

**State of New Mexico
Fourth Judicial District Court
Financial Statements and Schedules
With Independent Auditors Report Thereon
For the Fiscal Year Ended June 30, 2013**

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

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June 30, 2013

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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, 2013

Judges

Honorable Gerald E. Baca	Division I
Honorable Abigail Aragon – Presiding Judge	Division II
Honorable Matthew J. Sandoval	Division III

Administrative Official

Anna M. Lujan	Court Executive Officer
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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Fourth Judicial District Court, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Court's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Court has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

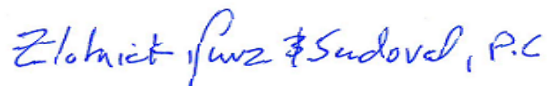
Other Information

Our audit was conducted for the purpose of forming opinions on the Court's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.



Zlotnick, Laws & Sandoval, PC

October 11, 2013

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

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities
ASSETS	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 89,842
Due from Other State Agencies	14,116
Total Current Assets	103,958
Noncurrent Assets:	
Capital assets, net (note 4)	74,222
Total Assets	\$ 178,180
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 74,560
Accrued payroll	18,786
Other Liabilities	-
Due to State General Fund	4,957
Accrued compensated absences	59,442
Total Current Liabilities	157,745
Noncurrent Liabilities:	
Accrued compensated absences	13,658
Total Liabilities	171,403
NET POSITION	
Invested in Capital Assets	74,222
Restricted for special purposes:	
Mediations	5,655
Unrestricted (deficit)	(73,100)
Total net position	6,777
Total Liabilities and Net Position	\$ 178,180

See Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	Governmental Activities
Expenses:	
Judicial:	
Administrative Services	\$ 2,195,513
Depreciation Expense	19,944
Total Expenses	<u>2,215,457</u>
Program Revenues:	
Charges for services	18,457
Court fees	4,590
Total Program Revenues	<u>23,047</u>
Net program expenses	<u>2,192,410</u>
General Revenues and Transfers	
State General Fund appropriations	2,067,000
Other State Funds	124,102
State General Fund reversion	(3,900)
Total General Revenues and Transfers	<u>2,187,202</u>
Change in net position	(5,208)
Net position, beginning of year	<u>11,985</u>
Net position, end of year	<u><u>\$ 6,777</u></u>

See Notes to Financial Statements.

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	Major Fund Governmental		Total Governmental Funds
	General 14400	Mediation 65000	
ASSETS			
Current Assets			
Investment in State GF Investment Pool	\$ 84,187	5,655	89,842
Due from Other State Agencies	14,116	-	14,116
Total assets	\$ 98,303	5,655	103,958
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 74,560	-	74,560
Accrued payroll	18,786	-	18,786
Other Liabilities		-	-
Due to State General Fund	4,957	-	4,957
Total liabilities	98,303	-	98,303
FUND BALANCES			
Restricted for Mediations	-	5,655	5,655
Total fund balances	-	5,655	5,655
Total liabilities and fund balances	\$ 98,303	5,655	103,958

See Notes to Financial Statements.

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

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

June 30, 2013

Total fund balances for governmental funds	\$ 5,655
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Amounts reported for governmental activities in the Statement of Net Position 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	74,222
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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>(73,100)</u>
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Net Position of Governmental Activities	<u><u>\$ 6,777</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, 2013

