

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

**Financial Statements  
With Independent Auditors Report Thereon  
June 30, 2009**

## **INTRODUCTORY SECTION**

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

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June 30, 2009**

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

**Official Roster  
June 30, 2009**

Judges

Honorable Henry Quintero	Chief Judge - Division I
Honorable Gary Jeffreys	Division II
Honorable J. C. Robinson	Division III
Honorable Daniel G. Viramontes	Division IV

Administrative Officials

Melissa Cook	Court Administrator
Sylvia Ojinaga	District Court Clerk - Grant County
Martina Elias	District Court Clerk - Hidalgo County
Angelic Chacon	District Court Clerk - Luna County

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Henry Quintero, Chief Judge  
Sixth Judicial District Court  
And  
Hector H. Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, major funds, aggregate remaining fund information and budgetary comparisons of the general fund and special revenue fund of the State of New Mexico, Sixth Judicial District (the "Court"), as of and for the year ended June 30, 2009 which collectively comprise the District Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

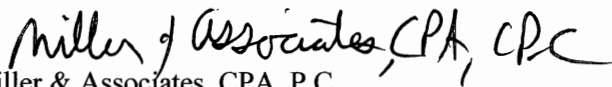
As discussed in Note 1, the financial statements of the State of New Mexico, Sixth Judicial District Court are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2009 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, aggregate remaining fund information of the Court as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparisons for the General Fund and the Mediation 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 December 10, 2009 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis of pages 4 through 9 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements and budgetary comparisons. The supporting schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Court. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Miller & Associates, CPA, P.C.

December 10, 2009



**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT COURT  
COUNTYS OF GRANT, LUNA and HIDALGO**

**Management's Discussion and Analysis  
(Required Supplementary information)  
June 30, 2009**

**MANAGEMENT DECISIONS AND ANALYSIS**

The following is a summary overview of the Sixth Judicial District Court's previous year of operations, including financial information, internal structure, management structure and the financial issues that have impacted this agency in fiscal year 2009. An outline of this agency's approach is to ensure achievement of its future goals and implementation of new projects and improvements.

**Internal Funds and Departments**

The revenue for the Sixth Judicial District Court is divided into two (2) funds, which are Fund 14600 and Fund 52100. Each fund has departments for designated programs and/or purposes as indicated below:

<b>Fund</b>	<b>Name</b>	<b>Department</b>
<b>14600</b>	Court Regular	0611000000
	Mediation/Fund Balance	0612000000
	Juvenile Drug Court	0621000000
	Juvenile Justice Continuum of Services (JJCS)	0622000000
	Juvenile Drug Court Grant	0623000000
	Adult Drug Court	0624000000
<b>52100</b>	CASA	0631000000

Fund 14600 is designated for court operating costs and Fund 52100 is designated for Administrative Office of the Courts (AOC) special programs.

**Net Assets**

The Sixth Judicial District Court reported balances in three net asset categories for fiscal year ending June 30, 2009. These categories are Invested Capital Assets, Restricted Assets and Unrestricted Assets. State statute regarding restricted net assets is required to be utilized for mediation programs that target domestic relations cases. Unrestricted Net Assets are negative due to the government's policy to fund compensated absences payable out of current resources as they become due. *See page 12 for a detailed report of the Statement of Net Assets.* The change in total assets is mostly the result of aging of our Capital Assets.

While Non-Current Liabilities increased, due to the rise in Compensated Absences, the change in total liabilities is a result of improved processing of day-to-day expenditures and the turn around time from DFA, as our agency's working knowledge of the SHARE program improves.

STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT COURT  
COUNTYS OF GRANT, LUNA and HIDALGO

**Management's Discussion and Analysis**  
**(Required Supplementary information)**  
**June 30, 2009**

<b>Assets</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Current Assets	\$277,960	\$224,513
Capital Assets	<u>57,192</u>	<u>82,794</u>
<b>Total Assets</b>	<b>335,152</b>	<b>307,307</b>
<b>Liabilities</b>		
Current Liabilities	254,377	200,930
Non-current Liabilities	<u>102,198</u>	<u>93,963</u>
<b>Total Liabilities</b>	<b>356,575</b>	<b>294,893</b>
<b>Net Assets</b>		
Invested in Capital Assets	57,192	82,794
Restricted	23,583	23,583
Unrestricted	<u>(102,198)</u>	<u>(93,963)</u>
<b>Total Net Assets</b>	<b>\$ (21,423)</b>	<b>\$ 12,414</b>

**Statement of Activities:** The following represents the revenue and expenses for fiscal year 2009. See page 13 for a detailed report of the Statement of Activities. The changes in revenues and expenses of \$60,862 and \$69,204 respectively are a result of increases in operating revenues being outpaced by increases in operating costs to run the agency's programs.

