

**State of New Mexico  
Fourth Judicial District Court**

**Financial Statements and Schedules  
With Independent Auditors Report Thereon**

**For the Fiscal Year Ended June 30, 2011**

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

**TABLE OF CONTENTS**

**June 30, 2011**

**Introductory Section**

Table of Contents .....	ii-iii
Official Roster .....	iv

**Financial Section**

Independent Auditor's Report .....	1-2
Management's Discussion and Analysis .....	3-7

**Basic Financial Statements:**

**Government-wide Financial Statements**

Statement of Net Assets .....	8
Statement of Activities .....	9

**Fund Financial Statements**

Balance Sheet - Governmental Funds .....	10
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	12
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities .....	13
Statement of Revenues and Expenditures Budget and Actual (Budgetary Basis) - Major Governmental Funds .....	14
Statement of Fiduciary Net Assets - Agency Funds .....	15
Notes to the Financial Statements .....	16-30

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

**TABLE OF CONTENTS**

**June 30, 2011**

**Supplementary Information**

Schedule of Changes in Assets and Liabilities - Agency Fund .....	31
Schedule of Operating Transfers .....	32
Schedule of Cash Accounts .....	33
Schedule of Memorandums of Understanding .....	34-35

**Governmental Auditing Standards Report**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance Based On an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> .....	36-37
--	-------

<b>Exit Conference</b> .....	38
------------------------------	----

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

**OFFICIAL ROSTER**

**June 30, 2011**

**Judges**

Honorable Eugenio S. Mathis	Division I
Honorable Abigail Aragon	Division II
Honorable Matthew J. Sandoval – Presiding Judge	Division III

**Administrative Official**

Frederick A. Sena	Court Executive Officer
-------------------	-------------------------

**Independent Auditor's Report**

Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Matthew J. Sandoval – Presiding Judge  
Fourth Judicial District Court  
Las Vegas, New Mexico

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 major special revenue fund of the Fourth Judicial District Court, as of and for the year ended June 30, 2011, which collectively comprise the agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 agency, as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and 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 our report dated November 15, 2011 on our consideration of the agency'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* 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 supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed under "Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Zlotnick, Laws & Sandoval, PC

A handwritten signature in black ink that reads "Zlotnick, Laws & Sandoval, P.C." The signature is written in a cursive, flowing style.

November 15, 2011

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
June 30, 2011**

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, 2011**

**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, 2011</u>	<u>June 30, 2010</u>
Current Assets	\$ 116,252	\$ 190,648
Capital Assets	<u>92,810</u>	<u>104,082</u>
Total Assets	<u>\$ 209,062</u>	<u>\$ 294,730</u>
Current Liabilities	\$ 181,220	\$ 237,150
Long Term Liabilities	<u>15,176</u>	<u>17,829</u>
Total Liabilities	<u>\$ 196,396</u>	<u>\$ 254,979</u>
Net Assets		
Invested in Capital Assets	\$ 92,810	\$ 104,082
Restricted for Mediation	1,640	4,285
Unrestricted (deficit)	<u>(81,784)</u>	<u>(68,616)</u>
Total net assets	<u>\$ 12,666</u>	<u>\$ 39,751</u>



**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
June 30, 2011**

**GOVERNMENT-WIDE HIGHLIGHTS: (continued)**

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Program Revenue – Court Fees	\$ 25,565	\$ 70,684
General Revenue-State Appropriation	<u>2,071,226</u>	<u>2,136,718</u>
Total Revenue	<u>\$ 2,096,791</u>	<u>\$ 2,207,402</u>
Expenses-General Fund	\$ 2,120,979	\$ 2,235,762
Reversions to State of New Mexico	<u>2,897</u>	<u>16,486</u>
Total Expenses	<u>\$ 2,123,876</u>	<u>\$ 2,252,248</u>
Change in net assets	\$ (27,085)	\$ (44,846)
Beginning Net Assets	<u>39,751</u>	<u>84,597</u>
Ending net assets	<u>\$ 12,666</u>	<u>\$ 39,751</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 \$27,085 to its net assets during the year, which resulted from nominal increases in depreciation and compensated absences.

