

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

**FINANCIAL STATEMENTS AND REQUIRED  
SUPPLEMENTARY INFORMATION  
WITH ACCOMPANYING AUDITORS' REPORTS**

**YEAR ENDED JUNE 30, 2010**

## **INTRODUCTORY SECTION**

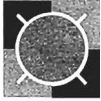
**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
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June 30, 2010

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STATE OF NEW MEXICO  
Sixth Judicial District Court  
Official Roster  
June 30, 2010

<u>Name</u>	<u>Judges</u>	<u>Title</u>
Honorable Henry Quintero		Chief Judge - Division I
Honorable Gary Jeffreys		Division II
Honorable J.C. Robinson		Division III
Honorable Daniel G. Viramontes		Division IV
	<u>Administrative Officials</u>	
Melissa Frost		Court Executive Officer/CFO
Sylvia Ojinaga		District Court Clerk - Grant County
Martina Elias		District Court Clerk - Hildalgo County
Angelic Chacon		District Court Clerk - Luna County

**FINANCIAL SECTION**



## Accounting & Consulting Group, LLP

Certified Public Accountants

### Independent Auditors' Report

Hector Balderas  
New Mexico State Auditor  
The Honorable Henry Quinter, Chief Judge  
Sixth Judicial District Court  
Silver City, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and special revenue fund and the aggregate remaining fund information of the State of New Mexico, Sixth Judicial District Court (Court) as of and for the year ended June 30, 2010, which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sixth Judicial District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, major funds, 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, 2010 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Sixth Judicial District Court, as of June 30, 2010, and the respective changes in financial position, and the budgetary comparison for the general fund, special revenue fund, and special capital outlay appropriations 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 1, 2010 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* on pages 8 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements and the budgetary comparisons. The accompanying financial information listed as supporting Schedules I and II in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
December 1, 2010

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Counties of Grant, Luna and Hidalgo  
Management Decision and Analysis  
(Required Supplementary Information)  
June 30, 2010

**MANAGEMENT DECISIONS AND ANALYSIS**

The following is a summary overview of the Sixth Judicial District Court's previous year of operation, including financial information, internal structure, management structure and the financial issues that have impacted this agency in fiscal year 2010. An outline of this agency's approach is to ensure achievement of its future goals and implementation of new projects and improvements.

**History**

The Sixth Judicial District Courts are established in NMSA 1978, §34-6-9 and sit in Grant, Luna and Hidalgo Counties. The courts are divided into four divisions with two judges based in Grant County and two judges based in Luna County. The workload for the three counties is distributed among the four judges. The district court provides litigant due process, access to justice, and resolution of disputes in a timely manner. The court staff maintains accurate records of legal proceedings and accounts for funds they are authorized to receive. When called upon, the district court of this judicial district protects the rights and liberties of the citizens of these three counties as guaranteed by the Constitutions of both New Mexico and the United States.

**Court composition:** This judicial district is staffed with 4 district judges and 32 employees. There are 14 court employees in Luna County, while Grant County is served by 16 district court employees, with three people working in the Hidalgo County courthouse.

**Allotment:** The district received its allotment of \$3,349,800 through House Bill 2 for fiscal year 2010. Due to state-wide reductions, the district's budget was reduced \$64,700 in November 2009.

This management's discussion and analysis is intended to serve as an introduction to the Sixth Judicial District Court's basic financial statements. The District Court's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. In addition to the basic financial statements, the report contains other supplementary information.

The notes provide additional information that is essential to gain a full understanding of the composition of the financial statements. The notes to the financial statements can be found on pages 23 to 35.

**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:

Fund	Name	Department
<b>14600</b>		
	Court Regular	0611000000
	Juvenile Drug Court	0621000000
	Juvenile Justice Continuum of Services (JJCS)	0622000000
	Hidalgo Adult Drug Court	0624000000
	Grant Adult Drug Court	0625000000
	CASA	0631000000
<b>52100</b>		
	Mediation/Fund Balance	0641111111

Fund 14600 is designated for court operating costs and Fund 52100 is designated for mediation as a non-reverting revenue fund.