**Changes in Net Assets**

<b>Revenue:</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
General Revenues		
State General Fund Appropriation (Net of Reversions)	\$3,046,416	\$2,961,986
Other Financing Sources/Transfer In	122,200	171,093
Program Revenue	<u>133,746</u>	<u>82,421</u>
<b>Total Revenue</b>	<b>3,302,362</b>	<b>3,241,500</b>
<b>Expenses:</b>		
Judicial Expenses	<b><u>3,336,199</u></b>	<b><u>3,266,995</u></b>
Change in Net Assets	(33,837)	(51,495)
Beginning Net Assets-As previously reported	<u>12,414</u>	<u>63,909</u>
Net Assets - Ending	<b>(21,423)</b>	<b>\$ 12,414</b>

**Expenditures**

The Department of Finance and Administration designates three (3) categories for expenditures which are utilized by this agency. These categories are Category 200 - *Personal Services and Benefits*, Category 300- *Contractual Services* and Category 400 - *Other Costs*.

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SIXTH JUDICIAL DISTRICT COURT  
COUNTYS OF GRANT, LUNA and HIDALGO

**Management's Discussion and Analysis  
(Required Supplementary information)  
June 30, 2009**

**Long Term Debt:** This agency had a total long term debt which consists of accumulated leave balances, sick leave balance over 600 hours, and terminal leave eligible employees upon termination:

	<u>2009</u>	<u>2008</u>
Accumulated Leave Balance:		
Compensated Absences Payable:	\$102,198	\$93,963

Additional information on the court's long term debt can be found on *Note 4 on page 31 of this report.*

**Capital Assets:** The Court's investment in capital assets for its governmental activities as of June 30, 2009, amounted to \$ 57,192 (net of accumulated depreciation). Major capital outlay purchases during the year consisted of the purchase of scanning equipment for Grant, Luna and Hidalgo District Courts.

***Budgetary Comparison***

The required budgetary comparison schedules above are for the general fund and the special revenue funds for which this agency has a legally adopted annual budget. This is in compliance with the Office of the State Auditor requirements under 2.2.2 NMAC.

The appropriated balance changes for fiscal year 2009 were due to the requested and approved budget adjustment reallocations to different categories. Budget adjustment requests to the Department of Finance and Administration were required due to the reduction of appropriated funds mandated by the State Legislature.

***Review of Departments***

**Court Regular** - This department is composed of various factors and elements which are significant in operating this agency to its full capacity. In fiscal year 2009, the number of employees 29 full-time employees, 1 part-time employee, 1 temp employee and 4 judges. All employees were compensated for their services from *Personal Services and Benefits*.

The agency contracted specific contractors for various specialized services for the continuing operation of the agency. There are 2 Special Masters, one located in Deming and one located in Silver City. There are 3 Pro Se Litigant Officers to serve each county.

**Mediation** - The court is authorized to collect a \$30.00 fee each time a domestic relations case is filed/opened in the District Court Clerk's Office. The purpose for the additional fees is to provide mediation for parties when conflict is present.

An experienced mediator is contracted for negotiation between the parties. The mediator is paid from the revenue collected from this fee. In FY 09 the court collected \$13,728.94 and expended \$13,624.36. The balance is non-reverting and remains available for use the following year.

**Juvenile Drug Court** - This program operates in Luna County which provides services to juveniles which have committed a delinquent act involving drugs or alcohol. This is an alternative program to probation. The program focuses on assisting juveniles to strive towards personal growth through positive behavior, such as sobriety goals, better behavioral choices, etc.

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**Management's Discussion and Analysis  
(Required Supplementary information)  
June 30, 2009**

While only three participants completed the program by the end of FY 09, compared to five graduates in FY 08; five individuals that began the program in FY 09 are scheduled to graduate within the first two months of FY 10. This is a 10 month program.

**Adult Drug Court** - The Sixth Judicial District in collaboration with various community services providers formed the Total Community Approach Team and was funded through a Value Options Grant to establish an Adult Drug Court for Hidalgo County.

This agency received a total of \$98,674.00 during FY 09 for its portion of the program, which includes all operational costs. During FY 09 the program had 36 participants, with 12 graduates completing the program successfully.

**Juvenile Justice Continuum Services** - The Sixth Judicial received appropriated general fund for the Juvenile Justice Continuum Services Program (JJCS). This funding was distributed to the three counties that comprise in the Sixth Judicial District. Luna County and Grant County each received 41.72% and Hidalgo County received 16.56%.

