

**State of New Mexico
Fourth Judicial District Court
Financial Statements and Schedules
With Independent Auditors Report Thereon**

For the Fiscal Year Ended June 30, 2008

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

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June 30, 2008

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

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STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT

OFFICIAL ROSTER

June 30, 2008

Judge

Honorable Eugenio S. Mathis – Presiding Judge	Division I
Honorable Abigail Aragon	Division II
Honorable Gerald Baca	Division III

Administrative Official

Frederick A. Sena	Court Executive Officer
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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and

Honorable Eugenio S. Mathis – Presiding Judge
Fourth Judicial District Court
Las Vegas, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fourth Judicial District Court (Court), as of and for the year ended June 30, 2008 which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

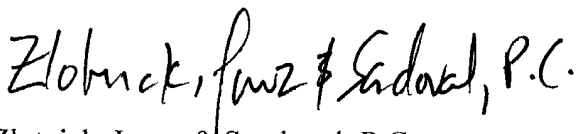
As discussed in Note 1, the financial statements of the State of New Mexico Fourth Judicial District Court are intended to present the financial position and changes of financial position of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2008 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Court as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 2008 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying supplementary information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Zlotnick, Law & Sandoval, P.C.

December 11, 2008

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2008**

The Court's Management Discussion and Analysis is designed to assist the reader in focusing on significant financial issues and to provide an overview of the Court's financial activity.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – (1) Management's Discussion and Analysis (this section), (2) the basic financial statements, (3) required supplementary information and (4) other reports. The basic financial statements include two kinds of statements that present different views of the Court.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Court's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Court. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending.

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 presents schedules and further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with supporting schedules. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS:

The two government-wide statements report information about the Court as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the 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 Court's net assets and how they have changed. Net Assets is the difference between the Court's assets and liabilities and is one way to measure the Court's financial health or position. Over time, increases or decreases in the Court's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The Court has only one activity - Judicial Services, which is a governmental activity. The Court does not have any business-type activities or any component units.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2008**

FUND FINANCIAL STATEMENTS:

The fund financial statements provide more detailed information about the Court's significant governmental funds, not the Court as a whole. Funds are accounting devices that the Court uses to keep track of specific sources of funding and spending for particular purposes.

The Court has two types of funds:

- General Appropriation Fund - All of the Court's services are reflected in the general appropriation fund and provide information to help the user determine whether there are more or fewer financial resources that can be used to finance the Court's programs. This fund is a reverting fund in that all the money remaining at the end of the fiscal year will be reverted to the state's general fund.
- Mediation Fund - The mediation fund accounts for fees collected as part of the docket fee and held by the Court to establish a domestic mediation program. It is a non-reverting fund. The fund will continue to accumulate money until such time as the mediation program has been developed and implemented.

GOVERNMENT-WIDE HIGHLIGHTS:

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current Assets	\$ 137,314	\$ 283,667
Capital Assets	<u>174,442</u>	<u>129,577</u>
Total Assets	<u>\$ 311,756</u>	<u>\$ 413,244</u>
Current Liabilities	\$ 179,270	\$ 274,938
Long Term Liabilities	<u>12,855</u>	<u>12,907</u>
Total Liabilities	<u>\$ 192,125</u>	<u>\$ 287,845</u>
Net Assets		
Invested in Capital Assets	\$ 174,442	\$ 129,577
Restricted	9,335	49,178
Unrestricted (deficit)	<u>(64,146)</u>	<u>(53,356)</u>
Total net assets	<u>\$ 311,756</u>	<u>\$ 125,399</u>

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2008**

GOVERNMENT-WIDE HIGHLIGHTS: (continued)

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Program Revenue – Court Fees	\$ 23,828	\$ 24,488
General Revenue-State Appropriation	<u>2,154,763</u>	<u>1,729,183</u>
Total Revenue	<u>\$ 2,178,591</u>	<u>\$ 1,753,671</u>
Expenses-General Fund	\$ 2,167,788	\$ 1,781,423
Reversions to State of New Mexico	<u>16,571</u>	<u>3,367</u>
Total Expenses	<u>\$ 2,184,359</u>	<u>\$ 1,784,790</u>
Change in net assets	\$ (5,768)	\$ (31,119)
Beginning Net Assets	<u>125,399</u>	<u>156,518</u>
Ending net assets	<u>\$ 119,631</u>	<u>\$ 125,399</u>

OVERALL FINANCIAL POSITION:

The overall financial position of the Court is virtually unchanged. The Court receives state funded appropriations to pay for operating costs. Any unused portion of the appropriation is reverted to the general fund at the end of the fiscal year. The Court realized a decrease of \$5,768, to its net assets during the year, which resulted from nominal increases in depreciation, fixed assets and compensated absences.

