



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, 2013

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

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

**OFFICIAL ROSTER
JUNE 30, 2013**

JUDGES

<u>Name</u>	<u>Title</u>
<i>Honorable Manuel I. Arrieta</i>	<i>Division I</i>
<i>Honorable Marci E. Beyer</i>	<i>Division II</i>
<i>Honorable Darren M. Kugler</i>	<i>Division III</i>
<i>Honorable Mary W. Rosner</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>Norman E. Osborne</i>	<i>Court Executive Officer</i>
<i>Claude Bowman</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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the Third Judicial District Court, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Court's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Third Judicial District Court's nonmajor governmental funds, and the budgetary comparisons for the nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance 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 Third Judicial District Court as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the nonmajor fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Three

Other Information

Our audit was conducted for the purpose of forming opinions on the District Court's financial statements and the budgetary comparisons. The "supplementary information" required by 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional schedules listed as "supplementary information" required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the "supplementary information" required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of Third Judicial District Court's internal control over financial reporting and on 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* in considering the Court's internal control over financial reporting and compliance.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 4, 2013

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. 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 \$409,994 (reported as net position). Of this amount, \$164,937 (restricted net position) must be used primarily for adult drug court activities and \$245,057 is invested in capital assets, net of related debt.
- The District Court's total net position decreased in fiscal year 2013 by \$53,626, all of which are governmental activities. The District Court does not engage in business-type activities.

Fund Highlights

- At the close of fiscal year 2013, the District Court's governmental funds reported combined ending fund balances of \$369,416, a decrease of \$21,705 from the beginning of the year. This decrease was primarily due to an increase in costs related to personnel and contractual services.

Long-Term Debt

- As in prior years, the Third Judicial District Court has not participated in the financing of capital assets through the sale of bonds or issuance of long-term notes. The only long-term debt incurred by the District Court is Accrued Compensated Absences. Compensated Absences increased by \$35,880 (21.3%) 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, 2013**

- 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.

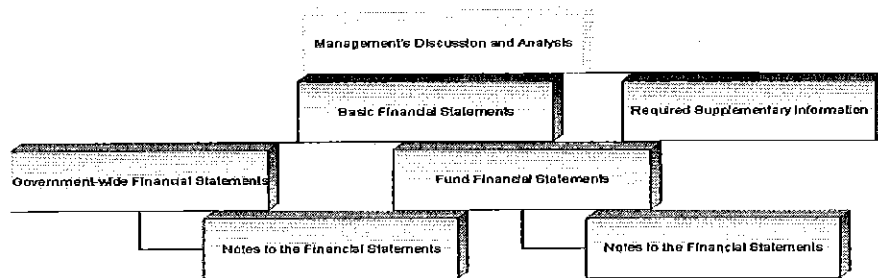


Figure 1. Required Components of the District Court's Annual Financial Report

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 position 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 position and how they have changed. Net position (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 position 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, 2013

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 grant funding.

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 one 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, 2013**

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

Net position measure the difference between what the District Court owns (assets) and what the District Court owes (liabilities). Net position may serve over time as a useful indicator of the District Court's financial position. The amount of total net position 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 relate to capital assets that are unavailable to meet the day-to-day obligations 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 Position as of June 30,**

	<u>Governmental Activities</u>		Percent Change
	2013	2012	
Current Assets	\$586,187	\$766,490	(23.5%)
Capital Assets	245,057	241,099	1.6%
<i>Total Assets</i>	<u>831,244</u>	<u>1,007,589</u>	(17.5%)
Current Liabilities	216,771	375,369	(42.3%)
Long-term Liabilities	204,479	168,600	21.3%
<i>Total Liabilities</i>	<u>421,250</u>	<u>543,969</u>	(22.6%)
Net Position:			
Invested in Capital Assets	245,057	241,099	1.6%
Restricted Net Position	164,937	222,521	(25.9%)
<i>Total Net Position</i>	<u>\$409,994</u>	<u>\$463,620</u>	(11.6%)

The largest portion of the District Court's net position, \$245,057 or 59.8%, 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 position, \$164,937 or 40.2%, represents restricted net position 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 position 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, 2013