JJCS is supervised by the Board of Directors which includes District Judge Gary M. Jeffreys (representative for Luna County), District Judge JC Robinson (representative for Grant County) and District Judge Daniel G. Viramontes (representative for Hidalgo County), Chief JPPO Officer Gary Staley and six key members, representative from the three counties. The agency Drug Program Manager, Rachel Pelz, administers the program.

JJCS assists the youth in the community through intervention, prevention and positive youth development through proactive programs such as comprehensive after-school programs, bicycle recycle, Teen Outreach and others.

**CASA - (Court Appointed Special Advocates)** - During FY 09 this judicial district had two contracts with one contractor to provide CASA services. Healing House provided services under one contract for both Luna and Hidalgo Counties. The second contract with Healing House provided CASA services in Grant County. Contract performance criteria were developed by Healing House to screen select, train, manage, and remove volunteers. The CASA volunteers were available to serve in each abuse or neglect case in the district's Children's Court. The volunteers visit the children's homes, attend court hearings, and provide the Court reports and recommendations as how to best deal with children of troubled families. The total CASA allocation of \$75,000.00 was expended.

***Internal Management***

The Sixth Judicial District Court is comprised of three counties, which are Grant County (Silver City), Luna County (Deming) and Hidalgo County (Lordsburg). The agency employees total 31 employees and 4 judges. Two judges are housed in Grant County and two judges are housed in Luna County. Revenues collected from filing fees, mediation fees, grant funding and/or fines are deposited to designated accounts which are then transferred to the State Treasurer's Office, located in Santa Fe, New Mexico. The revenue taken in from all three District court Clerk's Office for end year FY 09 is as follows:

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT COURT  
COUNTYS OF GRANT, LUNA and HIDALGO**

**Management's Discussion and Analysis  
(Required Supplementary information)  
June 30, 2009**

Grant County	\$200,830.34
Luna County	\$ 78,435.61
Hidalgo County	\$ 31,695.84

Each month the Clerk of the Court for each county reports to the State Treasurer's Office. All reports are audited by the Court Administrator for accountability and accuracy.

All three counties also provided Trust Accounts for reporting assets held in trust for others and are not available to support the agency's programs.

***Management Decisions***

The Sixth Judicial District Court continues to make great strides at becoming proficient in the use and function of the SHARE program. As our competencies improved, our agency began to gain operating confidence and dexterity with the system. The Financial Department continues to utilize excel spreadsheets to maintain assurance and accountability for vouchers/journal entries which are delivered to DFA.

The Chief Judge is consulted in all major decisions, issues and resolutions. Meetings are also held with the participation of the other judges for involvement, understanding and agreement regarding issues of particular interest to this agency.

There is also communication between the supervisors and the Court Executive Officer on either financial and/or human resource matters that involve subordinates. Quarterly meetings have been established involving and encouraging middle management participation.

***Economic Factors and Next Year's Budget***

The cuts in the Operating Budget for fiscal year 2009 that were mandated by the legislature were painfully taken in stride by this agency. Fiscal Year 2010 Operating Budget reflects zero growth, with further cuts possible. As the economic conditions remain uncertain, this agency has prepared to meet the possible budget reduction by reviewing its budget for any and all possible sources.

The purpose of this financial report is to provide the general public and other interested parties with a general overview of the Sixth Judicial District Court's finances and accountability of funds. Questions or concerns resulting from the review of this report should be addressed to the Sixth Judicial District Court, Administrative Department, P.O. Box 2339, 201 N. Cooper Street, First Floor, Silver City, New Mexico, 88061.

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

**Statement of Net Assets  
Government -Wide  
June 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Investment in State Treasurer	
Local Government investment pool (Note 2)	\$ 277,960
Total current assets	<u>277,960</u>
Noncurrent assets:	
Capital assets, net of depreciation (Note 3)	<u>57,192</u>
 Total assets	 <u><u>\$ 335,152</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 104,433
Accrued expenses	29,476
Accrued payroll	77,584
Due to state general fund (Note 9)	<u>42,884</u>
Total current liabilities	254,377
Noncurrent liabilities:	
Compensated absences	<u>102,198</u>
Total liabilities	<u><u>356,575</u></u>
<b>NET ASSETS</b>	
Invested in capital assets	57,192
Restricted	23,583
Unrestricted (Note 10)	<u>(102,198)</u>
Total net assets	<u><u>(21,423)</u></u>
 Total liabilities and net assets	 <u><u>\$ 335,152</u></u>

The accompanying notes are an integral part of these financial statements.