INDIVIDUAL FUND HIGHLIGHTS:

The General Fund reflects a decrease of \$38,973 in fund balance for the year, which is attributed to the Court expending the bulk of its multi-year capital fund, along with a minimal balance being reverted to the State. The unreserved fund balance is the same in both years since all amounts are reserved to pay program expenses. During fiscal year 2005, the State of New Mexico implemented new accounting procedures that eliminated year-end encumbrances, and as a result, no reserve for encumbrances exists for 2008. The Mediation Fund demonstrated a decrease in fund balance of \$870 during the year; a direct result of the Court utilizing the mediation program to a greater extent than the previous year.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2008**

BUDGETARY HIGHLIGHTS:

The 2008 operating budget increased \$409,846 from the previous year, which reflects a 23% increase. The Court processed a single budget adjustment request in 2008 to transfer funds from personal and contractual services to the 'other' category, thus enabling the Court to continue outfitting their new facility and also purchase two additional vehicles. Excess funds in contractual services, which were set aside to contract with a domestic violence special commissioner and security guard, were not used because the court received a new judgeship and security personnel package to address these critical needs. The surplus in personal services resulted from vacancy savings derived from a delay in the appointment of the new judge (and support staff) as well as retirement and/or resignations.

CAPITAL ASSETS AND LONG TERM DEBT:

The Court's capital assets consist of personal property net of accumulated depreciation. The ending book value of capital assets is \$174,442, which is \$44,865 more than fiscal year 2007. The Court purchased \$75,999 of property during the year, two new vehicles and a digital lobby signage system. The Court does not own any infrastructure assets.

The long-term debt consists of compensated absences that are due employees for sick and annual leave accrued. In fiscal year 2008, the ending debt for compensated absences was \$12,855. The decrease of \$52 during the current year is the normal result of employees taking more vacation time than they accrued.

OTHER FINANCIAL HIGHLIGHTS:

The Fourth Judicial District Court operates primarily on General Fund money appropriated by the State of New Mexico Legislature. Funds, in the form of court costs, fines and fees, are collected and accounted for in the State Treasurer's checking account, into which all non-trust money is deposited. All litigant funds, or trust monies, are maintained by means of an administrative trust checking or savings account. Each bank account is managed and reconciled by the Court.

The Court recently moved into a new and significantly larger facility (June 2007). As a direct result of this and staff expansions, the Court has realized increased operating expenses, as well as the need for a comparable increase of revenue from the General Fund to offset said expenditures.

Aside from the developments stated above, the Court will continue to operate under the same financial procedures and policies as it has in the past.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2008**

AGENCY HIGHLIGHTS:

The Fourth Judicial District (Business Unit 23400) operates under sections 34-6-1, 34-6-3, 34-6-7 and 34-6-17 through 34-6-46 NMSA, 1978 Compilation. The Fourth District is comprised of San Miguel, Mora and Guadalupe Counties and is a state court of general jurisdiction, meaning it is authorized to hear and determine all civil and criminal matters that are not specifically exempted from its jurisdiction. Three judges reside in San Miguel County and preside over the entire district, which in terms of geography is one of the larger districts in the state.

The current caseload (2,647 new cases) is consistent with previous years and reflects a slight increase (up 41 cases) from the prior year. Current management reports justify three full time judges and nearly demonstrate the need for one additional judge and associated staff.