**INDIVIDUAL FUND HIGHLIGHTS:**

The Court's unreserved fund balance remains unchanged since all amounts are reserved to pay program expenses. The Mediation Fund demonstrated a decrease of \$2,645 in fund balance 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, 2011**

**BUDGETARY HIGHLIGHTS:**

The 2010 operating budget decreased \$98,772 from the previous year, which reflects a 4.5% reduction. The Court processed four separate budget adjustment requests in 2011: two 'budget increase' requests to account for LETF revenues received from the AOC for drug court expense reimbursements; a 'category transfer' to address shortfalls in personnel services and operating expenses ('other' category); and a 'budget reduction' to account for the portion of CASA appropriation the Court did not receive.

**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 \$92,810, which is \$11,272 less than fiscal year 2010 and attributable to accumulated depreciation. The Court made one capital acquisition during the year (\$13,899 to upgrade security/surveillance equipment in their Las Vegas office), and 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 2011, the ending debt for compensated absences was \$15,176. The decrease of \$2,653 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.

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, 2011**

**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 (2,504 *new* cases) is consistent with previous years and reflects a slight increase (up 4 cases) from the prior year. Current management reports justify three full time judges.

**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**

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

**STATEMENT OF NET ASSETS**

**June 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 89,033
Due from Other State Agencies	27,219
<b>Total Current Assets</b>	<u>116,252</u>
Noncurrent Assets:	
Capital assets, net (note 4)	92,810
<b>Total Assets</b>	<u><u>209,062</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	51,628
Accrued payroll	60,087
Due to State General Fund	2,897
Accrued compensated absences	66,608
<b>Total Current Liabilities</b>	<u>181,220</u>
Noncurrent Liabilities:	
Accrued compensated absences	15,176
<b>Total Liabilities</b>	<u>196,396</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	92,810
Restricted for special purposes:	
Mediations	1,640
Unrestricted (deficit)	(81,784)
<b>Total net assets</b>	<u>12,666</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 209,062</u></u>

*See Notes to Financial Statements.*

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

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2011**

	<u>Governmental Activities</u>
Expenses:	
Judicial:	
Administrative Services	\$ 2,095,808
Depreciation Expense	25,171
Total Expenses	<u>2,120,979</u>
Program Revenues:	
Charges for services	18,995
Court fees	6,570
<b>Net program expenses</b>	<u>2,095,414</u>
General Revenues and Transfers	
State General Fund appropriations	1,962,100
Other State Funds	109,126
State General Fund reversion	(2,897)
	<u>2,068,329</u>
<b>Change in net assets</b>	(27,085)
Net assets, beginning of year	<u>39,751</u>
<b>Net assets, end of year</b>	<u>\$ 12,666</u>

*See Notes to Financial Statements.*

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2011**

	Major Fund Governmental		Total Governmental Funds
	General 14400	Mediation 65000	
<b>ASSETS</b>			
Current Assets			
Investment in State GF Investment Pool	\$ 86,728	2,305	89,033
Due from Other State Agencies	27,219	-	27,219
<b>Total assets</b>	113,947	2,305	116,252
<b>LIABILITIES AND FUND BALANCES</b>			
Current Liabilities			
Accounts payable	50,963	665	51,628
Accrued payroll	60,087	-	60,087
Due to State General Fund	2,897	-	2,897
<b>Total liabilities</b>	113,947	665	114,612
<b>FUND BALANCES</b>			
Restricted for Mediations	-	1,640	1,640
<b>Total fund balances</b>	-	1,640	1,640
<b>Total liabilities and fund balances</b>	\$ 113,947	2,305	116,252

*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, 2011**

Total fund balances for governmental funds	\$	1,640
--	----	-------

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	92,810
---------------------	--------

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>(81,784)</u>
----------------------	-----------------