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

	<u>Governmental Activities</u>		Percent Change
	2013	2012	
Revenues			
Program Revenues			
Charges for Services	\$156,587	\$159,480	(1.8%)
Operating Grants and Contributions	417,700	417,700	0.0%
Capital Grants and Contributions	0	0	-
Grant Revenues			
State Appropriations	6,064,400	5,827,400	4.1%
Transfer in/out, net	192,237	179,009	7.4%
Total Revenues	6,830,924	6,583,589	3.8%
Expenses			
General Government	6,884,550	6,611,552	4.1%
Total Expenses	6,884,550	6,611,552	4.1%
Increase (Decrease) in Net Position	(53,626)	(27,963)	91.8%
Net position, July 1	463,620	491,583	(5.7%)
Net position, June 30	\$409,994	\$463,620	(11.6%)

The Percent Change column shows the percentage change in operations from fiscal year 2012 to 2013 for each line item. The reader should be cautious when using this column to evaluate the overall change in net position. Although a line may show a large percentage change, it may not have as significant an 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 2012 were \$5,827,400 and \$6,064,400 in 2013, an increase of \$237,000. This increase was the result of general fund appropriation increases reflecting slightly improving state revenues and the slightly improving 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 increased by \$272,998 from \$6,611,552 in fiscal year 2012 to \$6,884,550 in fiscal year 2013. This represents an increase of 4.1% and is primarily due to improving State budgets.

Depreciation expenses decreased from \$82,065 in fiscal year 2012 to \$76,064 in fiscal year 2013, a decrease of 7.3%.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013, the District Court's general fund reported a fund balance of \$137,847.

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. The budget estimated the collection of \$50,000 in fees of which \$42,270 was actually collected. Total fund balance decreased by \$22,886 or 11.1% under the June 30, 2012 fund balance. The fund balance decrease is due to excess of expenditures over revenues. The budget allowed the use of fund balance up to \$50,000 of which only \$22,886 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 in fiscal year 2013 was the same as it was in fiscal year 2012.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 that utilize mediation services pay a portion of the cost of domestic relations mediation expenses pursuant to a sliding fee scale approved by the Supreme Court, 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 \$46,720 as of June 30, 2012 to \$47,901 as of June 30, 2013. The change of, \$1,181 represents a 2.5% increase over fiscal year 2012. Court fees decreased in 2013 to a total of \$60,025 a decrease of \$5,528, 8.4% due predominantly to a decrease in the number of cases. Fiscal year 2013 expenditures of \$58,843, indicates a decrease in spending compared with fiscal year 2012 expenditures of \$61,897 (decrease of \$3,054, 4.9%). The expenditures decrease was due to a decrease in mediation contractual 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 2013 budget was \$6,319,925, which included funding of \$78,813 for CASA, \$92,420 for Water Adjudication, and \$30,000 in Liquor Excise Tax Funds for a portion of drug court costs, all of which are included in the General Fund.

During fiscal year 2013, the District Court's overall general fund revenue budget decreased by \$17,875 or 0.28%. This was due to a decrease in CASA of \$187, a decrease in LETF Drug Court funds of \$2,500, and a decrease in Water funds of \$38,280, for a total decrease of \$40,967, offset by an increase in Court generated revenues in the amount of \$23,092.

The variance between the final budget and actual in the expenditures section of the General Fund budgetary comparison was a favorable \$8,498. This was due to non-expenditure of budget in all three categories of expenditure: salaries and employee benefits, contractual services and other costs.

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, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2013, the Third Judicial District Court had \$245,047 invested in capital assets, net of accumulated depreciation, including furniture, fixtures, equipment, data processing equipment, and vehicles (see table below). This amount represents a net increase of \$3,958 or 1.6% over fiscal year 2012 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 2013, the Court purchased a copier, and also upgraded surveillance cameras and security access hardware.

Depreciation charges for this fiscal year totaled \$76,064.