CONTACTING THE COURT'S FINANCIAL MANAGEMENT:

This financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of the Court's finances and to demonstrate the Court's accountability for the funds it receives. If you have any questions about this report, or need additional information contact:

FOURTH JUDICIAL DISTRICT COURT
496 West National
P.O. Box 1540
Las Vegas, New Mexico 87701

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

For the Year Ended June 30, 2008

	Governmental Activities
ASSETS	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 137,236
Due from State General Fund	78
Total Current Assets	137,314
Noncurrent Assets:	
Capital assets, net (note 4)	174,442
Total Assets	311,756
LIABILITIES	
Current Liabilities:	
Accounts payable	37,656
Accrued payroll	74,157
Other Liabilities	(405)
Due to State General Fund	16,571
Accrued compensated absences	51,291
Total Current Liabilities	179,270
Noncurrent Liabilities:	
Accrued compensated absences	12,855
Total Liabilities	192,125
NET ASSETS	
Invested in Capital Assets	174,442
Restricted for special purposes:	
Mediations	9,335
Unrestricted (deficit)	(64,146)
Total net assets	119,631
Total Liabilities and Net Assets	\$ 311,756

See Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	<u>Governmental Activities</u>
Expenses:	
Judicial:	
Administrative Services	\$ 2,136,654
Depreciation Expense	31,134
Total Expenses	<u>2,167,788</u>
Program Revenues:	
Charges for services	18,698
Court fees	<u>5,130</u>
Net program expenses	<u>2,143,960</u>
General Revenues and Transfers	
State General Fund appropriations	2,128,100
Other State Funds	26,663
State General Fund reversion	<u>(16,571)</u>
	<u>2,138,192</u>
Change in net assets	(5,768)
Net assets, beginning of year	<u>125,399</u>
Net assets, end of year	<u><u>\$ 119,631</u></u>

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	Major Fund Governmental		Total Governmental Funds
	General 14400	Mediation 65000	
ASSETS			
Current Assets			
Investment in State General Fund Investment Pool	\$ 127,901	9,335	137,236
Due from State General Fund	78	-	78
Total assets	127,979	9,335	137,314
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	37,656	-	37,656
Accrued payroll	74,157	-	74,157
Other Liabilities	(405)	-	(405)
Due to State General Fund	16,571	-	16,571
Total liabilities	127,979	-	127,979
FUND BALANCES			
Reserved for Mediations	-	9,335	9,335
Total fund balances	-	9,335	9,335
Total liabilities and fund balances	\$ 127,979	9,335	137,314

See Notes to Financial Statements.

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

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total fund balances for governmental funds	\$ 9,335
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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. These assets consist of the following:

Capital assets, net	174,442
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Some liabilities are not due and payable in the current period, and therefore are not reported in the funds. Those liabilities consist of the following:

Compensated absences	<u>(64,146)</u>
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Net Assets of Governmental Activities	<u><u>\$ 119,631</u></u>
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See Notes to Financial Statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

	General Fund 14400	Mediation Fund 65000	Total Governmental Funds
REVENUES			
Charges for services	\$ 18,698	-	18,698
Court Fees	-	5,130	5,130
Total Revenues	<u>18,698</u>	<u>5,130</u>	<u>23,828</u>
EXPENDITURES			
Current:			
Judicial:			
Administrative Services:			
Personal services & benefits	1,715,307	-	1,715,307
Contract services	172,084	6,000	178,084
Other costs	232,473	-	232,473
Capital outlay	75,999	-	75,999
Total Expenditures	<u>2,195,863</u>	<u>6,000</u>	<u>2,201,863</u>
Excess (deficiency) of revenues over expenditures	<u>(2,177,165)</u>	<u>(870)</u>	<u>(2,178,035)</u>
OTHER FINANCING SOURCES (Uses)			
Transfers In:			
General fund appropriations	2,128,100	-	2,128,100
Transfers from other agencies	26,663	-	26,663
Transfers Out:			
2008 Reversions to the State General Fund	<u>(16,571)</u>	<u>-</u>	<u>(16,571)</u>
Total other financing sources (uses)	<u>2,138,192</u>	<u>-</u>	<u>2,138,192</u>
Net change in fund balances	(38,973)	(870)	(39,843)
Fund balances, beginning - 6/30/2007	<u>38,973</u>	<u>10,205</u>	<u>49,178</u>
Fund balances, ending - 6/30/2008	<u>\$ -</u>	<u>9,335</u>	<u>9,335</u>

See Notes to Financial Statements.

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

**RECONCILIATION OF THE CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ (39,843)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	75,999	
Depreciation expense	<u>(31,134)</u>	
Excess of capital outlay over depreciation expense		44,865

Expenses recognized in the Statement of Activities, not reported in the governmental funds:

Change in compensated absences (increase)	<u>(10,790)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (5,768)</u></u>
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See Notes to Financial Statements.