<b>Net Assets of Governmental Activities</b>	\$	<u><u>12,666</u></u>
--	----	----------------------

*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, 2011**

	General Fund 14400	Mediation Fund 65000	Total Governmental Funds
<b>REVENUES</b>			
Charges for services	\$ 18,995	-	18,995
Court Fees	-	6,570	6,570
Miscellaneous Revenue	-	-	-
Federal grant revenues	-	-	-
<b>Total Revenues</b>	<u>18,995</u>	<u>6,570</u>	<u>25,565</u>
<b>EXPENDITURES</b>			
Current:			
Judicial:			
Administrative Services:			
Personal services & benefits	1,810,099	-	1,810,099
Contract services	111,389	9,215	120,604
Other costs	151,937	-	151,937
Capital outlay	13,899	-	13,899
<b>Total Expenditures</b>	<u>2,087,324</u>	<u>9,215</u>	<u>2,096,539</u>
Excess (deficiency) of revenues over expenditures	<u>(2,068,329)</u>	<u>(2,645)</u>	<u>(2,070,974)</u>
<b>OTHER FINANCING SOURCES (Uses)</b>			
<b>Transfers In:</b>			
General fund appropriations	1,962,100	-	1,962,100
Transfers from other agencies	109,126	-	109,126
<b>Transfers Out:</b>			
2010 Reversions to the State General Fund	<u>(2,897)</u>	<u>-</u>	<u>(2,897)</u>
Total other financing sources (uses)	<u>2,068,329</u>	<u>-</u>	<u>2,068,329</u>
<b>Net change in fund balances</b>	<b>-</b>	<b>(2,645)</b>	<b>(2,645)</b>
Fund balances, beginning - 6/30/2010	7,000	4,285	11,285
Decrease in reserve for postage inventory (note 14)	<u>(7,000)</u>	<u>-</u>	<u>(7,000)</u>
<b>Fund balances, ending - 6/30/2011</b>	<u>\$ -</u>	<u>1,640</u>	<u>1,640</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, 2011**

Net change in fund balances - total governmental funds \$ (2,645)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Certain outlays are reported as expenditures in governmental  
funds. However, in the statement of activities, these costs are  
expensed as they are consumed or are allocated over their  
estimated useful lives. In the current period these amounts are:

Capital outlay	13,899	
Depreciation expense	<u>(25,171)</u>	
Excess of capital outlay over depreciation expense		(11,272)
Postage Inventory		(7,000)

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

Change in compensated absences (increase)	<u>(6,168)</u>
---	----------------

**Change in Net Assets of Governmental Activities** **\$ (27,085)**

*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, 2011**

	<b>General Fund - 14400</b>			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>REVENUES</b>				
State General Fund appropriations	\$ 2,027,900	1,962,100	1,962,100	-
Other financing sources	29,100	109,126	109,126	-
Miscellaneous Revenue	20,000	20,000	18,995	(1,005)
<b>Total Revenues</b>	<u>2,077,000</u>	<u>2,091,226</u>	<u>2,090,221</u>	<u>(1,005)</u>
Fund Balance	-	-		
<b>Total Revenues and Fund Balance</b>	<u>2,077,000</u>	<u>2,091,226</u>		

<b>EXPENDITURES</b>				
Administrative Services:				
Personnel services & employee benefits	1,787,200	1,810,700	1,810,099	601
Contractual services	139,900	111,390	111,389	1
Other costs	149,900	169,136	165,836	3,300
<b>Total Expenditures</b>	<u>2,077,000</u>	<u>2,091,226</u>	<u>2,087,324</u>	<u>3,902</u>

	<b>Mediation Fund - 65000</b>			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
<b>REVENUES</b>				
Court Fees	5,000	5,000	6,570	1,570
Fund Balance	5,000	5,000		
<b>Total Revenues</b>	<u>10,000</u>	<u>10,000</u>		

<b>EXPENDITURES</b>				
Administrative Services:				
Contractual services	10,000	10,000	9,215	785
<b>Total Expenditures</b>	<u>\$ 10,000</u>	<u>10,000</u>	<u>9,215</u>	<u>785</u>