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

**Statement of Activities  
Government -Wide  
For the Year Ended June 30, 2009**

	Governmental Activities
Expenses:	
Judicial services	\$ 3,294,724
Depreciation	41,475
Total program expenses	3,336,199
Program revenues:	
Operating grants and contributions:	
Other financing sources	122,200
Miscellaneous revenues	133,746
Total program revenues	255,946
Net program expense	(3,080,253)
General revenues and transfers:	
State general fund appropriation	3,089,300
Reversion to the state general fund - FY 2009	(42,884)
Total general revenues and transfers	3,046,416
Change in net assets	(33,837)
Net assets - beginning of the year	12,414
Net assets - end of the year	\$ (21,423)

The accompanying notes are an integral part of these financial statements.



## **FUND FINANCIAL STATEMENTS**

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

**Balance Sheet  
Governmental Funds  
June 30, 2009**

	General Fund	Mediation Fund	Total
<b>ASSETS</b>			
Investment in the State Treasurer			
Local Government investment pool	\$ 269,594	\$ 8,366	\$ 277,960
Due from other funds	-	15,217	15,217
	-	15,217	15,217
 Total assets	\$ 269,594	\$ 23,583	\$ 293,177
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 104,433	\$ -	\$ 104,433
Accrued expenses	29,476	-	29,476
Accrued payroll	77,584	-	77,584
Due to other funds	15,217	-	15,217
Due to State General fund	42,884	-	42,884
Total liabilities	269,594	-	269,594
 Fund balances:			
Unreserved	-	23,583	23,583
Total fund balances	-	23,583	23,583
 Total liabilities and fund balances	\$ 269,594	\$ 23,583	\$ 293,177

The accompanying notes are an integral part of these financial statements.

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

**Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2009**

Total fund balances - Governmental Funds (from C-1)	\$	23,583
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets (A-1) 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:		
Property, plant and equipment	\$	292,797
Accumulated depreciation		<u>(235,605)</u>
Total capital assets		57,192
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities of:		
Compensated absences		<u>(102,198)</u>
Net assets of governmental activities (See A-1)	\$	<u><u>(21,423)</u></u>

The accompanying notes are an integral part of these financial statements.

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2009**

	General Fund	Mediation Fund	Total
<b>REVENUES</b>			
Intergovernmental revenues	\$ 145,889	\$ 75,000	\$ 220,889
Miscellaneous	35,057	-	35,057
Total revenues	<u>180,946</u>	<u>75,000</u>	<u>255,946</u>
<b>EXPENDITURES</b>			
Current:			
Administrative services:			
Personal services	2,382,232	-	2,382,232
Contractual services	610,946	75,000	685,946
Capital outlay	15,873	-	15,873
Other	218,311	-	218,311
Total expenditures	<u>3,227,362</u>	<u>75,000</u>	<u>3,302,362</u>
Excess (deficiency) of revenues over expenditures	<u>(3,046,416)</u>	<u>-</u>	<u>(3,046,416)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State general fund appropriations	3,089,300	-	3,089,300
Reversions to the state general fund - FY 2009	(42,884)	-	(42,884)
Total other financing sources and uses	<u>3,046,416</u>	<u>-</u>	<u>3,046,416</u>
Net change in fund balance	-	-	-
Fund balances - beginning of the year	<u>-</u>	<u>23,583</u>	<u>23,583</u>
Fund balances - end of the year	<u>\$ -</u>	<u>\$ 23,583</u>	<u>\$ 23,583</u>

The accompanying notes are an integral part of these financial statements.

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

**Reconciliation of Changes in Fund Balance of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2009**

Net change in fund balances -- total governmental funds (from C-3)	\$	-
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities (B-1) are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital Outlay	\$ 15,873	
Depreciation Expense	<u>(41,475)</u>	
Excess of capital outlay over depreciation expense		(25,602)
<p>Compensated absences reported in the Statement of Activities require the use of current financial resources and therefore are not reportable as expenditures in governmental funds.</p>		
		<u>(8,235)</u>
Change in net assets of governmental activities (see B-1)	\$	<u><u>(33,837)</u></u>

The accompanying notes are an integral part of these financial statements.

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

**Statement of Revenues and Expenditures  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other financing sources	\$ 47,200	\$ 47,200	\$ 47,200	\$ -
Court Costs	-	-	13,729	13,729
State grants	98,674	98,674	98,689	15
Miscellaneous revenue	10,500	10,500	21,328	10,828
Total revenues	<u>156,374</u>	<u>156,374</u>	<u>180,946</u>	<u>24,572</u>
<b>EXPENDITURES</b>				
Administrative services:				
Personnel services/employee benefits	2,384,674	2,384,674	2,382,232	2,442
Contractual services	611,400	611,400	610,946	454
Other	242,400	242,400	234,184	8,216
Total expenditures	<u>3,238,474</u>	<u>3,238,474</u>	<u>3,227,362</u>	<u>11,112</u>
Other financing sources (uses):				
General fund appropriations	3,089,300	3,089,300	3,089,300	-
Operating transfers in (out)	-	-	(42,884)	(42,884)
Total other financing sources (uses)	<u>3,089,300</u>	<u>3,089,300</u>	<u>3,046,416</u>	<u>(42,884)</u>
Excess (deficiency) of revenues over expenditures	7,200	7,200	<u>\$ -</u>	<u>\$ (7,200)</u>
Prior year fund balance	<u>-</u>	<u>-</u>		
End of year fund balance	<u>\$ 7,200</u>	<u>\$ 7,200</u>		

The accompanying notes are an integral part of these financial statements.