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

**STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
MAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

	General Fund - 14400			
	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriations	\$ 2,061,700	2,061,700	2,061,700	-
Other financing sources	93,082	93,082	93,063	(19)
Miscellaneous Revenue	20,000	20,000	18,698	(1,302)
Total Revenues	2,174,782	2,174,782	2,173,461	(1,321)
Fund Balance	38,973	38,973		
Total Revenues and Fund Balance	2,213,755	2,213,755		

EXPENDITURES

Administrative Services:				
Personnel services & employee benefits	1,771,800	1,724,800	1,715,307	9,493
Contractual services	238,082	172,084	172,084	-
Other costs	203,873	316,871	312,032	4,839
Total Expenditures	2,213,755	2,213,755	2,199,423	14,332

Mediation Fund - 65000

	Mediation Fund - 65000			
	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Court Fees	5,000	5,000	5,130	(130)
Fund Balance	2,000	2,000		
Total Revenues	7,000	7,000		
EXPENDITURES				
Administrative Services:				
Contractual services	6,000	6,000	6,000	-
Total Expenditures	\$ 6,000	6,000	6,000	-

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

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES - AGENCY FUNDS

For the Year Ended June 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 484,220</u>
LIABILITIES	
Deposits held for others (or due to external parties)	<u>484,220</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Fourth Judicial District Court operates under Section 34-6-1 through 34-6-3, 34-6-7 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Fourth Judicial District Court covers Las Vegas, Mora and Guadalupe Counties. The Court is comprised of three divisions as authorized in the above statutes. The Court is the State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases, which are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The Fourth Judicial District Court is a component unit of the Judicial branch and these financial statements include all funds and activities over which the Court has oversight responsibility. The Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Court has no component units that are required to be reported in its financial statements.

The accounting policies of the Fourth Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Court's significant accounting policies follows:

A. Basis of Accounting- GASB Statement No. 34

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

B. Basis of Presentation - Fund Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Court, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Court has no business-type activities; therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Court’s actual experience confirms to the budget of fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations that briefly explains the adjustments necessary to transform the fund based financial statements into the government-wide statements are presented on the page following each fund statement.

The Court’s fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Court first uses restricted resources then unrestricted resources.

The accounts of the Court are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Court:

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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 unexpended balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The SHARE fund number and description of the General Fund of the Court is 14400 - Court Regular.

Special Revenue Funds

The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the special revenue fund for operations of the Court.

Court Mediation - The Court has established a Domestic Relations Mediation Fund pursuant to Sections (40-12-4, NMSA 1978 Comp.) of the Domestic Relations Mediations Act. The Court collects a fee from general docket cases as required by statute to finance a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The Mediation Fund is non-reverting. The SHARE fund number of the Mediation Fund is 65000. The court considers this fund a major fund.

Fiduciary Funds

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

The Court collects fines, fees and bonds from litigants. The fines and fees are deposited in the agency fund and then transferred to the State Treasurer for distribution to the benefiting agencies. The bonds are held until the case is disposed and the bond is returned to the litigant.

C. Assets, Liabilities and Equity

Cash and Investments

The Court's cash and cash equivalents are demand deposits and savings accounts.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated.

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated

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	5 years
Equipment and Machinery	5-10 years
Library	3 years
Automotive	5 years

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

Long-Term Liabilities

Compensated Absences - The Court's policies regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Equity

Government-Wide Statements

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

1. *Invested in capital assets*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.
2. *Restricted net assets*, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* are all other net assets that do not meet the definition of "restricted" or "invested in capital assets." The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

Fund Financial Statements

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

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the Fourth Judicial District Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC) and the Department of Finance and Administration an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting (Continued)

2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Fourth District.
3. 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.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Fourth Judicial District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the JBO and the director of the DFA - Budget Division. The current year budget was revised in a legal manner.
6. Legal budget control for expenditures is by category.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
8. The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.
9. Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the Legislature. Unexpended amounts within the General Fund revert to the State General Fund.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements. Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 month - 3 yrs	10
Over 3 - 7 yrs	12
Over 7 - 14 yrs	14
Over 14 yrs - beyond	16

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Fourth District Court allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Inter-fund Activity

Inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Program Revenues

Program revenues consist of charges for tapes and copies of court proceedings. The Court also collects fees from general docket cases to finance a mediation alternative to legal resolution of domestic disputes. Fees are deposited to the Mediation Fund.