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

**STATEMENT OF FIDUCIARY ASSETS & LIABILITIES - AGENCY FUNDS**

**June 30, 2011**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 150,903</u>
<b>LIABILITIES</b>	
Deposits held in trust for others (or due to external parties)	<u>\$ 150,903</u>

*See Notes to Financial Statements.*

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(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 San Miguel, Mora and Guadalupe Counties. The Court is comprised of three divisions as authorized in the above statutes. The Court is a 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, 2011**

**(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 in 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, 2011**

(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, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

Inventory

Inventory is stated on the consumption method in the government-wide statements to be consistent with the accrual basis of accounting. The purchases method is used on the fund financial statements and inventory balances are reported as assets in the governmental fund balance sheet when deemed significant.

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, 2011**

(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 balances are further classified as:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Court’s administrative authority (or chief judge). These amounts cannot be used for any other purpose unless the chief judge removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.



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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Assets, Liabilities and Equity (Continued)**

Assigned: This classification includes amounts that are constrained by the Court's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Court's administrative authority or through the Court delegating this responsibility to the Court Executive Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Court would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**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.
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.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets and Budgetary Accounting (Continued)**

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.

**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:

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Compensated Absences Payable (Continued)**

<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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(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	\$ <u>89,033</u>	\$ <u>89,033</u>
Agency Funds:		
Cash in Bank:		
Wells Fargo Bank	\$ 3,600	\$ 3,600
Bank of Las Vegas	<u>147,703</u>	<u>147,303</u>
Total cash in bank	240,336	\$ <u>239,936</u>
Less: FDIC insurance	<u>250,000</u>	
Total uninsured public funds	<u>\$ -0-</u>	

No uninsured public funds exist. The collateral pledged by Bank of Las Vegas is as follows:

<u>Security</u>	<u>CUSIP#</u>	<u>Maturity</u>	<u>Market Value</u>
FHLB 2.60% Bond	3133TAV8	3/06/2013	<u>777,810</u>
Total			<u>\$ 777,810</u>

**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, 2011, none of the Court's agency fund bank balance totaling \$240,336 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:

\$ -0-

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(4) CAPITAL ASSETS**

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>Depreciable</b>				
Machinery & equipment	\$ 152,433	13,899	-0-	\$ 166,332
Software	58,089	-0-	-0-	58,089
Vehicles	103,878	-0-	-0-	103,878
Total	<u>314,400</u>	<u>13,899</u>	<u>-0-</u>	<u>328,299</u>
<b>Accumulated Depreciation:</b>				
Machinery & equipment	(98,604)	(11,663)	-0-	(110,267)
Software	(45,069)	(6,481)	-0-	(51,550)
Vehicles	(66,645)	(7,027)	-0-	(73,672)
Total	<u>(210,318)</u>	<u>(25,171)</u>	<u>-0-</u>	<u>(235,489)</u>
Total (Net Asset)	<u>\$ 104,082</u>	<u>\$ (11,272)</u>	<u>\$ -0-</u>	<u>\$ 92,810</u>

Current year depreciation expense is \$25,171.

**(5) DUE TO STATE GENERAL FUND**

The Due to State General Fund in the Statement of Net Assets includes \$2,897 in fiscal year 2011 reversion that will be remitted to the State General Fund (SHARE Account #85300).

**(6) DUE FROM OTHER STATE AGENCIES**

The Due from Other State Agencies in the Statement of Net Assets includes a \$27,219 reimbursement from the Administrative Office of the Courts (SHARE fund #49500) for drug court expenditures incurred before fiscal year-end.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(7) COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

		Beginning Balance	Additions	Deletions	Ending Balance	Due within One Year
Annual Leave	\$	75,616	\$ 73,801	\$ 67,633	\$ 81,784	\$ 66,608
Total	\$	<u>75,616</u>	<u>\$ 73,801</u>	<u>\$ 67,633</u>	<u>\$ 81,784</u>	<u>\$ 66,608</u>

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.

