



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, 2014

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

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

**OFFICIAL ROSTER
JUNE 30, 2014**

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>Division VII</i>
<i>Honorable Fernando R. Macias</i>	<i>Chief Judge, Division VIII</i>

ADMINISTRATIVE OFFICIALS

<i>Claude Bowman</i>	<i>Court Finance Officer and Acting Court Executive Officer</i>
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INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
Honorable Judge Fernando R. Macias, 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, 2014, 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, 2014, 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 Judge Fernando R. Macias, 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, 2014, 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, 2014, 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, 2014, 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 13 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 Judge Fernando R. Macias, Chief Judge
State of New Mexico
Third Judicial District Court
Las Cruces, New Mexico
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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 December 4, 2014 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
December 4, 2014

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014. 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 \$386,910 (reported as net position). Of this amount, \$168,141 (restricted net position) must be used primarily for adult drug court activities and \$218,769 is invested in capital assets, net of related debt.
- The District Court's total net position increased in fiscal year 2014 by \$9,570, all of which are governmental activities. The District Court does not engage in business-type activities.

Fund Highlights

- At the close of fiscal year 2014, the District Court's governmental funds reported combined ending fund balances of \$318,211, a decrease of \$27,450 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 decreased by \$54,409 (26.6%) 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, 2014

- 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.

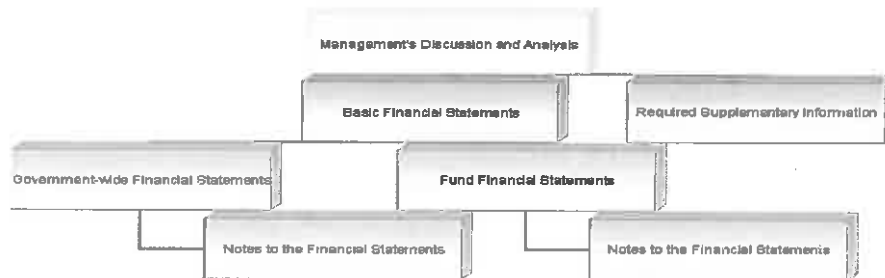


Figure 1. Required Components of the District Court's Annual Financial Report

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, 2014**

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, 2014**

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>		
	<u>2014</u>	<u>Restated 2013</u>	<u>Percent Change</u>
Current Assets	\$581,739	\$586,187	(0.8%)
Capital Assets	218,769	236,158	(7.3%)
<i>Total Assets</i>	800,508	822,345	(2.7%)
Current Liabilities	263,528	240,526	9.6%
Long-term Liabilities	150,070	204,479	(26.6%)
<i>Total Liabilities</i>	413,598	445,005	(7.1%)
Net Position:			
Invested in Capital Assets	218,769	236,158	(7.3%)
Restricted Net Position	168,141	141,182	19.1%
<i>Total Net Position</i>	\$386,910	\$377,340	2.5%

The largest portion of the District Court's net position, \$218,769 or 56.5%, 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, \$168,141 or 43.5%, 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, 2014**

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

	<u>Governmental Activities</u>		
	2014	Restated 2013	Percent Change
Revenues			
Program Revenues			
Charges for Services	\$159,361	\$156,587	1.8%
Operating Grants and Contributions	417,700	417,700	-
Capital Grants and Contributions	0	0	-
Grant Revenues			
State Appropriations	6,188,800	6,064,400	2.1%
Transfer in/out, net	290,431	192,237	51.1%
<i>Total Revenues</i>	<u>7,056,292</u>	<u>6,830,924</u>	3.3%
Expenses			
General Government	7,046,722	6,917,204	1.9%
<i>Total Expenses</i>	<u>7,046,722</u>	<u>6,917,204</u>	1.9%
Increase (Decrease) in Net Position	9,570	(86,280)	111.1%
Net position, July 1	377,340	463,620	(18.6%)
<i>Net position, June 30</i>	<u>\$386,910</u>	<u>\$377,340</u>	2.5%

The Percent Change column shows the percentage change in operations from fiscal year 2013 to 2014 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 2013 were \$6,064,400 and \$6,188,800 in 2014, an increase of \$124,400. 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 \$125,518 from \$6,917,204 in fiscal year 2013 to \$7,046,722 in fiscal year 2014. This represents an increase of 1.9% and is primarily due to improving State budgets.