(2) COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized.

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at year end are classified as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds:		
Investment in State General Fund Investment Pool, fund 14400	\$ <u>137,236</u>	\$ <u>137,236</u>
Agency Funds:		
Cash in Bank:		
Wells Fargo Bank	\$ 6,442	\$ 6,442
Bank of Las Vegas	478,178	477,778
Total cash in bank	<u>484,620</u>	<u>\$ 484,220</u>
Less: FDIC insurance	106,442	
Total uninsured public funds	<u>\$ 378,178</u>	

The \$378,178 of uninsured public funds is held at Bank of Las Vegas. The collateral pledged by Bank of Las Vegas is as follows:

<u>Security</u>	<u>CUSIP#</u>	<u>Maturity</u>	<u>Market Value</u>
U.S. Treasury Note	912828DR8	4/15/2010	511,055
Total			<u>\$ 511,055</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(3) CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk-Deposit

Custodial Credit Risk is the risk that in the event of a bank failure, the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. As of June 30, 2008, \$378,178 of the Court's agency fund bank balance totaling \$484,620 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank not in the name of the Court or the State of New Mexico \$378,178

(4) CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Depreciable				
Library	\$ 255,052	\$ -0-	\$ 0-	\$ 255,052
Machinery & equipment	120,106	32,327	-0-	152,433
Software	58,089	-0-	-0-	58,089
Vehicles	60,206	43,672	-0-	103,878
Total	<u>493,453</u>	<u>\$ 75,999</u>	<u>-0-</u>	<u>569,452</u>
Accumulated Depreciation:				
Library	(255,052)	-0-	-0-	(255,052)
Machinery & equipment	(55,277)	(13,782)	-0-	(69,059)
Software	(12,906)	(10,721)	-0-	(23,627)
Vehicles	(40,641)	(6,631)	-0-	(47,272)
Total	<u>(363,876)</u>	<u>(31,134)</u>	<u>-0-</u>	<u>(395,010)</u>
Total (Net Asset)	<u>\$ 129,577</u>	<u>\$ 44,865</u>	<u>\$ -0-</u>	<u>\$ 174,442</u>

Current year depreciation expense is \$31,134.

(5) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$16,571 in fiscal year 2008 reversion that will be remitted to the state general fund. A small portion of this amount, \$1,136, represents the unexpended balance of the court's multi-year capital appropriation.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(6) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Annual Leave	\$ 53,356	\$ 64,592	\$ 53,800	\$ 64,146	\$ 51,291
Sick Leave	-0-	-0-	-0-	-0-	-0-
Total	\$ 53,356	\$ 64,592	\$ 53,800	\$ 64,146	\$ 51,291

The Court general fund resources have been used to liquidate accrued compensated absences in the past. The Court had no other debt activity during the year.

(7) OPERATING LEASES

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$20,981 for the year ending June 30, 2008. Annual future minimum lease payments are as follows:

June 30, 2009	21,680
June 30, 2010	21,025
June 30, 2011	19,505
June 30, 2012	15,451
June 30, 2013	<u>6,809</u>
Total	\$ <u>84,470</u>

(8) PERA RETIREMENT PLAN

Plan Description

Substantially all of the Fourth 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 member 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, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(8) PERA RETIREMENT PLAN (Continued)

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Fourth Judicial District Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Fourth 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 Fourth Judicial District Court's contributions to PERA for the years ending June 30, 2008, 2007 and 2006 were \$152,735, \$120,847, and \$109,680, respectively, which equal the amount of the required contributions for each year.

(9) JRA RETIREMENT PLAN

Substantially all of the Fourth Judicial District Court's Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act. The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 7.5% of their gross salary. The Fourth Judicial District Court is required to contribute 12% of the gross covered salary. The Fourth Judicial District Court's contributions to JRA for the years ending June 30, 2008, 2007, and 2006 were \$38,307, \$25,067, and \$18,710, respectively, equal to the amount of the required contributions for each year.

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$36,860, in filing fees for the years ending June 30, 2008.

