

Oscar J. Arevalo, Chief Finance Officer (Outgoing)
Lydia Romero, Assistant Director, Fiscal Services Division
Honorable Douglas R. Driggers, Chief Judge
James H. Dempsey, Court Executive Officer
Claude Bowman, Chief Finance Officer (Incoming)
Fran Jones, Financial Specialist Senior
Rosie Salgado, Court Financial Manager, AOC

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, 2011.