Depreciation expenses decreased from \$84,964 in fiscal year 2013 to \$57,190 in fiscal year 2014, a decrease of 32.7%.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014, the District Court's general fund reported a fund balance of \$103,506.

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 \$40,800 was actually collected. Total fund balance decreased by \$15,785 or 8.6% under the June 30, 2013 fund balance. The fund balance decrease is due to excess of expenditures over revenues. The budget allowed the use of fund balance up to \$42,400 of which only \$15,785 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 \$426,600 in fiscal year 2014 was the same as it was in fiscal year 2013.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 decreased from \$47,901 as of June 30, 2013 to \$46,822 as of June 30, 2014. The change of, \$1,079 represents a 2.3% decrease over fiscal year 2013. Court fees increased in 2014 to a total of \$61,322 an increase of \$1,297, 2.2% due predominantly to an increase in the number of cases. Fiscal year 2014 expenditures of \$62,401, indicates an increase in spending compared with fiscal year 2013 expenditures of \$58,844 (increase of \$3,557, 6.0%). The expenditures increase was due to an increase 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 2014 budget was \$6,538,656, which included funding of \$79,000 for CASA, \$130,700 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 2014, the District Court's overall general fund revenue budget increased by \$1,856 or <1%. This was due to an increase in CASA of \$13,893, an increase in LETF Drug Court funds of \$19,967, and a decrease in Water funds of \$28,280, for a total increase of \$5,580, offset by a decrease in Court generated revenues in the amount of \$3,724.

The variance between the final budget and actual in the expenditures section of the General Fund budgetary comparison was an unfavorable (\$9,054). This was due to over-expenditure of budget in salaries and employee benefits.

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, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the Third Judicial District Court had \$218,769 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 \$17,389 or 7.3% over fiscal year 2013 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 2014, the Court purchased a copier, and also upgraded surveillance cameras and security access hardware.

Depreciation charges for this fiscal year totaled \$57,190.

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

	<u>Governmental Activities</u>		Percent Change
	2014	2013	
Furniture and Fixtures	\$285,469	\$285,469	-
Equipment	874,460	874,460	-
Data Processing	150,630	150,630	-
Vehicles	201,812	184,298	9.5%
<i>Total</i>	\$1,512,371	\$1,494,857	1.2%

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, 2014**

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 \$7,571,800 for fiscal year 2015 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 \$450,400 over fiscal year 2014.

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, 2014

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$526,616
Petty cash	100
Uncollectible receivable	8,108
Due from other state agencies	46,921
Other current assets	(6)
<i>Total current assets</i>	<u>581,739</u>

Noncurrent Assets:

Capital assets	1,512,371
Less: accumulated depreciation	(1,293,602)
<i>Total capital assets, net of depreciation</i>	<u>218,769</u>
<i>Total noncurrent assets</i>	<u>218,769</u>

<i>Total assets</i>	<u>800,508</u>
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LIABILITIES

Current Liabilities:

Accounts payable	118,681
Accrued payroll and payroll liabilities	142,898
Due to State general fund	1,949
<i>Total current liabilities</i>	<u>263,528</u>

Long-Term Liabilities:

Compensated absences - long term	150,070
<i>Total liabilities</i>	<u>413,598</u>

NET POSITION

Net investment in capital assets	218,769
Restricted	168,141
<i>Total net position</i>	<u>\$386,910</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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$6,989,532	\$159,361	\$417,700	\$0	(\$6,412,471)
Depreciation expense - unallocated	57,190	0	0	0	(57,190)
<i>Total governmental activities</i>	<i>7,046,722</i>	<i>159,361</i>	<i>417,700</i>	<i>0</i>	<i>(6,469,661)</i>
Business-type activities:	0	0	0	0	0
<i>Total primary government</i>	<i>\$7,046,722</i>	<i>\$159,361</i>	<i>\$417,700</i>	<i>\$0</i>	<i>(\$6,469,661)</i>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in Net Position:			
Net (expense) revenue	(\$6,469,661)	\$0	(\$6,469,661)
General Revenues and Transfers:			
State general fund appropriations	6,188,800	0	6,188,800
Transfers, net	292,380	0	292,380
Reversions to State General Fund - 2014	(1,949)	0	(1,949)
Miscellaneous revenue	0	0	0
<i>Total revenues and transfers</i>	<i>6,479,231</i>	<i>0</i>	<i>6,479,231</i>
<i>Change in net position</i>	<i>9,570</i>	<i>0</i>	<i>9,570</i>
Net position - June 30, 2013, as previously stated	409,994	0	409,994
Restatements	(32,654)	0	(32,654)
Net position - June 30, 2013, as restated	377,340	0	377,340
<i>Net position - June 30, 2014</i>	<i>\$386,910</i>	<i>\$0</i>	<i>\$386,910</i>

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

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	Major Funds			Nonmajor Fund	Total
	General Fund	Alternative Dispute Fund	Human Services Division Fund		
ASSETS					
Investment in the State Treasurer					
General Fund Investment Pool	\$304,536	\$170,392	\$0	\$51,688	\$526,616
Petty cash	100	0	0	0	100
Uncollectible receivable	8,108	0	0	0	8,108
Due from other state agencies	12,113	0	34,808	0	46,921
Due from other funds	21,633	0	0	0	21,633
Other current assets	(6)	0	0	0	(6)
Total assets	\$346,484	\$170,392	\$34,808	\$51,688	\$603,372
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$110,818	\$460	\$2,537	\$4,866	\$118,681
Accrued payroll and payroll liabilities	132,160	2,049	8,689	0	142,898
Due to State general fund	0	0	1,949	0	1,949
Due to State Treasurer - GF Investment Pool	0	0	0	0	0
Due to other funds	0	0	21,633	0	21,633
Total liabilities	242,978	2,509	34,808	4,866	285,161
FUND BALANCES					
Restricted for:					
Drug court	103,506	0	0	0	103,506
Arbitration	0	167,883	0	0	167,883
Mediation	0	0	0	46,822	46,822
Total fund balances	103,506	167,883	0	46,822	318,211
Total liabilities and fund balances	\$346,484	\$170,392	\$34,808	\$51,688	\$603,372

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, 2014

FUND BALANCE of Governmental Funds	\$318,211
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.	218,769
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(150,070)
<i>Net position of governmental activities</i>	<i>\$386,910</i>

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, 2014**

	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	57,239	40,800	0	61,322	159,361
Miscellaneous revenue	0	0	0	0	0
<i>Total revenues</i>	57,239	40,800	417,700	61,322	577,061
EXPENDITURES					
Current:					
Personal services	5,541,745	49,895	400,167	0	5,991,807
Contractual services	680,596	6,090	1,000	54,795	742,481
Other costs	326,664	600	14,584	7,606	349,454
<i>Total expenditures</i>	6,549,005	56,585	415,751	62,401	7,083,742
OTHER FINANCING SOURCES (USES)					
State general fund appropriations	6,188,800	0	0	0	6,188,800
Transfers from (to) other state agencies	292,380	0	0	0	292,380
Reversions to State General Fund-2014	0	0	(1,949)	0	(1,949)
<i>Total other financing sources (uses)</i>	6,481,180	0	(1,949)	0	6,479,231
<i>Net change in fund balance</i>	(10,586)	(15,785)	0	(1,079)	(27,450)
Fund balance, beginning of year, as previously stated	137,847	183,668	0	47,901	369,416
Restatements	(23,755)	0	0	0	(23,755)
Fund balance, beginning of year, as restated	114,092	183,668	0	47,901	345,661
<i>Fund balance, end of year - 6/30/2014</i>	\$103,506	\$167,883	\$0	\$46,822	\$318,211