(10) DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(10) DEFERRED COMPENSATION (Continued)

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Fourth Judicial District Court nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Fourth Judicial District Court have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

(11) RETIREE HEALTH CARE ACT CONTRIBUTION

Plan Description

The Fourth Judicial District Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 post-employment 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, NM 87107.

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(11) RETIREE HEALTH CARE ACT CONTRIBUTION (continued)

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed upon intervals.

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

The Fourth Judicial District Court's contributions to the RHCA for fiscal years ended June 30, 2008, 2007 and 2006 were \$15,281, \$11,975 and \$10,808, respectively, which equal the required contributions for each year.

(12) RISKS OF LOSS

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2007 through June 30, 2008.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

(13) SPECIAL APPROPRIATIONS

	Revenue	Expenditures	Balance
<u>Capital Outlay</u>			
Equipment Upgrade – Laws of 2003 Chapter 385, Section 4 (2)	\$ 60,000	\$ 60,000	\$ -0-

The Court received this special appropriation in fiscal year 2005. No reserve for capital expenditures exists in the financial statements as the balance, \$1,136, is scheduled to revert to the state general fund as of June 30, 2008.

(14) RECONCILIATION OF BUDGET TO GAAP

The total expenditures on the statement of revenues and expenditures budget and actual on page 14 differs from the total expenditures on the statement of revenues, expenditures, and changes in fund balances on page 12 by \$3,560. This is because in the prior year, there were some accounts payable that were not recorded by the court, and they were paid in the current fiscal year of \$5,509. Also, subsequent to the prior year audit report being completed, there was an entry made to reclassify the prepaid expenses in the amount of \$(1,949). These two amounts make up the difference between the total expenditures on the budget basis (page 14) and GAAP (page 12).

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash in Bank:				
State Treasurer Account	\$ 4,725	145,102	149,665	162
Trust Accounts	240,875	812,401	569,218	484,058
	245,600	957,503	718,883	484,220
 LIABILITIES				
Due to Litigants	240,875	812,401	569,218	484,058
Due to Other Agencies	3,476	98,643	102,119	-
Due to State General Fund	806	22,631	23,275	162
Due to Court General Fund	293	18,698	18,991	-
Due to Mediation Fund	150	5,130	5,280	-
	\$ 245,600	957,503	718,883	484,220

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
SCHEDULE OF OPERATING TRANSFERS
For the Year Ended June 30, 2008**

SHARE FUND	TITLE	TRANSFER	
		In	Out
(1) 85300	Department of Finance & Administration	\$ 1,823,000	\$ -
(2) 85300	Department of Finance & Administration	66,400	-
(3) 13900	Administrative Office of the Courts	26,663	-
(4) 85300	Department of Finance & Administration	181,700	-
(5) 85300	Department of Finance & Administration	57,000	-
Total		<u>\$ 2,154,763</u>	<u>\$ -</u>

- (1) General Fund Appropriation, Laws of 2007, Chapter 28, Section 4
- (2) Compensation Package as per Laws of 2007, Chapter 28, Section 8
- (3) CASA Program Appropriation, Laws of 2007, Chapter 28, Section 4
- (4) Judgeship Bill (HB291), Laws of 2007, Chapter 140, Section 7, Item A(2)
- (5) Security Staff (SB611), Laws of 2007, Chapter 21, Section 1, Item 5

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

SCHEDULE OF CASH ACCOUNTS

June 30, 2008

GENERAL FUND		<u>Account Number</u>	<u>Bank Balance</u>	<u>Financial Statement Balance</u>
Investment in State General Fund Investment Pool	Checking	14400		<u>\$127,901</u>
 SPECIAL REVENUE FUND				
Investment in State General Fund Investment Pool	Checking	65000		<u>9,335</u>
 AGENCY FUND				
Wells Fargo Bank of New Mexico N.A.				
Administrative Trust - Guadalupe County	Checking	240-1233213	\$ 6,442	6,442
Savings Account - Guadalupe County	Savings	240-1020304	-	-
State Treasurer Account - Guadalupe County	Checking	240-7250513	-	-
Total Wells Fargo Bank			<u>6,442</u>	<u>6,442</u>
Bank of Las Vegas				
Administrative Trust - San Miguel County	Checking	7960204	88,656	88,256
State Treasurer Account - San Miguel & Mora	Checking	7960999	162	162
Administrative Trust - Mora County	Checking	7960115	5,201	5,201
Savings Account - San Miguel & Mora	Savings	4205316	376,112	376,112
Litigant Trust	Savings	4192885	5,496	5,496
Litigant Trust	Savings	4161122	2,551	2,551
Total Bank of Las Vegas			<u>478,178</u>	<u>477,778</u>
TOTAL AGENCY FUND			<u>\$484,620</u>	<u>484,220</u>