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

	Governmental Activities		
	2013	2012	Percent Change
Furniture and Fixtures	\$285,469	\$285,469	-
Equipment	874,459	794,437	10.1%
Data Processing	150,630	150,630	-
Vehicles	184,298	184,298	-
<i>Total</i>	\$1,494,856	\$1,414,834	5.7%

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, 2013**

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 received a total budget of \$7,128,400 for fiscal year 2014 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 General Fund for fiscal year 2014 has been increased by \$199,000 over fiscal year 2013.

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 Chief Financial Officer, 201 W. Picacho, Las Cruces, New Mexico 88005 (575) 523-8280.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$516,627
Petty cash	100
Uncollectible receivable	8,107
Due from other state agencies	35,108
Other current assets	(6)
<i>Total current assets</i>	<u>559,936</u>

Noncurrent Assets:

Capital assets	1,494,856
Less: accumulated depreciation	(1,249,799)
<i>Total capital assets, net of depreciation</i>	<u>245,057</u>
<i>Total noncurrent assets</i>	<u>245,057</u>

<i>Total assets</i>	<u>804,993</u>
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LIABILITIES

Current Liabilities:

Accounts payable	92,545
Accrued payroll and payroll liabilities	88,527
Due to agency fund	272
Due to State general fund	9,176
Due to State Treasurer's Office	0
<i>Total current liabilities</i>	<u>190,520</u>

Long-Term Liabilities:

Compensated absences - long term	204,479
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<i>Total liabilities</i>	<u>394,999</u>
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NET POSITION

Net investment in capital assets	245,057
Restricted	164,937
<i>Total net position</i>	<u>\$409,994</u>

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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$6,808,486	\$156,587	\$417,700	\$0	(\$6,234,199)
Depreciation expense - unallocated	76,064	0	0	0	(76,064)
<i>Total governmental activities</i>	6,884,550	156,587	417,700	0	(6,310,263)
Business-type activities:	0	0	0	0	0
<i>Total primary government</i>	\$6,884,550	\$156,587	\$417,700	\$0	(\$6,310,263)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in Net Position:			
Net (expense) revenue	(\$6,310,263)	\$0	(\$6,310,263)
General Revenues and Transfers:			
State general fund appropriations	6,064,400	0	6,064,400
Transfers, net	201,233	0	201,233
Reversions to State General Fund - 2013	(8,996)	0	(8,996)
Miscellaneous revenue	0	0	0
<i>Total revenues and transfers</i>	6,256,637	0	6,256,637
<i>Change in net position</i>	(53,626)	0	(53,626)
Net position - June 30, 2012, as previously stated	463,620	0	463,620
<i>Net position - June 30, 2013</i>	\$409,994	\$0	\$409,994

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, 2013

	Major Funds			Nonmajor Fund	Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund		
ASSETS					
Investment in the State Treasurer					
General Fund Investment Pool	\$282,068	\$185,836	\$0	\$48,723	\$516,627
Petty cash	100	0	0	0	100
Uncollectible receivable	8,107	0	0	0	8,107
Due from other state agencies	300	0	34,808	0	35,108
Due from other funds	26,251	0	0	0	26,251
Other current assets	(6)	0	0	0	(6)
Total assets	\$316,820	\$185,836	\$34,808	\$48,723	\$586,187
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$91,720	\$0	\$825	\$822	\$93,367
Accrued payroll and payroll liabilities	78,303	2,168	7,234	0	87,705
Due to State general fund	8,678	0	498	0	9,176
Due to State Treasurer - GF Investment Pool	0	0	0	0	0
Due to other funds	272	0	26,251	0	26,523
Total liabilities	178,973	2,168	34,808	822	216,771
FUND BALANCES					
Restricted for:					
Drug court	137,847	0	0	0	137,847
Arbitration	0	183,668	0	0	183,668
Mediation	0	0	0	47,901	47,901
Total fund balances	137,847	183,668	0	47,901	369,416
Total liabilities and fund balances	\$316,820	\$185,836	\$34,808	\$48,723	\$586,187

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 POSITION
JUNE 30, 2013

FUND BALANCE of Governmental Funds	\$369,416
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.	245,057
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(204,479)
<hr/> <i>Net position of governmental activities</i>	<hr/> \$409,994