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, 2014

Net Change in Fund Balances - Governmental Funds **(\$27,450)**

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	(57,190)
Capital outlay	39,801

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	54,409
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<i>Change in net position of governmental activities</i>	<i>\$9,570</i>
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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, 2014

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$6,235,900	\$6,235,900	\$6,188,800	(\$47,100)
Court fees	61,200	57,476	57,239	(237)
Federal grant	0	0	0	0
Other financing sources	239,700	245,280	292,380	47,100
<i>Total revenues</i>	<u>6,536,800</u>	<u>6,538,656</u>	<u>6,538,419</u>	<u>(237)</u>
EXPENDITURES				
Personal services	5,567,800	5,521,779	5,541,745	(19,966)
Contractual services	688,800	679,908	679,301	607
Other costs	280,200	336,969	326,664	10,305
<i>Total expenditures</i>	<u>6,536,800</u>	<u>6,538,656</u>	<u>6,547,710</u>	<u>(9,054)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>(\$9,291)</u>	<u>(\$9,291)</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$9,291)
<u>Adjustments for payables not in SHARE</u>	<u>(1,295)</u>
<u>Net change in fund balance</u>	<u>(\$10,586)</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, 2014

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court costs	\$50,000	\$40,800	\$40,800	\$0
EXPENDITURES				
Current:				
Personal services	84,400	67,600	49,895	17,705
Contractual services	15,000	15,000	6,090	8,910
Other costs	600	600	600	0
<i>Total expenditures</i>	100,000	83,200	56,585	26,615
<i>Excess (deficiency) of revenues over expenditures</i>	(50,000)	(42,400)	(15,785)	\$26,615
Budgeted fund balance	50,000	42,400		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$15,785)
Adjustments for current year reversions	0
Net change in fund balance	(\$15,785)

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, 2014**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Other financing sources	\$426,600	\$417,700	\$417,700	\$0
EXPENDITURES				
Current:				
Personnel services	381,900	402,062	400,167	1,895
Contractual services	1,000	1,000	1,000	0
Other costs	43,700	14,638	14,584	54
<i>Total expenditures</i>	426,600	417,700	415,751	1,949
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$1,949	\$1,949

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$1,949
Adjustments for current year reversions	(1,949)
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, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$1,774,354
Due from state general fund	1,356
Due from general fund	0
<hr/>	
<i>Total assets</i>	\$1,775,710
<hr/>	
LIABILITIES	
Deposits held in custody for others	\$1,775,710
<hr/>	
<i>Total liabilities</i>	\$1,775,710
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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, 2014

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, 2014, 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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014

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, 2014

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, 2014

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 by which they are financed.
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 the appropriation program level.
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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Annual Leave

Qualified employees accumulate annual leave as follows:

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

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

NOTE 2. 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 from 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, 2014

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 Fiscal Year 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	\$1,343,134	\$3,597
Time deposits	0	0
	1,343,134	3,597
FDIC Coverage	(250,000)	(3,597)
Uninsured balance	1,093,134	0
50% collateral requirement	546,567	0
Pledged securities	1,390,174	0
Over (under) collateralized	\$843,607	\$0

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. CASH/INVESTMENTS (CONTINUED)

Pledged Collateral

<u>Bank of the West</u>	Cusip No.	Maturity	Par Value/ Market Value
Bernalillo NM Mun Sch	085279NJ2	08/01/2017	\$4,800
Bernalillo NM Mun Sch	085279NL7	08/01/2019	5,040
FN 1339C MP PAC FIX	3136AEEF0	05/25/2028	59,929
FNMA CONV 30 YR SF	3138M94W8	10/01/2042	482,543
GNMA2 SINGLE FAMILY 30 YR	36202FX76	10/20/2041	530,394
FHLMC SF ARM	31300MHQ9	01/01/2044	37,182
FHLMC GOLD 30 YR	3132HLM34	08/01/2042	17,147
FHLMC GOLD 30 YR	3132HM3Y5	10/01/2042	5,878
GNMA2 ARM MULTIPLE	36179MDE7	05/20/2042	69,762
GNMA2 SINGLE FAMILY 30 YR	36179MEZ2	06/20/2042	45,930
GNMA2 ARM MULTIPLE	36179MYQ7	01/20/2043	131,569
<i>Total pledged</i>			\$1,390,174