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

**Statement of Revenues and Expenditures  
Budget and Actual  
Mediation Fund  
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other financing sources	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
<b>EXPENDITURES</b>				
Contractual services	75,000	75,000	75,000	-
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ -</u>	<u>\$ -</u>
Prior year fund balance	<u>23,583</u>	<u>23,583</u>		
End of year fund balance	<u>\$ 23,583</u>	<u>\$ 23,583</u>		

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
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**Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009**

	<b>Agency Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents:	
Litigant fund	\$ 91,405
Court Clerk's fund	531
	<hr/>
Total assets	\$ 91,936
	<hr/> <hr/>
<b>LIABILITIES</b>	
Due to external units:	
Litigant fund	\$ 91,405
Court Clerk's fund	531
	<hr/>
Total liabilities	\$ 91,936
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.



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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Sixth Judicial District Court (the "Court") operates under Sections 34-6-1, 34-6-9, and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Judicial District covers Grant, Luna and Hidalgo Counties. The District Court is comprised of three divisions as authorized in the above statutes. The District Court is the State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases, which are not specifically exempted from its jurisdiction. Financing of the Court is by state appropriation. During the 76<sup>th</sup> fiscal year, the District court established a domestic relations mediation program pursuant to Section 5 (40-12-5, NMSA 1978 Compilation) of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Sections 6 (40-12-6, NMSA 1978 Compilation) of the Act.

In evaluating how to define the District Court, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by employing the criteria set forth in accounting principles generally accepted in the United State of America. The basic, but not the only, criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant demonstration of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Council, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government/and or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entities is the existence of special financing relations, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units were included in the District Court's reporting entity.

The Sixth 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 is not included in any other government "reporting entity" as described in Section 2100, "Codification of Governmental Accounting and Financial Reporting Standards."

The accounting policies of the Sixth Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments. The financial statements have incorporated all applicable FASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. A summary of the Court's significant accounting policies follows:

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Accounting – GASB Statement #34**

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 account for individual funds based upon the purpose for which spending activities are controlled. The various funds are grouped into two broad fund categories and three generic fund types as follows:

**Governmental Funds**

**General Fund**

The General Fund is the operating fund of the Court and is considered a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico.

The revenues and expenditures of the Court are regularly accounted for in this fund. The SHARE fund number and description of the General fund of the District is #146 - District Regular.

**Special Revenue Fund - Mediation Fund**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Mediation Fund is considered a major fund and has a SHARE fund number of #521.

Mediation Program - The Mediation Program is designed to settle disagreements about the care of children following separation and divorce without an extensive courtroom battle. Mediation requires both parties to agree to the rights and responsibilities of each parent and the ways in which the children's needs will be met. A court order requires the parties to meet with an independent mediator for the purpose of reaching an acceptable agreement. Mediation is available in Grant, Luna, and Hidalgo Counties. The Authority for this fund is Section 40-12-4 NMSA 1978.

Court Appointed Special Advocates (CASA) - The Court Appointed Special Advocate (CASA) is a program with the mission to support effective volunteer advocacy for the best interests of abused and neglected children involved in the court system. The objective of the program is to ensure that every child has a safe, supportive and permanent home. A CASA is a trained, community volunteer, appointed by a judge to represent the best interest of the child in court. Once appointed to a case the CASA becomes an official part of the judicial proceeding, working alongside attorneys and social workers as an appointed officer of the court. A CASA program exists in Grant, Luna, and Hidalgo Counties.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Accounting – GASB Statement #34 (continued)**

**Fiduciary 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 agency funds of the Court are as follows:

- 1) Litigant Fund - These monies are amounts collected from persons involved in pending lawsuits. The Court has custody and, if directed by the Court, may invest these monies until refunded to litigants. The interest earned, if stated in the Court Order, is refunded and, if not stated, the interest earned is transferred to the State General Fund.
- 2) Court Clerk's Fund - These monies are collected from individuals filing with the Court. These monies are remitted intact to the New Mexico State Treasurer.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

**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. For the most part, the effect of interfund activity has been removed from these statements. 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.