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, 2013**

	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	54,292	42,270	0	60,025	156,587
Miscellaneous revenue	0	0	0	0	0
<i>Total revenues</i>	54,292	42,270	417,700	60,025	574,287
EXPENDITURES					
Current:					
Personal services	5,347,124	57,841	379,564	0	5,784,529
Contractual services	730,755	7,315	1,000	51,150	790,220
Other costs	233,548	0	36,638	7,694	277,880
<i>Total expenditures</i>	6,311,427	65,156	417,202	58,844	6,852,629
OTHER FINANCING SOURCES (USES)					
State general fund appropriations	6,064,400	0	0	0	6,064,400
Transfers from (to) other state agencies	201,233	0	0	0	201,233
Transfers - reversion to State General Fund 2013	(8,498)	0	(498)	0	(8,996)
<i>Total other financing sources (uses)</i>	6,257,135	0	(498)	0	6,256,637
<i>Net change in fund balance</i>	0	(22,886)	0	1,181	(21,705)
Fund balance, beginning of year, as previously stated	137,847	206,554	0	46,720	391,121
<i>Fund balance, end of year - 6/30/2013</i>	\$137,847	\$183,668	\$0	\$47,901	\$369,416

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, 2013

Net Change in Fund Balances - Governmental Funds	(\$21,705)
<p>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:</p>	
Depreciation expense	(76,064)
Capital outlay	80,022
<p>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.</p>	
<u>Change in compensated absences</u>	<u>(35,879)</u>
<u>Change in net position of governmental activities</u>	<u>(\$53,626)</u>

**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, 2013**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$6,064,400	\$6,064,400	\$6,064,400	\$0
Court fees	31,200	31,200	54,292	23,092
Federal grant	0	0	0	0
Other financing sources	242,200	242,200	201,233	(40,967)
<i>Total revenues</i>	<u>6,337,800</u>	<u>6,337,800</u>	<u>6,319,925</u>	<u>(17,875)</u>
EXPENDITURES				
Personal services	5,502,300	5,352,300	5,347,124	5,176
Contractual services	685,900	750,300	730,755	19,545
Other costs	149,600	235,200	233,548	1,652
<i>Total expenditures</i>	<u>6,337,800</u>	<u>6,337,800</u>	<u>6,311,427</u>	<u>26,373</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>\$8,498</u>	<u>\$8,498</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$8,498
Adjustments for current year reversions	(8,498)
Net change in fund balance	<u>\$0</u>

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, 2013

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court costs	\$50,000	\$50,000	\$42,270	(\$7,730)
EXPENDITURES				
Current:				
Personal services	64,500	79,500	57,841	21,659
Contractual services	35,500	20,500	7,315	13,185
Other costs	0	0	0	0
<i>Total expenditures</i>	100,000	100,000	65,156	34,844
<i>Excess (deficiency) of revenues over expenditures</i>	(50,000)	(50,000)	(\$22,886)	\$27,114
Budgeted fund balance	50,000	50,000		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$22,886)
Adjustments for current year reversions	0
Net change in fund balance	(\$22,886)

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, 2013**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Other financing sources	\$426,600	\$426,600	\$417,700	(\$8,900)
EXPENDITURES				
Current:				
Personnel services	381,900	381,900	379,564	2,336
Contractual services	1,000	1,000	1,000	0
Other costs	43,700	43,700	36,638	7,062
<i>Total expenditures</i>	426,600	426,600	417,202	9,398
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$498	\$498

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$498
Adjustments for current year reversions	(498)
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**

AGENCY FUNDS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash	\$2,107,628
Due from state general fund	1,356
Due from general fund	272
<hr/>	
<i>Total assets</i>	\$2,109,256
<hr/>	
LIABILITIES	
Deposits held in custody for others	\$2,109,256
<hr/>	
<i>Total liabilities</i>	\$2,109,256
<hr/>	

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, 2013

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position 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. All assets, all liabilities and deferred outflows and inflows of resources are included on the statement of net position. At June 30, 2013, the Court did not have any deferred outflows or inflows of resources. 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, 2013

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.