**(8) OPERATING LEASES**

The Court leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses that can terminate the respective leases. Lease expense under these leases amounted to \$21,367 for the year ending June 30, 2011. Annual future minimum lease payments are as follows:

June 30, 2012	20,800
June 30, 2013	20,800
June 30, 2014	20,800
June 30, 2015	17,595
June 30, 2016	<u>1,567</u>
Total	<u>\$ 81,562</u>

**(9) PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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 the PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(9) PENSION PLAN - PERA (Continued)**

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Fourth Judicial District Court is required to contribute 15.09% 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, 2011, 2010 and 2009 were \$147,232, \$138,164, and \$167,753, respectively, which equal the amount of the required contributions for each year.

**(10) 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](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 9.0% of their gross salary. The Fourth Judicial District Court is required to contribute 10.5% of the gross covered salary. The Fourth Judicial District Court's contributions to JRA for the years ending June 30, 2011, 2010 and 2009 were \$24,344, \$22,556, and \$33,857, 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 \$35,924 in filing fees for the years ending June 30, 2011.

**(11) 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, 2011**

**(11) 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.

**(12) POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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 employers 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, 2011**

**(12) POST-EMPLOYMENT BENEFITS - RETIREE HEALTH CARE PLAN (Continued)**

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized 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](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013, the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are 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 plan for the years ended June 30, 2011, 2010 and 2009 were \$20,088, \$14,686, and \$15,032, respectively, which equal the required contributions for each year.

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011**

**(13) 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, 2010 through June 30, 2011.

**(14) POSTAGE INVENTORY**

As of June 30, 2010, the court had a balance of postage inventory deemed significant to the fund financial statements. The inventory was reported as an asset on both the government-wide and fund financial statements. The inventory was offset by an equal amount of fund balance reserve on the fund financial statements, which indicated they were unavailable for appropriation even though they are a component of reported assets. As of June 30, 2011, the court has fully exhausted their "surplus" postage inventory.

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

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

For the Year Ended June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash in Bank:				
State Treasurer Account	\$          2	163,626	163,628	-
Trust Accounts	494,081	761,286	1,104,464	150,903
	<u>494,083</u>	<u>924,912</u>	<u>1,268,092</u>	<u>150,903</u>
 <b>LIABILITIES</b>				
Due to Litigants	494,081	761,286	1,104,464	150,903
Due to Other Agencies	-	-	-	-
Due to State General Fund	2	138,061	138,063	-
Due to Court General Fund	-	18,995	18,995	-
Due to Mediation Fund	-	6,570	6,570	-
	<u>\$ 494,083</u>	<u>924,912</u>	<u>1,268,092</u>	<u>150,903</u>

**STATE OF NEW MEXICO  
FOURTH JUDICIAL DISTRICT COURT  
SCHEDULE OF OPERATING TRANSFERS  
For the Year Ended June 30, 2011**

<u>SHARE FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
		<u>In</u>	<u>Out</u>
(1) 85300	Department of Finance & Administration	\$ 1,962,100	\$ -
(2) 13900	Administrative Office of the Courts	109,126	-
<b>Total</b>		<u>\$ 2,071,226</u>	<u>\$ -</u>

(1) General Fund Appropriation Act, Laws of 2010, Chapter 6, Section 4(B)(4)

(2) CASA Program Appropriation, Laws of 2010, Chapter 6, Section 4(B)(4)