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 assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Program revenues consist of operating grants for Juvenile court and CASA services. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation – Fund Accounting (continued)**

**Fund Financial Statements**

The governmental fund and agency fund financial statements are presented on a current financial resource and 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 sixty days of year-end 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 conforms 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, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

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:

**C. Assets, Liabilities and Equity**

**Investments with the State Treasurer**

The Court’s investments with the State Treasurer are demand deposits. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 2. All funds allotted to the Court are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits in accordance with GASB 40.

**Capital Assets**

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

STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements  
June 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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:

Building improvements	10-20 years
Furniture and fixtures	10 years
Equipment and machinery	6-10 years
Vehicles	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. The Court does not capitalize computer software or software developed for internal use (if applicable), unless it exceeds the \$5,000 threshold.

**Long-Term Liabilities**

Compensated Absences – The Court's policy regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current 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. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

**Equity**

**Government-Wide Statements:**

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

1. *Invested in capital assets, net of related debt*, 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 by 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, net of related debt".

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Fund Financial Statements:**

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

**D. Budgets and Budgetary Accounting**

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

1. No later than September 1, the Court submits to the Judiciary Budget Office (JBO), the Legislative Finance Committee (LFC), and the Department of Finance and Administration (DFA) 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 Sixth District.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The 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 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 Governmental Funds.
8. The General Appropriation Act of 2004, which applies to fiscal year 2007 budgets, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. State agencies have a different budget basis beginning in the fiscal year ended June 30, 2005. Under the new law, encumbrances related to single year appropriations lapse at year-end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance

STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements  
June 30, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

and a liability recorded to recognize any amounts subject to reversion. If the Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized. The General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, which applies to fiscal year 2009 establishes the modified accrual basis of accounting as the budgetary basis except for accounts payable accrued at the end of fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. The accounts payable that do not get paid timely must be paid out of the next year's budget.

9. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When such appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

**E. Accrued Compensated Absences**

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July.

In accordance with GASB Statement No. 16 *Accounting for Compensated Absences*, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**G. Designated Fund Balance**

The amount shown in the Mediation Fund, \$8,366, is the cash balance of the Mediation Fund that is non-reverting and not reserved for payable. This amount is legally restricted to be spent for specific purposes.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Accrued Expenses**

Accrued expenses consist of payroll tax liabilities and benefit liabilities as of June 30, 2009.

**I. Program Revenues**

Program revenues consist of operating grants and contributions and courts fees collected per statute designated for court operations.

**NOTE 2: INVESTMENTS WITH THE STATE TREASURER**

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. At June 30, 2009, the New MexiGROW Local Government Investment Pool was rated at AAAM and was considered a 24-day WAM.

The pool does not have unit shares. Per Section 6-10-10-1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

State agency cash on deposit with the State Treasurer does not require disclosure of specific pledged collateral. The collateral pledged to secure State Treasurer cash and investments is disclosed in the separately issued financial statements for the State Treasurer's Office. The accounts were opened under the ID number for the State Treasurer's Office. Therefore, collateral for the specific accounts listed below cannot be distinguished from the collateral held in total by the State Treasurer's Office. The State Treasurer's Office is responsible for monitoring collateral requirements for the various accounts it has with various agencies throughout New Mexico.

*Credit Risk*

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. As of June 30, 2009, the District's investment in the state investment pool was rated as follows:



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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 2: INVESTMENTS WITH THE STATE TREASURER (continued)**

Investment Type	Rating
U.S. Government Obligations	no rating
Commercial Paper	A-1, P-1 by 2 national rating services
Corporate Bonds	BBB+ or Baa1
Asset-Backed Obligations	AAA
Repurchase Agreements	no rating
Bank, Savings and Loan Association or Credit Union Deposits	no rating
Securities Lending	no rating
Variable Rate Notes	no rating
Tax Exempt Securities	A
Mutual Funds	no rating

The investments are valued at fair value based on quoted market prices as of the valuation date.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk since investments are held by the State Treasurer.

*Investment Risk*

The District has no investment or deposit policy that would further limit its investment choices.

At June 30, 2009, the Court had the following deposits for agency cash at three banks and one state agency.