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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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, 2013

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
Automobiles	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 position and displayed in three components:

1. Net investment in capital assets, 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 position, consists of net position with constraints placed on the use 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 position are all other net position 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:

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to DFA, no later than May 1st, 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, 2012 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), and must be paid out of the next year's budget.
8. Appropriations lapse at the end of the fiscal year. All unexpended amounts within the General Fund revert to the State General Fund.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Annual Leave

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
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. CASH/INVESTMENTS

State General Fund Investment Pool

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing the recommendations resulting for the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to reconcile bank to book balances at the State of Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2. CASH/INVESTMENTS (CONTINUED)

A plan to address historical reconciling items is being assessed and a separate initiative may be undertaken to resolve those items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences will be reported in the State General Fund.

Management in FY 2012, recorded a loss contingency of \$101.7 million in the General Fund, based on its estimate of the effect of issues related to the reconciliation of the Pool; that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

The Court's general operating bank account is under the oversight of the State Treasurer's Office. Since SHARE was implemented, the Court has performed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are, in fact, transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are addressed with the Financial Control Division at DFA and corrected. Monthly reconciliation procedures throughout the Fiscal Year include, but are not limited to, validation of deposits, expenditures, all general entries, operating transfers, and payroll expenditures/liabilities by fund. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other assets and liability accounts on the Balance Sheet of each fund. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

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

	Bank of the West	Citizens Bank
Balance per Bank:		
Demand deposits – interest bearing	\$1,629,464	\$3,593
Time deposits	0	0
	1,629,464	3,593
FDIC Coverage	(250,000)	(3,593)
Uninsured balance	1,379,464	0
50% collateral requirement	689,732	0
Pledged securities	1,246,341	0
Over (under) collateralized	\$556,609	\$0

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2. CASH/INVESTMENTS (CONTINUED)

Pledged Collateral

<u>Bank of the West</u>			<u>Par Value/ Market Value</u>
Bernalillo NM Mun Sch	085279NJ2	08/01/2017	\$6,980
Bernalillo NM Mun Sch	085279NL7	08/01/2019	7,288
FN 1339C MP PAC FIX	3136ABEF0	05/25/2028	92,782
FNMA CONV 30 YR SF	3138M94W8	10/01/2042	711,931
GNMAZ SINGLE FAMILY 30 YR	36202FX76	10/20/2041	427,360
<i>Total Pledged</i>			\$1,246,341

Securities are held at Bank of the West.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$1,379,464 of the Court's bank balances of \$1,633,057 were exposed to custodial credit risk as follows:

Uninsured and collateralized held by a member bank other than the depositing bank.	\$1,379,464
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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.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 2. CASH/INVESTMENTS (CONTINUED)

**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	\$478,571	\$478,571	AAAm	60

NOTE 3. DUE TO STATE OF NEW MEXICO

As of June 30, 2013, the amount due to the State is \$8,996. This amount is composed of the following:

	<u>Agency #</u>	<u>Fund #</u>	<u>Reversions</u>	<u>Other</u>	<u>Total</u>
General Fund:					
2013 Fiscal Year	34101	85300	\$8,498	\$180	\$8,678
2013 Fiscal Year – HSD	63000	05200	498	0	498
			\$8,996	\$180	\$9,176

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4. 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 From</u>	<u>Due To:</u>		<u>Totals</u>
	<u>Human Services Division</u>	<u>General Fund</u>	
Litigant's Fund		\$272	\$272
General Fund	\$26,251		26,251
<i>Totals</i>	\$26,251	\$272	\$26,523

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Furniture and fixtures	\$285,469	\$0	\$0	\$285,469
Equipment	794,437	80,022	0	874,459
Data processing	150,630	0	0	150,630
Vehicles	184,298	0	0	184,298
<i>Totals</i>	1,414,834	80,022	0	1,494,856
Less Accumulated Depreciation:				
Furniture and fixtures	(161,862)	(23,009)	0	(184,871)
Equipment	(687,713)	(45,743)	0	(733,456)
Data processing	(150,630)	0	0	(150,630)
Vehicles	(173,530)	(7,312)	0	(180,842)
<i>Total accumulated depreciation</i>	(1,173,735)	(76,064)	0	(1,249,799)
<i>Net Capital Assets</i>	\$241,099	\$3,958	\$0	\$245,057

Depreciation expense for the year is \$76,064.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 \$54 per month on a month-to-month basis.