**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Counties of Grant, Luna and Hidalgo  
Management Decision and Analysis  
(Required Supplementary Information)  
June 30, 2010

**Net Assets**

The Sixth Judicial District Court reported balances in three net asset categories for fiscal year ending June 30, 2010. These categories are Invested Capital Assets, Restricted Assets and Unrestricted Assets. State statute regarding restricted net assets is they are 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 14 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.

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current Assets	\$ 234,840	\$ 277,960
Capital Assets	78,307	57,192
<b>Total Assets</b>	<u>\$ 313,147</u>	<u>\$ 335,152</u>
<b>Liabilities</b>		
Current Liabilities	\$ 304,014	\$ 254,377
Non-current Liabilities	25,571	102,198
<b>Total Liabilities</b>	<u>329,585</u>	<u>356,575</u>
<b>Net Assets</b>		
Invested in Capital Assets	78,307	57,192
Restricted	23,992	23,583
Unrestricted	(118,737)	(102,198)
<b>Total Net Assets</b>	<u>\$ (16,438)</u>	<u>\$ (21,423)</u>

**Statement of Activities:** The following represents the revenue and expenses for fiscal year 2010. *See page 15 for a detailed report of the Statement of Activities.* The changes in revenues and expenses of \$120,839 and \$82,017 respectively are a result of increases in operating revenues being outpaced by increases in operating costs to run the agency's programs.

	<u>2010</u>	<u>2009</u>
<b>Revenue</b>		
<b><u>General Revenue</u></b>		
State General Fund Appropriation (net of reversions)	\$ 3,133,824	\$ 3,046,416
Other Financing Sources/Transfers In	270,984	122,200
Program Revenue	18,393	133,746
<b>Total Revenue</b>	<u>3,423,201</u>	<u>3,302,362</u>
<b>Expenses</b>		
Judicial Expenses	<u>3,418,216</u>	<u>3,336,199</u>
<b>Change in Net Assets</b>	4,985	(33,837)
<b>Beginning Net Assets</b>	(21,423)	12,414
<b>Ending Net Assets</b>	<u>\$ (16,438)</u>	<u>\$ (21,423)</u>

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Counties of Grant, Luna and Hidalgo  
Management Decision and Analysis  
(Required Supplementary Information)  
June 30, 2010

**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*.

**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:

	2010	2009
Compensated Absences Payable	\$ 118,737	\$ 102,198

*Additional information on the court's long term debt can be found on Note 4 on page 32 of this report.*

**Capital Assets:** The Court's investment in capital assets for its governmental activities as of June 30, 2010, amounted to \$78,307 (net of accumulated depreciation). Capital outlay purchases during the year consisted of the purchase of furniture and equipment for Grant, Luna and Hidalgo District Courts.

The Court received a special appropriation for capital outlay in HB 154, Ch 125 for Grant County. The amount totals \$220,000 and is to be expensed within three years, ending fiscal year 2012.

**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 2010 were due to the requested and approved budget adjustment reallocations to different categories. Budget adjustment requests to the Department of Finance and Administration were approved and funding was applied in other categories that assisted in the operation of the court.

*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 2010, the numbers of employees are 27 full-time, 1 part-time, 1 temporary, with 4 judges. Due to budget reductions the district decided to employ part-time employees instead of filling the positions full-time. This strategic plan assures all departments are operating. The district has avoided employee furloughs by restructuring programs, multi-tasking, cross training in different programs and redistributing operational needs. 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 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 10 the court collected \$9,763 and expended \$9,354. The balance is non-reverting and remains available for use the following year.

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Counties of Grant, Luna and Hidalgo  
Management Decision and Analysis  
(Required Supplementary Information)  
June 30, 2010

**Juvenile Drug Court** – The Juvenile Drug Court program has been in existence since August 2000 and to date has impacted 127 juvenile participants and has obtained an 8% recidivism rate three (3) years post graduation. 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.