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, 2014, \$1,093,134 of the Court's bank balances of \$1,346,731 was exposed to custodial credit risk as follows:

Uninsured and collateralized held by a member bank other than the depositing bank	\$1,093,134
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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, 2014**

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	\$448,537	\$448,537	AAAm	48.6

NOTE 3. DUE TO STATE OF NEW MEXICO

As of June 30, 2014, the amount due to the State is \$1,949. This amount is composed of the following:

<u>General Fund:</u>	<u>Agency #</u>	<u>Fund #</u>	<u>Reversions</u>	<u>Other</u>	<u>Total</u>
2014 Fiscal Year – HSD	63000	05200	\$1,949	\$0	\$1,949

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$0	\$0	\$0
General Fund	21,633	0	21,633
<i>Totals</i>	\$21,633	\$0	\$21,633

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Restatements</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Furniture and fixtures	\$285,469	\$0	\$0	\$0	\$285,469
Equipment	874,459	1	0	0	874,460
Data processing	150,630	0	0	0	150,630
Vehicles	184,298	0	39,801	(22,287)	201,812
<i>Totals</i>	1,494,856	1	39,801	(22,287)	1,512,371
Less Accumulated Depreciation:					
Furniture and fixtures	(184,871)	409	(23,009)	0	(207,471)
Equipment	(733,456)	(5,853)	(29,886)	0	(769,195)
Data processing	(150,630)	0	0	0	(150,630)
Vehicles	(180,842)	(3,456)	(4,295)	22,287	(166,306)
<i>Total accumulated depreciation</i>	(1,249,799)	(8,900)	(57,190)	22,287	(1,293,602)
<i>Net capital assets</i>	\$245,057	(\$8,899)	(\$17,389)	\$0	\$218,769

Depreciation expense for the year is \$57,190.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

Mail Finance, 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, 2014, 2013 and 2012 were \$544,040, \$459,588, and \$409,645, 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, 2014, 2013, and 2012 were \$103,231, \$90,481, and \$69,283, 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, 2014

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, 2014, 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, 2014, 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, 2014, 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.

The Third Judicial District Court's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$87,686, \$85,576, and \$74,556, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, except for compensated absences.

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$204,479	\$537,278	\$591,687	\$150,070	\$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 No.	SHARE Fund No.	Agency No.	SHARE Fund No.	AMOUNT
	FROM		TO		
Reversions to the State General Fund – FY13	23300	14300	34101	85300	\$0
Reversions to the Human Services Division – FY13	23300	92400	63000	05200	\$1,949
Transfers from Administrative Office of the Courts	21800	13900	23300	14300	\$292,380
Transfer from DFA – State General Fund Appropriation	34101	85300	23300	14300	\$6,188,800
Transfer from HSD – Child Support Enforcement	21800	13900	23300	92400	\$417,700

NOTE 13. OTHER REQUIRED DISCLOSURES

The Court exceeded their budget expenditures in the general fund of \$6,538,656 by \$9,054 for a total of actual expenditures of \$6,547,710.