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Third Judicial District Court's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, 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 for the plan. 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. Plan members are required to contribute 8.92% of their gross salary. The Third Judicial District Court is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the 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 Third Judicial District Court's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$459,588, \$409,645 and \$452,458, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8. PENSION PLAN – JUDICIAL RETIREMENT ACT (JRA)

Plan Description – Substantially all of the Third Judicial 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 benefits, 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 for the plan. 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 – Plan members, while in office, shall contribute 9% of their gross salary to the member contribution fund. The 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 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 Third Judicial District Court contributions to JRA for the years ending June 30, 2013, 2012, and 2011 were \$90,481, \$69,283 and \$83,990, 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, 2013

NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The Third Judicial District Court’s contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$85,576, \$74,556 and \$68,640, respectively, which equal the required contributions for each year.

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, 2013, except for compensated absences.

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Compensated absences	\$168,600	\$398,428	(\$362,549)	\$204,479	\$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 #	
	FROM		TO		AMOUNT
Reversions to the State General Fund – FY13	23300	14300	34101	85300	\$8,498
Reversions to the Human Services Division – FY13	23300	92400	63000	05200	\$498
Transfers from Administrative Office of the Courts	21800	13900	23300	14300	\$201,233
Transfer from DFA – State General Fund Appropriation	34101	85300	23300	14300	\$6,064,400
Transfer from HSD – Child Support Enforcement	21800	13900	23300	92400	\$417,700

SUPPLEMENTARY FINANCIAL INFORMATION

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NONMAJOR FUND - MEDIATION FUND
BALANCE SHEET
JUNE 30, 2013

	Mediation Fund
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$48,723
Due from other funds	0
Due from other state agencies	0
<hr/>	
Total assets	\$48,723
<hr/>	
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other agencies	\$0
Due to other funds (including negative cash balance)	0
Accounts payable	822
Accrued payroll	0
<i>Total liabilities</i>	<i>822</i>
<hr/>	
FUND BALANCE	
Unreserved, Designated for future expenditures:	
Special Revenue Fund	47,901
<i>Total fund balance</i>	<i>47,901</i>
<hr/>	
Total liabilities and fund balance	\$48,723
<hr/>	

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, 2013

	Mediation Fund
REVENUES:	
Other state funds - court fees	\$60,025
<i>Total revenues</i>	60,025
EXPENDITURES:	
Current:	
Contractual services	51,150
Other costs	7,694
<i>Total expenditures</i>	58,844
 <i>Net change in fund balance</i>	 1,181
Fund balance, beginning of year	46,720
 <i>Fund balance, end of year</i>	 \$47,901

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, 2013**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Other state funds - court costs	\$50,000	\$50,000	\$60,025	\$10,025
EXPENDITURES:				
Current:				
Contractual services	57,000	57,000	51,150	5,850
Other costs	8,000	8,000	7,694	306
<i>Total expenditures</i>	<u>65,000</u>	<u>65,000</u>	<u>58,844</u>	<u>6,156</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(15,000)	(15,000)	<u>\$1,181</u>	<u>\$16,181</u>
Budgeted fund balance	15,000	15,000		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$1,181
Adjustments for current year reversions	0
Adjustment for unrealized gains - investments	0
Net change in fund balance	<u>\$1,181</u>

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, 2013**

	June 30, 2012	Additions	Deletions	June 30, 2013
LITIGANTS FUND:				
ASSETS				
Cash	\$2,080,206	\$2,459,375	\$2,431,953	\$2,107,628
Due from the State Treasurer	1,356	0	0	1,356
Due from general fund	272	0	0	272
<i>Total assets</i>	\$2,081,834	\$2,459,375	\$2,431,953	\$2,109,256
LIABILITIES				
Deposits held in custody of others	2,081,834	2,459,375	2,431,953	2,109,256
<i>Total liabilities</i>	\$2,081,834	\$2,459,375	\$2,431,953	\$2,109,256