**Hidalgo County Adult Drug Court** - The Sixth Judicial District received general funds by the legislature to continue to provide an alternative program of treatment, continuum of care and team involvement to the County of Hidalgo. This program is in its second year of operation as the first year was funded by a state grant.

This agency received a total of \$145,200 during FY 10 for its portion of the program, which includes all operational costs. During FY 10 the program had 36 participants, with 12 graduates completing the program successfully.

**Grant County Adult Drug Court** – The program’s mission is striving to prevent and/or reduce substance abuse problems in Grant County by providing treatment, continuum of care services and development of collaborative and cooperative efforts within the communities of this County. This program is funded by a state grant in collaboration with various community service providers of the Total Community Approach Team. The funding is through Optum Health of New Mexico.

The Sixth Judicial was awarded a state grant to operate and manage the Grant County Adult Drug Court (GCADC) in the amount of \$131,422. Such funds were utilized for operational costs.

During FY 10, the Drug Court conducted thirty-five (35) intakes, with seven (7) successful graduates. The program maintains an eighty nine percent (89%) recidivism rate; while maintaining a seventy eight percent (78%) retention rate.

**Juvenile Justice Continuum Services** - The Sixth Judicial received appropriated general funds or 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 and six key members, representative from the three counties. The Juvenile Drug Program Manager 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 10 this judicial district had one contractor to provide CASA services in all three counties. 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.

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Counties of Grant, Luna and Hidalgo  
Management Decision and Analysis  
(Required Supplementary Information)  
June 30, 2010

***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 district's FTE position count as indicated in House Bill 2 totals 36 employees. However, the district did not fill all positions due to budget reductions.

The District's internal mission is to continue to supply justice to the community despite budget reductions. As a result, the district operates to its full potential in all three counties by providing eight hours of customer service with normal daily/weekly business hours. All programs are operating accurately and efficiently through team participation. The Sixth continues to avoid employee furloughs by restructuring programs, multi-tasking, cross training in different programs and redistributing operational needs.

The district collects revenues through the clerk's office 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 10 is as follows:

Grant County	\$ 222,834
Luna County	83,443
Hidalgo County	14,628

Each month the Clerk of the Court for each county reports to the State Treasurer's Office. All three counties also provide Trust Accounts for reporting assets held in trust for others and are not available to support the agency's programs. All reports are audited by the Administration Department for accountability and accuracy.

The statewide financial and human resource program called SHARE is provided by the Department of Finance and Administration. This program is utilized with a great amount of efficiency; however, the Financial and HR Departments continue to utilize excel spreadsheets to maintain internal accuracy, assurance and accountability.

***Management Decisions***

The Sixth Judicial District Court's main goal during FY 10 was to adjust to the substantial budget cuts implemented. 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 2010 that were mandated by the legislature were painfully taken in stride by this agency. Fiscal Year 2011 Operating Budget reflects zero growth, with further cuts. As the economic conditions remain uncertain, this agency has prepared to meet the upcoming 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.

**BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
 Sixth Judicial District Court  
 Statement of Net Assets  
 Government -Wide  
 June 30, 2010

A-1

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Investments in State Treasurer's General Fund investment pool (Note 2)	\$ 231,670
Due from other state agencies	3,170
Total current assets	234,840
Noncurrent assets:	
Capital assets, net of depreciation (Note 3)	78,307
Total assets	\$ 313,147
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 50,841
Accrued expenses	64,149
Accrued payroll	57,482
Compensated absences - current portion	93,166
Due to state general fund (Note 9)	38,376
Total current liabilities	304,014
Noncurrent liabilities:	
Compensated absences	25,571
Total liabilities	329,585
 <b>NET ASSETS</b>	
Invested in capital assets	78,307
Restricted	23,992
Unrestricted (Note 10)	(118,737)
Total net assets	(16,438)
Total liabilities and net assets	\$ 313,147