	General Fund 14400	Mediation Fund 65000	Total Governmental Funds
REVENUES			
Charges for services	\$ 18,457	-	18,457
Court Fees	-	4,590	4,590
Miscellaneous Revenue	-	-	-
Federal grant revenues	-	-	-
Total Revenues	<u>18,457</u>	<u>4,590</u>	<u>23,047</u>
EXPENDITURES			
Current:			
Judicial:			
Administrative Services:			
Personal services & benefits	1,820,040	-	1,820,040
Contract services	201,174	-	201,174
Other costs	178,445	-	178,445
Capital outlay	6,000	-	6,000
Total Expenditures	<u>2,205,659</u>	<u>-</u>	<u>2,205,659</u>
Excess (deficiency) of revenues over expenditures	<u>(2,187,202)</u>	<u>4,590</u>	<u>(2,182,612)</u>
OTHER FINANCING SOURCES (Uses)			
Transfers In:			
General fund appropriations	2,067,000	-	2,067,000
Transfers from other agencies	124,102	-	124,102
Transfers Out:			
2013 Reversions to the State General Fund	(3,900)	-	(3,900)
Total other financing sources (uses)	<u>2,187,202</u>	<u>-</u>	<u>2,187,202</u>
Net change in fund balances	<u>-</u>	<u>4,590</u>	<u>4,590</u>
Fund balances, beginning - 6/30/2012	<u>-</u>	<u>1,065</u>	<u>1,065</u>
Fund balances, ending - 6/30/2013	<u>\$ -</u>	<u>5,655</u>	<u>5,655</u>

**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, 2013

Net change in fund balances - total governmental funds	\$	4,590
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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	6,000	
Depreciation expense	<u>(19,944)</u>	
Excess of depreciation expense over capital outlay		(13,944)

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

Change in compensated absences (increase)	<u>4,146</u>
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Change in Net Position of Governmental Activities	\$	<u><u>(5,208)</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, 2013

General Fund - 14400

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	REVENUES			
State General Fund appropriations	\$ 2,067,000	2,067,000	2,067,000	-
Other financing sources	48,400	124,102	124,102	-
Miscellaneous Revenue	20,000	20,000	18,457	(1,543)
Total Revenues	2,135,400	2,211,102	2,209,559	(1,543)
Fund Balance	-	-		
Total Revenues and Fund Balance	\$ 2,135,400	2,211,102		

EXPENDITURES

Administrative Services:

Personnel services & employee benefits	\$ 1,944,500	1,820,222	1,820,040	182
Contractual services	58,700	203,001	201,174	1,827
Other costs	132,200	187,879	184,445	3,434
Total Expenditures	\$ 2,135,400	2,211,102	2,205,659	5,443

Mediation Fund - 65000

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	REVENUES			
Court Fees	\$ 5,000	5,000	4,590	(410)
Fund Balance	2,000	2,000		
Total Revenues	\$ 7,000	7,000		
EXPENDITURES				
Administrative Services:				
Contractual services	7,000	7,000	-	7,000
Total Expenditures	\$ 7,000	7,000	-	7,000

See Notes to Financial Statements.

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

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES - AGENCY FUNDS

June 30, 2013

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 78,771</u>
LIABILITIES	
Deposits held in trust for others (or due to external parties)	<u>\$ 78,771</u>

See Notes to Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

(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 Measurement Focus

The accounts of the Court are organized on basis of funds, 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, deferred outflow of resources, liabilities, deferred inflows of resources, 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 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.

Government-Wide Financial Statements

The Court's Government – Wide Financial Statements include a statement of net position and a statement of activities and 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.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

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

B. Basis of Presentation - Fund Accounting

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 or 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.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the Court:

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 disposed in accordance with a court order.

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, 2013**

(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. The amount reported is based on historical cost.

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
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, 2013**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Equity

Government-Wide Statements

Equity is classified as net position 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*, consists of assets (reduced by liabilities and deferred inflows related to those 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*, are all other assets (reduced by liabilities and deferred inflows related to those 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, 2013**

(2) 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 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, 2013**

(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, 2013**

(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) CASH AND INVESTMENTS

State Treasurer General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Court's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

(2) CASH AND INVESTMENTS (Continued)

At year end the Court had the following invested in the General Fund Investment Pool:

	Share Fund #	Maturity	Account Balance	Fair Value
General Fund	144	1 day	\$ 89,842	\$ 89,842

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is the means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

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.