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

**SCHEDULE OF CASH ACCOUNTS**

June 30, 2011

<b>GENERAL FUND</b>		<u>Account Number</u>	<u>Bank Balance</u>	<u>Financial Statement Balance</u>
Investment in State General Fund Investment Pool	Checking	14400		<u>\$ 86,728</u>
<b>SPECIAL REVENUE FUND</b>				
Investment in State General Fund Investment Pool	Checking	65000		<u>2,305</u>
<b>AGENCY FUND</b>				
Wells Fargo Bank of New Mexico N.A.				
Administrative Trust - Guadalupe County	Checking	240-1233213	\$ 3,600	3,600
Savings Account - Guadalupe County	Savings	240-1020304	-	-
State Treasurer Account - Guadalupe County	Checking	240-7250513	-	-
Total Wells Fargo Bank			<u>3,600</u>	<u>3,600</u>
Bank of Las Vegas				
Administrative Trust - San Miguel County	Checking	7960204	57,716	57,316
State Treasurer Account - San Miguel & Mora	Checking	7960999	-	-
Administrative Trust - Mora County	Checking	7960115	78,938	78,938
Savings Account - San Miguel & Mora	Savings	4205316	11,049	11,049
Total Bank of Las Vegas			<u>147,703</u>	<u>147,303</u>
<b>TOTAL AGENCY FUND</b>			<u>\$ 151,303</u>	<u>\$ 150,903</u>

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

**Schedule of Memorandum of Understanding  
(Schedule 1)**

**June 30, 2011**

- a. Participants: The Fourth Judicial District Court and Administrative Office of the Courts (AOC).
- b. Responsible party for operations: The Fourth Judicial District Court
- c. Description: Agreement to reimburse the Fourth Judicial District Court for expenses incurred in support of their Adult Drug Court program by the AOC via an agreement with San Miguel County for reimbursement by LETF funds.
- d. Beginning and ending dates of agreement: July 1, 2010, to June 30, 2011.
- e. Total estimated amount of project is \$40,571, of which the AOC contributed 100%.
- f. The Fourth Judicial District Court did not contribute any funds towards this agreement.
- g. The Fourth Judicial District Court and AOC have audit responsibility.
- h. The Administrative Office of the Courts is the fiscal agent.
- i. The Fourth Judicial District Court and AOC report all revenues and expenditures.

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

**Schedule of Memorandum of Understanding  
(Schedule 2)**

**June 30, 2011**

- a. Participants: The Fourth Judicial District Court and Administrative Office of the Courts (AOC).
- b. Responsible party for operations: The Fourth Judicial District Court
- c. Description: Agreement to reimburse the Fourth Judicial District Court for expenses incurred in support of their Juvenile Drug Court program by the AOC via an agreement with San Miguel County for reimbursement by LETF funds.
- d. Beginning and ending dates of agreement: July 1, 2010, to June 30, 2011.
- e. Total estimated amount of project is \$44,891, of which the AOC contributed 100%.
- f. The Fourth Judicial District Court did not contribute any funds towards this agreement.
- g. The Fourth Judicial District Court and AOC maintain audit responsibility.
- h. The Administrative Office of the Courts is the fiscal agent.
- i. The Fourth Judicial District Court and AOC report all revenues and expenditures.



**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**

Hector H. Balderas  
New Mexico State Auditor  
and  
Honorable Matthew J. Sandoval – Presiding Judge  
Fourth Judicial District Court  
Las Vegas, New Mexico

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 major special revenue fund of the Fourth Judicial District Court, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered agency'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

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



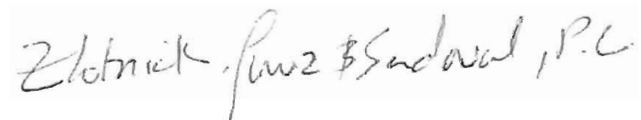
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Office'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.

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

Zlotnick, Laws & Sandoval, P.C.

A handwritten signature in cursive script that reads "Zlotnick, Laws & Sandoval, P.C." The signature is written in dark ink and is positioned below the typed name.

November 15, 2011

**STATE OF NEW MEXICO  
FOURTH JUDICIAL COURT**

**EXIT CONFERENCE**

**June 30, 2011**

The contents of this report were discussed at an exit conference held October 28, 2011. Asa Laws and Brian Laws represented Zlotnick, Laws & Sandoval, P.C. The Fourth Judicial District court was represented by the Honorable Matthew J. Sandoval, Presiding Judge and Frederick A. Sena, Court Executive Officer.