GOVERNMENT AUDITING STANDARDS REPORT

Zlotnick, Laws & Sandoval, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hector H. Balderas
New Mexico State Auditor
and
Honorable Eugenio S. Mathis – Presiding Judge
Fourth Judicial District Court
Las Vegas, New Mexico

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fourth Judicial District Court (Court), as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Courts ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Court's financial statements that is more than inconsequential will not be prevented or detected by the Court's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as finding 8-1.

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

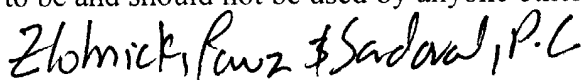
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, others within the Court, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and applicable federal grantors, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Zlotnick, Lawz & Sandoval, P.C.

December 11, 2008

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

Schedule of Findings and Responses

June 30, 2008

CONTROLS OVER FINANCIAL REPORTING

08-01

Condition:

The Court did not have proper controls in place to adequately prepare the financial statements and footnotes that are materially correct in accordance with generally accepted accounting standards.

Criteria:

SAS 112 requires that the Court have proper controls over the preparation of the financial statements and footnote disclosures, which would prevent or detect a misstatement.

Cause:

The Court did not fill out note disclosure checklists or a financial statement review checklist that would detect and prevent departures from GAAP in the financial statement preparation. The Court relied on the auditors to review the financial statements and notes in order to add or update required note disclosures.

Effect:

The auditor reviewed and revised the notes to the financial statement in order to prepare them for submission to the New Mexico State Auditor's review process.

Recommendation:

The Court must develop proper internal control procedures over financial statement preparation by filling out checklists in order to become aware of new GAAP standards and how they affect financial statement presentation and footnote disclosures.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Schedule of Findings and Responses

June 30, 2007

CONTROLS OVER FINANCIAL REPORTING (CONTINUED)

08-01

Agency Response:

The financial statements, management's discussion and analysis and supporting notes were completed by the agency's Chief Financial Officer, and to my knowledge the financial information was presented accurately.

We understand the finding results from our not including the most recent "footnote disclosures" on the financial statements, and that we failed to complete both the disclosure and financial statement review checklists. To our knowledge, these "requirements" were not noted in our audit instructions (*read* guidelines), yet we are expected to adhere to them. Regarding the footnote disclosures on the financial statements themselves, we are at a loss understanding how that particular statement is helpful in preventing or detecting misstatement; or for that matter, how the auditor having to type the most recent disclosure warrants a legitimate finding or is indicative of a weakness with internal controls.

As for the recommendation, management will continue to attend regular CFO meetings sponsored by the Administrative Office of the Courts. We will continue compiling financial statement resources and begin subscribing to the different financial periodicals that will help us to become more proficient at financial statement preparation.

Auditor Response:

An effective internal control system and structure requires that all significant disclosures be in accordance with the latest applicable standards. The preparer of the financial statements could not possibly know of the latest standards if current disclosure checklists are not prepared and GAAP literature maintained in the office's library to allow management to prepare complete financial statements. These "requirements" should not be expected to be in "audit instructions" but rather a part of managements internal control process.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
STATUS OF PRIOR YEAR FINDINGS**

June 30, 2008

<u>Condition</u>	<u>Current year status</u>
Reconciliation of Accounts 07-1	Resolved
Budgetary Control 07-2	Resolved
Auditor Prepared the Financial Statements 07-3	Resolved

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

EXIT CONFERENCE

June 30, 2008

The contents of this report were discussed at an exit conference held December 12, 2008. Asa Laws and Keith Sorensen represented Zlotnick, Laws & Sandoval, P.C. The Fourth Judicial District court was represented by the Honorable Eugenio S. Mathis, Presiding Judge, Frederick A. Sena, Court Executive Officer,