<u>Account Name</u>	<u>Share Fund#</u>	<u>Maturities</u>	<u>Per Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<u>General Fund:</u>					
Investment in the State Local Government Investment Pool	146	<180 days	\$ 269,594	\$ -	\$ 269,594
<u>Special Revenue Fund:</u>					
Investment in the State Local Government Investment Pool					
Mediation Fund	521	<180 days	8,366	-	8,366
			<u>\$ 277,960</u>	<u>\$ -</u>	<u>\$ 277,960</u>
<u>Agency Funds</u>					
State Treasurer – Wells Fargo Silver City		N/A	\$ -	-	\$ -
Litigant – Wells Fargo Silver City		N/A	22,287	-	22,287
State Treasurer – Wells Fargo Deming		N/A	348	-	348
Litigant – Wells Fargo Deming		N/A	49,974	-	49,974
State Treasurer –Bank of America Lordsburg		N/A	183	-	183
Litigant – Western Bank Lordsburg		N/A	19,144	-	19,144
Total			<u>\$ 91,936</u>	<u>\$ -</u>	<u>\$ 91,936</u>

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 3: CAPITAL ASSETS**

A summary of capital assets and occurring during the year ended June 30, 2009 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and fixtures	\$ 12,899	\$ -	\$ -	\$ 12,899
Equipment and machinery	196,485	15,873	(24,205)	188,153
Vehicles	91,745	-	-	91,745
	<u>301,129</u>	<u>15,873</u>	<u>(24,205)</u>	<u>292,797</u>
Less Accumulated Depreciation:				
Furniture and fixtures	(9,430)	(1,842)	-	(11,272)
Equipment and machinery	(157,456)	(23,773)	24,205	(157,024)
Vehicles	(51,449)	(15,860)	-	(67,309)
Total Accumulated Depreciation	<u>(218,335)</u>	<u>(41,475)</u>	<u>24,205</u>	<u>(235,605)</u>
Net Capital Assets	<u>\$ 82,794</u>	<u>\$ (32,480)</u>	<u>\$ -</u>	<u>\$ 57,192</u>

Current depreciation expense is \$41,475.

**NOTE 4: COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences is as follows:

	Balance 07/01/08	Increase	(Decrease)	Balance 06/30/09	Amount Due Within One Year
Compensated Absences Payable	<u>\$ 93,963</u>	<u>\$99,465</u>	<u>\$(91,230)</u>	<u>\$102,198</u>	<u>\$ -</u>

Compensated absences are liquidated with available financial resources out of the general fund. The State of NM does not budget in the current year, funds to pay any portion of the compensated absence liability at the end of the year; therefore, the current portion of compensated absences is not recorded in the fund financial statements. The Court has no other debt.

**NOTE 5: PERA RETIREMENT PLAN**

Substantially all of the Sixth Judicial District'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, 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.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 5: PERA RETIREMENT PLAN (continued)**

**Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Sixth Judicial District Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Sixth Judicial District Court are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Court's contributions to PERA for the years ending June 30, 2009, 2008, and 2007 were \$266,097, \$243,480, and \$194,563, respectively, equal to the amount of the required contributions for each year.

**NOTE 6: JUDICIAL RETIREMENT ACT CONTRIBUTIONS**

Substantially all of the Sixth Judicial District Court Judges or Justices participate in defined benefit contributory retirement plans through the Judicial Retirement Act (JRA). Information pertaining to the actuarially computed present value of vested accumulated plan benefits and non-vested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting JRA's progress in accumulated sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued audit report of the JRA.

**Retirement Eligibility**

Any person who attains the age of sixty-four years while occupying the office of the judge or justice, and who, upon retirement there from, has served as a judge or justice in any combination for not less than five years, continuously or otherwise, and has ceased to hold office by reason of expiration of his term or voluntary resignation, shall receive his vested retirement allowance, payable in monthly installments from the judicial retirement fund during the remainder of his/her life. Any person who attains the age of sixty years while in one of such offices and who, upon retirement there from, has served as a judge or justice in any combination for not less than fifteen years, continuously or otherwise, and has ceased to hold office by reason of expiration of his term or voluntary resignation, shall receive his vested retirement allowance during the remainder of his life, payable in monthly installments from the judicial retirement fund.

**Funding Policy**

Judges in office on June 30, 1980 had the option to participate in either the plan prior to June 30, 1980, or the plans after June 30, 1980. Plan members are required to contribute 7.5% of their gross salary. The Sixth Judicial District Court is required to contribute 10.5% of the gross covered salary. The Courts remit \$30 of each filing fee paid into the Judge's Retirement Fund. The Court remitted \$54,209 in filing fees to the plan during the year ended June 30, 2009.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 7: RETIREE HEALTH CARE ACT CONTRIBUTION**

The Retiree Health Care Act (Act) (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state districts, magistrate districts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contribution becomes the times between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium ranging from \$23.20 to \$374.27 depending on the plan type and whether or not on Medicare and an additional fee of five dollars (\$5.00) if the eligible participant retired prior to the July 1, 1990 and made no contributions to the plan. Amounts for spouses and children are additional.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, NM 87107. For the fiscal year ended June 30, 2009, the Sixth Judicial District Court remitted \$21,067 in employer contributions and \$11,207 in employee contributions to the Retiree Health Care Authority.