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, 2010

A-2

	Governmental Activities
Expenses:	
General Government:	
Judicial services	\$ 3,385,096
Depreciation	33,120
Total program expenses	3,418,216
Program revenues:	
Operating grants and contributions	212,174
Miscellaneous revenues	18,393
Total program revenues	230,567
Net program expense	(3,187,649)
General revenues and transfers:	
State general fund appropriation	3,172,200
Transfers in - severance tax bond appropriation	58,810
Reversion to the state general fund - FY 2010	(38,376)
Total general revenues and transfers	3,192,634
Change in net assets	4,985
Net assets - beginning of the year	(21,423)
Net assets - end of the year	\$ (16,438)

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

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Balance Sheet  
Governmental Funds  
June 30, 2010

B-1

	General Fund	Mediation Fund	Total
<b>ASSETS</b>			
Investments in the State Treasurer's			
General Fund investment pool	\$ 222,895	\$ 8,775	\$ 231,670
Due from Other State Agencies	3,170	-	3,170
Due from other funds	-	15,217	15,217
Total assets	\$ 226,065	\$ 23,992	\$ 250,057
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 50,841	\$ -	\$ 50,841
Accrued expenses	64,149	-	64,149
Accrued payroll	57,482	-	57,482
Due to other funds	15,217	-	15,217
Due to State General fund	38,376	-	38,376
Total liabilities	226,065	-	226,065
 Fund balances:			
Unreserved	-	23,992	23,992
Total fund balances	-	23,992	23,992
 Total liabilities and fund balances	\$ 226,065	\$ 23,992	\$ 250,057

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, 2010

B-2

Total fund balances - Governmental Funds (from B-1) \$ 23,992

Amounts reported for *governmental activities* 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	248,178	
Accumulated depreciation	<u>(169,871)</u>	
Total capital assets		78,307

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>(118,737)</u>
----------------------	------------------

Net assets of governmental activities (See A-1) \$ (16,438)

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

## STATE OF NEW MEXICO

B-3

## Sixth Judicial District Court

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the Year Ended June 30, 2010

	General Fund	Mediation Fund	Total
<b>REVENUES</b>			
Intergovernmental revenues	\$ 202,411	\$ 9,763	\$ 212,174
Miscellaneous	18,393	-	18,393
Total revenues	<u>220,804</u>	<u>9,763</u>	<u>230,567</u>
<b>EXPENDITURES</b>			
Current:			
Administrative services:			
Personal services	2,343,603	-	2,343,603
Contractual services	710,872	9,354	720,226
Capital outlay	54,235	-	54,235
Other	304,728	-	304,728
Total expenditures	<u>3,413,438</u>	<u>9,354</u>	<u>3,422,792</u>
Excess (deficiency) of revenues over expenditures	<u>(3,192,634)</u>	409	<u>(3,192,225)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State general fund appropriations	3,172,200	-	3,172,200
Transfers in - severance tax bond proceeds	58,810	-	-
Reversions to the state general fund - FY 2010	(38,376)	-	(38,376)
Total other financing sources and uses	<u>3,192,634</u>	-	<u>3,133,824</u>
Net change in fund balance	-	409	(58,401)
Fund balances - beginning of the year	-	23,583	23,583
Fund balances - end of the year	<u>\$ -</u>	<u>\$ 23,992</u>	<u>\$ (34,818)</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, 2010

B-4

Net change in fund balances -- total governmental funds (from B-3) \$ 409

Amounts reported for *governmental activities* in the Statement of Activities (A-2) are different because:

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:

Capital Outlay	54,235	
Depreciation Expense	<u>(33,120)</u>	
Excess of capital outlay over depreciation expense		21,115

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.