NOTE 14. RESTATEMENTS

Beginning fund balance and net position were restated for the following:

	Fund Balance	Net Position
Fund Balance – General Fund to correct beginning payroll liabilities	(\$23,755)	(\$23,755)
Net Position to correct beginning capital assets and accumulated depreciation	0	(8,899)
Totals	(\$23,755)	(\$32,654)

SUPPLEMENTARY FINANCIAL INFORMATION

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
NONMAJOR FUND - MEDIATION FUND
BALANCE SHEET
JUNE 30, 2014

	Mediation Fund
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$51,688
Due from other funds	0
Due from other state agencies	0
<hr/>	
<i>Total assets</i>	51,688
<hr/> <hr/>	
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other agencies	\$0
Due to other funds (including negative cash balance)	0
Accounts payable	4,866
Accrued payroll	0
<i>Total liabilities</i>	4,866
<hr/>	
FUND BALANCE	
Unreserved, designated for future expenditures:	
Special Revenue Fund	46,822
<i>Total fund balance</i>	46,822
<hr/>	
<i>Total liabilities and fund balance</i>	51,688
<hr/> <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, 2014**

	<u>Mediation Fund</u>
REVENUES:	
Other state funds - court fees	\$61,322
<i>Total revenues</i>	<u>61,322</u>
EXPENDITURES:	
Current:	
Contractual services	54,795
Other costs	7,606
<i>Total expenditures</i>	<u>62,401</u>
<i>Net change in fund balance</i>	(1,079)
Fund balance, beginning of year	47,901
<i>Fund balance, end of year</i>	<u>\$46,822</u>

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

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

NONMAJOR - MEDIATION FUND

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Other state funds - court costs	\$60,000	\$60,000	\$61,322	\$1,322
EXPENDITURES:				
Current:				
Contractual services	57,000	57,000	54,795	2,205
Other costs	8,000	8,000	7,606	394
<i>Total expenditures</i>	65,000	65,000	62,401	2,599
<i>Excess (deficiency) of revenues over expenditures</i>	(5,000)	(5,000)	(1,079)	\$3,921
Budgeted fund balance	5,000	5,000		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$1,079)
Adjustments for current year reversions	0
Adjustment for unrealized gains - investments	0
Net change in fund balance	(\$1,079)

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, 2014

	June 30, 2013	Additions	Deletions	June 30, 2014
LITIGANTS FUND:				
ASSETS				
Cash	\$2,107,628	\$2,611,309	\$2,944,583	\$1,774,354
Due from the State Treasurer	1,356	0	0	1,356
Due from general fund	272	0	272	0
<i>Total assets</i>	\$2,109,256	\$2,611,309	\$2,944,855	\$1,775,710
LIABILITIES				
Deposits held in custody of others	\$2,109,256	\$2,611,309	\$2,944,855	\$1,775,710
<i>Total liabilities</i>	\$2,109,256	\$2,611,309	\$2,944,855	\$1,775,710

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, 2014

	Type of Account	Per Bank Balance June 30, 2014	Reconciling Items	Reconciled Balance June 30, 2014
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$304,536	\$0	\$304,536
OTHER FUNDS				
New Mexico State Treasurer	Checking	170,392	0	170,392
New Mexico State Treasurer	Checking	51,688	0	51,688
<i>Total</i>		\$526,616	\$0	526,616
Petty Cash				100
<i>Balance per statement of net position</i>				\$526,716
AGENCY FUNDS				
Litigant's Fund:				
New Mexico State Treasurer	LGIP	\$448,496	\$41	\$448,537
New Mexico State Treasurer-Reserve Contingency Fund	LGIP	0	0	0
Citizen's Bank	Savings	3,598	0	3,598
Bank of the West	Checking	1,343,134	(20,915)	1,322,219
<i>Total Litigant's Fund</i>		\$1,795,228	(\$20,874)	\$1,774,354

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 Judge Fernando R. Macias, 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, 2014, 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 December 4, 2014.

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 Judge Fernando R. Macias, 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. 2014-001

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2014-002.

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
December 4, 2014

THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2014-001 Trial Balance Maintenance and Reconciliation – Significant Deficiency

Statement of Condition – During the audit, we noted that the trial balance is not being reconciled to supporting documentation. Payroll liabilities, payroll benefits payable, and PERA wages are not reconciled monthly. Although DFA handles all payroll related matters, the Court is not maintaining supporting documentation to reconcile payroll related liabilities for each pay period.