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 8: RISKS OF LOSS**

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, worker's compensation, law enforcement liability, civil rights, property, and vehicle. 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 \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1 through June 30.

**NOTE 9: REVERSIONS**

The Due to State General Fund in the Statement of Net Assets includes \$42,884 from 2009 that will be remitted to the State General Fund. The reversion amount included only state appropriations. Grant revenues accounted for in the special revenue fund are non-reverting.

**NOTE 10: NET ASSETS AND FUND EQUITY**

The implementation of GASB #34, which requires restatement of beginning balances for capitalized assets, net of accumulated depreciation, and inclusion of long-term debt results in an unrestricted net asset deficit of \$102,198. This deficit is created primarily by compensated absences, which will be paid from subsequent years' State General Fund appropriations.

**NOTE 11: INTERAGENCY TRANSFERS**

The Court had the following transfers for the fiscal year ending June 30, 2009:

<u>Transfers From:</u>	<u>SHARE Fund No.</u>	<u>Transfer To:</u>	<u>SHARE Fund No.</u>	<u>Agency No.</u>	<u>Amount</u>
<u>General Fund:</u>					
State General Fund	85300	General Fund	14600	34101	\$3,089,300
General Fund	14600	State General Fund	85300	34101	\$65,319
<u>Mediation Fund:</u>					
Admin office of the Courts	13900	Mediation Fund	521	21800	\$ 75,000

**NOTE 12: ACCOUNTING STANDARDS**

In December 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Pollution Remedial Obligations*. This statement is effective for financial statements for the periods beginning after December 15, 2007. This statement establishes accounting standards for the recognition and reporting of liabilities related to environmental clean-up efforts. The District believes it will have no significant effect on the financial statements for the upcoming year.

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about

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

**Notes to the Financial Statements  
June 30, 2009**

**NOTE 12: ACCOUNTING STANDARDS (continued)**

derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The District is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. Reporting those investments at fair value provides more decision-useful information about their composition, current value, and recent changes in value. GASB Statement No. 52 is effective for financial statements for periods beginning after June 15, 2008. The District is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In June 2008, the Governmental Accounting Standards Board (GASB) issued Statement No. 52, *Derivative Instruments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, can also expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.

## **SUPPORTING SCHEDULES**

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

**Schedule of Changes in Assets and Liabilities  
for Agency Funds  
Year Ended June 30, 2009**

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
<b>ASSETS</b>				
Cash and cash equivalents				
Litigant fund	\$ 101,426	\$ 166,685	\$ 176,706	\$ 91,405
Court Clerk's fund	-	274,007	273,476	531
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 101,426</u>	<u>\$ 440,692</u>	<u>\$ 450,182</u>	<u>\$ 91,936</u>
<b>LIABILITIES</b>				
Due to state				
Trust and treasury accounts				
Litigant fund	\$ 101,426	\$ 166,685	\$ 176,706	\$ 91,405
Court Clerk's fund	-	274,007	273,476	531
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$ 101,426</u>	<u>\$ 440,692</u>	<u>\$ 450,182</u>	<u>\$ 91,936</u>

See Auditor's Report.



## **COMPLIANCE**

**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**

To Honorable Henry Quintero, Chief Judge  
Sixth Judicial District Court  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, major funds, aggregate remaining fund information and budgetary comparisons of the general fund and special revenue fund of the State of New Mexico, Sixth Judicial District Court (the "Court") as of and for the year ended June 30, 2009 and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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 the Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

This report is intended solely for information and use of management, the Department of Finance and Administration, New Mexico State Legislature and Committees, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Miller & Associates, CPA, P.C.*

Miller & Associates, CPA, P.C.  
December 10, 2009

STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT COURT

Schedule of Findings and Responses  
June 30, 2009

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**B. FINDINGS - PRIOR YEAR AUDIT**

	<u>Condition</u>	<u>Current year status</u>
2002-1	Amounts Due to State General Fund	Resolved and Not Repeated

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

**Exit Conference  
June 30, 2009**

**C. EXIT CONFERENCE**

The contents of this report were discussed at an exit conference held December 10, 2009. Ron Miller represented Miller & Associates, CPA, P.C. Melissa Cook, Court Administrator, Henry Quintero, Chief Judge, and Faythe Medina, Administrative Assistant, represented the Sixth Judicial District Court.

**D. FINANCIAL STATEMENT PREPARATION**

The financial statements were prepared by Miller & Associates, CPA, PC from the original books and records provided by management.