(16,539)

Change in net assets of governmental activities (see A-2)

\$ 4,985

## STATE OF NEW MEXICO

C-1

## Sixth Judicial District Court

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Budget and Actual GAAP Budgetary Basis

## General Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other financing sources	\$ 87,900	\$ 72,700	\$ 71,295	\$ (1,405)
State grants	-	131,422	131,116	(306)
Miscellaneous revenue	10,800	10,800	18,393	7,593
Total revenues	98,700	214,922	220,804	5,882
<b>EXPENDITURES</b>				
Administrative services:				
Personnel services/employee benefits	2,290,700	2,355,732	2,343,603	12,129
Contractual services	851,800	728,800	710,872	17,928
Other	193,100	302,590	300,153	2,437
*Special capital appropriation	220,000	220,000	58,810	161,190
Total expenditures	3,555,600	3,607,122	3,413,438	193,684
Other financing sources (uses):				
General fund appropriations	3,236,900	3,172,200	3,172,200	-
*Transfers in - severance tax bond proceeds	220,000	220,000	58,810	(161,190)
Reversions to the state general fund - FY 2010	-	-	(38,376)	(38,376)
Total other financing sources (uses)	3,456,900	3,392,200	3,192,634	(199,566)
Excess (deficiency) of revenues over expenditures	-	-	\$ -	\$ -
Prior year fund balance	-	-	-	-
End of year fund balance	\$ -	\$ -	-	-

\*See Schedule II, Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations, on page 38.

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

STATE OF NEW MEXICO

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Sixth Judicial District Court

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual GAAP Budgetary Basis

Mediation Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other financing sources	\$ -	\$ -	\$ 9,763	\$ 9,763
Total revenues	-	-	9,763	9,763
<b>EXPENDITURES</b>				
Contractual services	14,200	14,200	9,354	4,846
Total expenditures	14,200	14,200	9,354	4,846
Excess (deficiency) of revenues over expenditures	(14,200)	(14,200)	\$ 409	\$ 14,609
Prior year fund balance	23,583	23,583		
End of year fund balance	\$ 9,383	\$ 9,383		

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

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Litigant fund	\$ 74,950
Treasurer fund	1,094
	<hr/>
Total assets	\$ 76,044
	<hr/> <hr/>
<b>LIABILITIES</b>	
Due to external units:	
Litigant fund	\$ 74,950
Treasurer fund	1,094
	<hr/>
Total liabilities	\$ 76,044
	<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, 2010

**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:

**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:

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

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

**Governmental Funds**

**General Fund - District Programs**

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.

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.

Grant County Adult Drug Court (GCADC) – The program receives funding from a state grant through Total Community Approach/United Behavioral and BHSD. The GCADC is designed for 20 participants; however, the program maintains a census of 23 active participants. The program is in its second year of operation. The development of the program is due to the ongoing addiction of defendants who are repeat offenders in criminal court.

**Special Appropriation - Capital Outlay Projects**

These are funds appropriated to furnish and equip the Grant County Courthouse as directed in Laws of 2009 Chapter 125, House Bill 154. The special appropriation functions in a reimbursement process with quarterly draw forms to be completed in order to receive the reimbursement of expenditures. The capital outlay project consists of a three (3) year agreement with appropriated funds totaling \$220,000. The Capital Outlay is located in SHARE Fund #14600, Department #A093102.

**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.



**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

**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) Treasurer 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.

**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.

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

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

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

**Fund Financial Statements (continued)**

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.

**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.

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	7-10 years
Equipment and machinery	5-10 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.

STATE OF NEW MEXICO  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

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

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

**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”.

**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**

Per the General Appropriation Act, Laws of 2009, Chapter 28, Section 3, item N, “For the purpose of administering the General Appropriation Act of 2009 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get accrued by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that is not paid timely or accrued by the statutory deadline must be paid out of the next year’s budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). The legal level of budgetary control should be disclosed in the notes to the financial statements.