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, 2013

	Type of Account	Per Bank Balance June 30, 2013	Reconciling Items	Reconciled Balance June 30, 2013
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$282,068	\$0	\$282,068
OTHER FUNDS				
New Mexico State Treasurer	Checking	185,836	0	185,836
New Mexico State Treasurer	Checking	48,723	0	48,723
<i>Total</i>		\$516,627	\$0	516,627
Petty Cash				100
<i>Balance per statement of net position</i>				\$516,727
AGENCY FUNDS				
Litigant's Fund:				
New Mexico State Treasurer	LGIP	\$478,571	\$0	\$478,571
New Mexico State Treasurer-Reserve Contingency Fund	LGIP	0	0	0
Citizen's Bank	Savings	3,593	0	3,593
Bank of the West	Checking	1,629,464	0	1,629,464
<i>Total Litigant's Fund</i>		\$2,111,628	\$0	\$2,111,628

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***

Independent Auditor's 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Third Judicial District Court as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Court, presented as supplemental information, and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Third Judicial District Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

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. 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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. 2013-01

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Third Judicial District Court's Responses to Findings

The Court's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Court's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 4, 2013

**THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2013-01 Inadequate Safeguarding of Cash – Significant Deficiency

Statement of Condition - While performing tests of internal controls over cash handling, the following was noted:

- Cash drawers were not locked when a number of tellers left their stations
- Cash was left unattended on a table
- The cash drawer imprest balance was not verified by the teller immediately upon receipt of the drawer

Criteria – The Department of Finance & Administration, the Third Judicial Court and best business practices require that cash be adequately safeguarded.

Cause – Tellers allowed themselves to be distracted with other court business before securing their cash drawers.

Effect – Potential for theft or misappropriation of cash.

Recommendation - Tellers should follow established policies and procedures with regard to proper cash handling and management should periodically review/observe to ensure appropriate procedures are being followed.

Management's Response – The Chief Financial Officer and the Finance Office have repeatedly discussed these types of problems with the Court Clerk Supervisor and the Court Clerk Section Heads in order to improve adherence to existing cash handling procedures and to make subordinate staff accountable when policies and procedures are not followed. Progress has been made in requiring supervisory staff in the Clerk's Office to hold employees accountable for not adequately safeguarding cash.

The Court is well aware of the deficiency in following cash control procedures. In an effort to improve the adequate safeguarding of cash the following has already been done:

Cash Handling Training, held Wed. Sep. 11, 2013. A Bank of the West manager and cashiers' supervisor trained all staff of the Court Clerk's Office and the Finance Office in proper cash handling procedures to bring the staff up to date on the latest developments and requirements.

Re-write of the Cash Handling Policy and Procedures to reflect the latest developments and to document Odyssey Case Management and Financial requirements due to the recent conversion of cases to this new software.

The Finance Supervisor and CFO have held frequent meetings with court clerk staff, when daily deposit problems have surfaced, in an effort to ensure that the specific problems are identified and not repeated.

**THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:

2012-01 Inadequate Implementation of Payroll Policy – Significant Deficiency

Resolved and not repeated.

2010-02 Personnel Documentation Missing/Incomplete – Significant Deficiency

Resolved and not repeated.

2009-02 Vacation/Sick Leave Reporting – Significant Deficiency

Resolved and not repeated.

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

Resolved and not repeated.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2013

EXIT CONFERENCE:

The exit conference was held November 13, 2013 and was attended by the following:

From Third Judicial District Court:

Honorable Douglas R. Driggers, Chief Judge
Norman Osborn, Court Executive Officer
Claude Bowman, Chief Finance Officer
Bridgette Becerra, Human Resource Director
Fran Jones, Financial Specialist Senior

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

Debbie Gray, CPA/Shareholder
Thomas Baker, Staff Auditor
Brenda Shannon, CPA, Staff Auditor

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, 2012.