Other cash equivalents at year end are classified as follows:

	Bank Balance	Book Balance
Agency Funds:		
Cash in Bank:		
Wells Fargo Bank	\$ 12,174	\$ 12,174
Southwest Capital Bank	66,597	66,597
Total cash in bank	78,771	\$ 78,771
Less: FDIC insurance	250,000	
Total uninsured public funds	\$ -0-	

No uninsured public funds exist. The collateral pledged by Southwest Capital Bank is as follows:

Security	CUSIP#	Maturity	Market Value
FNMA .50% Bond	3136G15G0	06/27/2017	740,660
Total			\$ 740,660

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, 2013 none of the Court's agency fund bank balance totaling \$78,771 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, 2013**

(3) STATE GENERAL FUND INVESTMENT POOL

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

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

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

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for

the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

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

DFA Management in FY 2012 recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable,

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

(3) STATE GENERAL FUND INVESTMENT POOL (Continued)

consistent with generally accepted accounting principles, the amount accrued is the minimum amount that DFA management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

Since SHARE was implemented, the Court recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

(4) CAPITAL ASSETS

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

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Depreciable				
Machinery & equipment	\$ 178,322	6,000	-0-	\$ 184,332
Software	58,089	-0-	-0-	58,089
Vehicles	103,878	-0-	-0-	103,878
Total	<u>340,289</u>	<u>6,000</u>	<u>-0-</u>	<u>346,299</u>
Accumulated Depreciation:				
Machinery & equipment	(120,302)	(13,335)	-0-	(133,637)
Software	(53,792)	(2,242)	-0-	(56,034)
Vehicles	(78,039)	(4,367)	-0-	(82,406)
Total	<u>(252,133)</u>	<u>(19,944)</u>	<u>-0-</u>	<u>(272,077)</u>
 Total (Net Asset)	 <u>\$ 88,156</u>	 <u>\$ (13,944)</u>	 <u>\$ -0-</u>	 <u>\$ 74,222</u>

Current year depreciation expense is \$19,944.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

(5) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Position includes \$4,957 in fiscal year 2013 reversion which includes \$1,057 in stale dated warrants 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 Position includes a \$14,116 reimbursement from the Administrative Office of the Courts (SHARE fund #49500) for drug court expenditures incurred before fiscal year-end.

(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	\$	<u>77,246</u>	\$ <u>71,701</u>	\$ <u>75,847</u>	\$ <u>73,100</u>	\$ <u>59,442</u>
Total	\$	<u><u>77,246</u></u>	<u><u>71,701</u></u>	<u><u>75,847</u></u>	<u><u>73,100</u></u>	<u><u>59,442</u></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 \$38,503 for the year ending June 30, 2013. Annual future minimum lease payments are as follows:

June 30, 2014	\$ 37,469
June 30, 2015	37,469
June 30, 2016	18,201
June 30, 2017	18,201
June 30, 2018	<u>14,121</u>
Total	\$ <u>125,461</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

(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

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, 2013, 2012, and 2011 were 136,081, \$147,877, and \$147,232, 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.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Fourth Judicial District Court is required to contribute 15.090 % of the gross covered salary. The Fourth Judicial District Court's contributions to JRA for the years ending June 30, 2013, 2012 and 2011 were \$21,229, \$19,565, and \$24,344, 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 \$31,861 in filing fees for the years ending June 30, 2013.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

(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 is available to all State employees and those local government and school district employees whose employers have elected participation in the plan. 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.

There are employees that are making contributions to the 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, 2013

(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.

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, 2013, the statute required each participating employer to contribute 1.000% of each participating employee's annual salary; each participating employee was required to contribute 2.000% of their salary.

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, 2013, 2012, and 2011 were \$23,113, \$22,577, \$20,088, respectively, which equal the required contributions for each year.

(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, 2012 through June 30, 2013. The Court expended \$24,322 to obtain this coverage.