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year’s beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

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

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

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 Court.
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 Court's budget for the fiscal year ending June 30, 2010 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
5. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. 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 on July 1. 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 of line item.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
8. The budget for the Governmental Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts.
9. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2010. The Court's General Fund is a reverting fund (funds revert back to the State General Fund).
10. Appropriations lapse at the end of the year except for those amounts encumbered.
11. Budgets for the General Fund and Special Revenue Fund are presented on the modified accrual basis of accounting. 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 and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General Fund and Special Revenue Fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedures conforms to Department of Finance and Administration and state requirements.
12. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget.

STATE OF NEW MEXICO  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

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

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

13. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balances for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 2010.
14. The legal level of budgetary control is at the appropriation unit level.

**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, \$8,755, 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.

**H. Accrued Expenses**

Accrued expenses consist of payroll tax liabilities and benefit liabilities as of June 30, 2010.

**I. Program Revenues**

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

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

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

*Investments in the State Treasurer's General Fund Investment Pool (GFIP)*

All investments are on deposit with the State Treasurer, and cash is on deposit with 2 financial institutions. Please see the Schedule of Deposits and Investments in the other supplementary information section of the audit report. Below are required disclosure regarding credit and interest risk.

*Credit Risk for Investments*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

*Investment Risk*

The Court has no investment or deposit policy that would further limit its investment choices. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Court. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Court is not permitted to have any investments other than what is held at the State Treasurer's Office and the Court did not have any other investments during the year ended June 30, 2010. There is no custodial risk at the Court level since the cash amount is under the contract of the New Mexico State Treasurer.

At June 30, 2010, the Court had the following pledged collateral:

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
<u>Agency Funds:</u>			
State Treasurer - Wells Fargo Silver City	Checking	\$ -	\$ -
Litigant - Wells Fargo Silver City	Checking	31,880	31,880
State Treasurer - Wells Fargo Deming	Checking	979	979
Litigant - Wells Fargo Deming	Checking	27,284	27,284
State Treasurer - Western Bank Lordsburg	Checking	115	115
Litigant - Western Bank Lordsburg	Checking	15,786	15,786
		<u>\$ 76,044</u>	<u>\$ 76,044</u>
Total amount of deposits in banks		\$ 76,044	
FDIC coverage		(76,044)	
Total uninsured public funds		<u>\$ -</u>	
50% Collateral Requirement		<u>\$ -</u>	

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

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

At June 30, 2010, the Court had the following deposits and investments with the State Treasurer:

<u>Account Name</u>	<u>Share Fund #</u>	<u>Maturities</u>	<u>Balance Per Treasurer/ Bank</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<u>General Fund:</u>					
Investments in the State Treasurer's General Fund Investment Pool	14600	<180 days	\$ 197,691	\$ 25,204	\$ 222,895
<u>Special Revenue Fund:</u>					
Investments in the State Treasurer's General Fund Investment Pool Mediation Fund	52100	<180 days	8,775	-	8,775
			<u>\$ 206,466</u>	<u>\$ 25,204</u>	<u>\$ 231,670</u>
<u>Agency Funds:</u>					
State Treasurer - Wells Fargo Silver City		N/A	\$ -	\$ -	\$ -
Litigant - Wells Fargo Silver City		N/A	31,880	-	31,880
State Treasurer - Wells Fargo Deming		N/A	979	-	979
Litigant - Wells Fargo Deming		N/A	27,284	-	27,284
State Treasurer - Western Bank Lordsburg		N/A	115	-	115
Litigant - Western Bank Lordsburg		N/A	15,786	-	15,786
			<u>\$ 76,044</u>	<u>\$ -</u>	<u>\$ 76,044</u>