- Two liability accounts, payroll benefits payable and payroll taxes payable, had large debit balances (\$23,772.38 and \$21,734.98 respectively). The Court did not have an explanation as to why this occurred.
- Accrued Compensated Absences (Vacation and Sick Time) are accrued on a calendar year basis. Because of this, the system cannot create a fiscal year report giving the balances at fiscal year end and therefore, a spreadsheet must be manually prepared to calculate accrued compensated absences at June 30. This spreadsheet was not prepared.
- Calculated contribution percent on PERA reports do not agree to the required contribution rate. (17 of 26 pay periods)
- Four of five periods tested further show that the contribution amount per PERA report did not agree to the payroll register for those periods.
- One of five periods tested - Total wages on the PERA report incorrectly included wages not subject to PERA (i.e., overtime), although contributions made were correct.
- Court staff are unable to explain the adjustments column on PERA report. DFA informed us upon inquiry that the Court was responsible for this information.

Criteria – Good internal controls require consistent monthly reconciliation procedures to identify and correct posting errors on a timely basis. Third Judicial District Court should have comprehensive knowledge of all their financial responsibilities, even though DFA is posting the transactions.

Cause – Because DFA processes payroll transactions the Court has assumed the reconciliations to be DFA's responsibility. The Court is still responsible for the source documents and the origination of every transaction and therefore, should reconcile and initiate any correction of errors as necessary.

Effect – Incorrect balances on the Court's trial balance.

Recommendation – The Court should establish and implement monthly trial balance reconciliation procedures including review and resolution processes and communication with DFA. The Court should maintain schedules that support liability amounts. These schedules should be reconciled to the reports received from DFA each pay period.

Management's Response – The Court does a monthly trial balance reconciliation procedure and makes journal entry corrections as needed to correct the trial balance. The Court will maintain additional schedules In order to reconcile payroll liability amounts to reports received from DFA each pay period and adjusting entries will be done as required.

**THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-002 Budgetary – Non Compliance

Statement of Condition – The general fund expenditures (\$6,547,710) exceeded the budgeted expenditures (\$6,538,656) for the year by \$9,054.

Criteria – The legal level of budgetary control is at the appropriation program level. The general fund expenditures are operational in nature are included in the P-Code.

Cause – Payroll benefits and taxes were incorrectly recorded during the year. Upon correction of these payroll liabilities additional expenditures were recorded which caused the budget to be exceeded.

Effect – Non compliance with budgetary requirements.

Recommendation – The Court’s trial balance should be reconciled monthly at which time reconciling entries should be made followed by a review of budget to actual expenditures.

Management’s Response – The Court does maintain an expenditure and revenue analysis spreadsheet which reconciles the trial balance to the authorized revenue and expenditure budget. The revenue and expenditure budget is managed so that an over expenditure does not occur. However, as mentioned in the response to Finding 2014-001 additional schedules will be created and maintained to reconcile payroll liability amounts to payroll reports and the trial balance. Any differences which may need to be adjusted by journal entry will also be reflected on the expenditure and revenue analysis spreadsheet to ensure that actual expenditures do not exceed actual revenues. Payroll liability reconciliations will be done to ensure that the posting of payroll liabilities is done correctly and does not result in a future adjustment that results in an over expenditure.

**THIRD JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:

2013-001 Inadequate Safeguarding of Cash – Significant Deficiency

Resolved and not repeated.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2014

EXIT CONFERENCE:

The exit conference was held December 4, 2014 and was attended by the following:

From Third Judicial District Court:

Honorable Fernando R. Macias, Chief Judge
Claude Bowman, Court Finance Officer
Bridgette Becerra, Human Resource Director
Fran Jones, Financial Specialist Senior
Jody Castillo Delgado, Acting Deputy Court Executive Officer

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

Debbie Gray, CPA/Shareholder
Rebecca Pott, 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, 2014.