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

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

For the Year Ended June 30, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash in Bank:				
State Treasurer Account	\$ -	151,003	148,328	\$ 2,675
Trust Accounts	125,728	204,318	253,950	76,096
	<u>\$ 125,728</u>	<u>355,321</u>	<u>402,278</u>	<u>\$ 78,771</u>
 LIABILITIES				
Due to Litigants	\$ 125,728	204,318	253,950	\$ 76,096
Due to Other Agencies	-	151,003	148,328	2,675
	<u>\$ 125,728</u>	<u>355,321</u>	<u>402,278</u>	<u>\$ 78,771</u>

See Independent Auditor's Report

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT COURT
SCHEDULE OF OPERATING TRANSFERS
For the Year Ended June 30, 2013**

SHARE FUND	TITLE	TRANSFER	
		In	Out
(1) 85300	Department of Finance & Administration	\$ 2,067,000	\$ -
(2) 13900	Administrative Office of the Courts	124,102	-
(3) 85300	FY 2013 Reversion	-	4,957
Total		<u>\$ 2,191,102</u>	<u>\$ 4,957</u>

(1) General Fund Appropriation Act, Laws of 2012, Chapter 19, Section 4 (4)

(2) CASA Program Appropriation, Laws of 2012, Chapter 19, Section 4 AOC (4)

LETF - Adult & Juvenile Drug Court, Laws of 2012, Chapter 19, Section 4 AOC (4)

(3) General Fund Appropriation Act, Laws of 2012, Chapter 19, Section 4 (4)

See Independent Auditor's Report

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

SCHEDULE OF CASH ACCOUNTS

June 30, 2013

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>\$ 84,187</u>
 SPECIAL REVENUE FUND			
Investment in State General Fund Investment Pool	Checking 65000		<u>\$ 5,655</u>
 AGENCY FUND			
Wells Fargo Bank of New Mexico N.A.			
Administrative Trust - Guadalupe County	Checking 240-1233213	\$ 12,050	\$ 12,050
Savings Account - Guadalupe County	Savings 240-1020304	-	-
State Treasurer Account - Guadalupe County	Checking 240-7250513	124	124
Total Wells Fargo Bank		<u>12,174</u>	<u>12,174</u>
Southwest Capital Bank			
Administrative Trust - San Miguel County	Checking 7960204	49,551	49,551
State Treasurer Account - San Miguel & Mora	Checking 7960999	2,551	2,551
Administrative Trust - Mora County	Checking 7960115	1,201	1,201
Savings Account - San Miguel & Mora	Savings 4205316	13,294	13,294
Total Southwest Capital Bank		<u>66,597</u>	<u>66,597</u>
TOTAL AGENCY FUND		<u>\$ 78,771</u>	<u>\$ 78,771</u>

See Independent Auditor's Report

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

**Schedule of Memorandums of Understanding
(Schedule 1)**

June 30, 2013

- 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, 2012, to June 30, 2013.
- e. Total estimated amount of project is \$52,400, 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.

See Independent Auditor's Report.

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

**Schedule of Memorandums of Understanding
(Schedule 2)**

June 30, 2013

- 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, 2012, to June 30, 2013.
- e. Total estimated amount of project is \$32,300, 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.

See Independent Auditor's Report.

Independent Auditor's 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 Abigail Aragón – Presiding Judge
Fourth Judicial District Court
Las Vegas, New Mexico

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Fourth Judicial District Court (Court), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fourth Judicial District Court's basic financial statements and have issued our report thereon dated October 11, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Court's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.

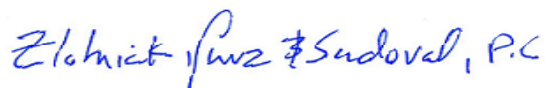
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free from 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*.

Purpose of this Report

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



Zlotnick, Laws & Sandoval, P.C.

October 11, 2013

**STATE OF NEW MEXICO
FOURTH JUDICIAL COURT**

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2013

Status of Prior Year's Findings

None

Current Year's Findings

None

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

EXIT CONFERENCE

JUNE 30, 2013

The contents of this report were discussed at an exit conference held October 29, 2013. Asa Laws represented Zlotnick, Laws & Sandoval, P.C. The Fourth Judicial District court was represented by the Honorable Abigail Aragón, Presiding Judge; Anna Lujan, Court Executive Officer; Jeff Romero, Financial Specialist Senior; and Tina Maes, Financial Specialist.