**NOTE 3: CAPITAL ASSETS**

A summary of capital assets and occurring during the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Furniture and fixtures	\$ 12,899	\$ -	\$ 21,913	\$ -	\$ 34,812
Equipment and machinery	188,153	(29,817)	15,502	47,198	126,640
Vehicles	91,745	-	16,820	21,839	86,726
	<u>292,797</u>	<u>(29,817)</u>	<u>54,235</u>	<u>69,037</u>	<u>248,178</u>
Less accumulated depreciation					
Furniture and fixtures	11,272	-	2,475	-	13,747
Equipment and machinery	157,024	(29,817)	19,624	47,198	99,633
Vehicles	67,309	-	11,021	21,839	56,491
Total accumulated depreciation	<u>235,605</u>	<u>(29,817)</u>	<u>33,120</u>	<u>69,037</u>	<u>169,871</u>
Capital Assets, net	<u>\$ 57,192</u>	<u>\$ -</u>	<u>\$ 21,115</u>	<u>\$ -</u>	<u>\$ 78,307</u>

Current depreciation expense is \$33,120.

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

**NOTE 4: COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amount Due Within One Year
Compensated Absences Payable	\$ 102,198	\$ 109,705	\$ 93,166	\$ 118,737	\$ 93,166

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.

**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, 2010, 2009, and 2008 were \$243,765, \$266,097, and \$243,480, 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.



**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

**NOTE 6: JUDICIAL RETIREMENT ACT CONTRIBUTIONS (continued)**

**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 \$47,766 in filing fees to the plan during the year ended June 30, 2010.

**NOTE 7: POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	0.833%
FY12	1.834%	0.917%
FY13	2.000%	1.000%

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

**NOTE 7: POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (cont.)**

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Court's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$22,075, \$21,067 and \$19,189, respectively, which equal the amount of the required contributions for each year.

**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 \$38,376 from 2010 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 \$118,737. 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, 2010:

Transfers From:	Share Fund #	Transfers To:	Share Fund #	Agency #	Amount
<u>General Fund:</u>					
State General Fund	85300	General Fund	14600	34101	\$ 3,172,200
General Fund	14600	State General Fund	85300	34101	34,245
Administrative Office of the Courts	13900	Mediation Fund	14600	21800	71,295

**NOTE 12: DUE FROM OTHER STATE AGENCIES**

The Court had the following due from other state agencies for the fiscal year ending June 30, 2010:

Due From:	Share Fund #	Due To:	Share Fund #	Amount
Department of Finance	34100	Sixth Judicial District Court	14600	\$ 3,170

The due from other state agencies is for reimbursement of expenditures on the special capital appropriation.

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Notes to the Financial Statements  
June 30, 2010

**NOTE 13: SUBSEQUENT EVENTS**

The New Mexico State Treasurer's Office invested a portion of the LGIP in the Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008, and 2009. On September 15, 2008, the balance of the LGIP's investment in the Fund was \$381.7 million. On September 16, 2008, the Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the Fund were frozen.

On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of approximately \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close of business on July 9, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. There is \$108 million still remaining with the Reserve at this time and the State Treasurer's Office has no information about timing nor amounts of potential future distributions. As a result, the State Treasurer's Office cannot anticipate what the actual loss to the LGIP from the Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date.

**NOTE 14: SUBSEQUENT PRONOUNCEMENTS**

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The District is analyzing the effect that this standard will have on the financial statements.

**NOTE 15: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

**Governmental Funds**

- A. There were no funds that maintained a deficit fund balance as of June 30, 2010.
- B. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2010.

**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
 Sixth Judicial District Court  
 Schedule of Changes in Assets and Liabilities  
 Agency Funds  
 Year Ended June 30, 2010

Schedule I

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS</b>				
Cash and cash equivalents				
Litigant fund	\$ 91,405	\$ 212,785	\$ 229,240	\$ 74,950
Treasurer fund	531	322,156	321,593	1,094
Total assets	<u>\$ 91,936</u>	<u>\$ 534,941</u>	<u>\$ 550,833</u>	<u>\$ 76,044</u>
<b>LIABILITIES</b>				
Due to state				
Trust and treasury accounts				
Litigant fund	\$ 91,405	\$ 212,785	\$ 229,240	\$ 74,950
Treasurer fund	531	322,156	321,593	1,094
Total liabilities	<u>\$ 91,936</u>	<u>\$ 534,941</u>	<u>\$ 550,833</u>	<u>\$ 76,044</u>

See accompanying independent auditors' report.

STATE OF NEW MEXICO

Schedule II

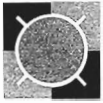
Sixth Judicial District Court

Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations  
For the Year Ended June 30, 2010

Description	Original Appropriation	Appropriation Period	Current Year Expenditures	Expenditures To Date	Final Budget
<b>Special, Deficiency, Specific and Capital Outlay Appropriations</b>					
Laws 2009 - HB 154/Chapter 125/Section 11	\$ 220,000	07/01/09-06/30/12	\$ 58,810	\$ 58,810	\$ 161,190

See accompanying independent auditors' report.

**COMPLIANCE SECTION**



**Accounting & Consulting Group, LLP**

Certified Public Accountants

**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 Balderas  
New Mexico State Auditor  
The Honorable Henry Quintero, Chief Judge  
Sixth Judicial District Court  
Silver City, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and special revenue fund and the aggregate remaining fund information of the State of New Mexico, Sixth Judicial District Court (Court) as of and for the year ended June 30, 2010, which collectively comprise the Court's basic financial statements as listed in the table of contents and have issued our report thereon dated December 1, 2010. 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 Sixth Judicial District Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sixth Judicial District Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sixth Judicial District Court's internal control over financial reporting.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sixth Judicial District 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-1.



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

This report is intended solely for the information and use of management, others within the Sixth Judicial District Court, the Office of the State Auditor, the Department of Finance and Administration, the Administrative Office of the Courts, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
December 1, 2010

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Schedule of Findings and Responses  
June 30, 2010

**A. CURRENT YEAR FINDINGS**

**2010-1 - Reversion of Unreserved and Undesignated Fund Balances**

*Condition:* The Office of the Sixth Judicial District Court did not revert to the State General Fund all unreserved, undesignated fund balances as of June 30, 2010 by the deadline of September 30, 2010. As of June 30, 2010, there was \$38,376 in the general fund that should have been reverted.

*Criteria:* New Mexico Statutes Section 6-5-10, NMSA 1978, as amended, requires that all unreserved, undesignated fund balances in reverting funds and accounts, as of June 30, revert to the State General Fund by September 30.

*Effect:* The Court is not in compliance with New Mexico Statutes Section 6-5-10, NMSA 1978, as amended. State statutes define the penalties for not complying with applicable sections. In addition, this money was not available for legislative discretion. The unavailability of the monies could also affect state and federal funding.

*Cause:* Failure by fiscal staff to process and deliver the proper documentation to DFA.

*Auditor's Recommendation:* We recommend that the Sixth Judicial District Court establish the appropriate internal controls to provide reasonable assurance of compliance with the regulations.

*Agency Response:* The Sixth Judicial District Court missed the September 30<sup>th</sup> deadline to submit reversions as per DFA Year-End Deadlines/Instructions. However, the Sixth Judicial District Court did submit the appropriate documentation to revert FY 10 reversion to DFA/Financial Control Division. The reversion was approved by DFA on October 5<sup>th</sup>. In the future, the Sixth Judicial District Court will use adequate procedures to comply with deadlines and instructions.

**B. PRIOR YEAR FINDINGS**

None.

**STATE OF NEW MEXICO**  
Sixth Judicial District Court  
Other Disclosure  
June 30, 2010

**A. EXIT CONFERENCE**

The contents of this report were discussed on December 1, 2010. The following individuals were in attendance.

Sixth Judicial District Court

Honorable Henry Quintero – Chief Judge  
Melissa Frost – Court Executive Officer  
William Hickman – Staff Attorney  
Guadalupe Fernandez – Financial Specialist

Accounting & Consulting Group, LLP

Shelley Olson – Senior Accountant