

STATE OF NEW MEXICO

SIXTH JUDICIAL DISTRICT COURT

FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
WITH ACCOMPANYING AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2011



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

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

YEAR ENDED JUNE 30, 2011

INTRODUCTORY SECTION

STATE OF NEW MEXICO
Sixth Judicial District Court
Table of Contents
June 30, 2011

	Exhibit / Schedule	Page
INTRODCUTORY SECTION:		
Table of Contents		4
Directory of Officials		5
FINANCIAL SECTION:		
Independent Auditors' Report		9-10
Management's Discussion and Analysis		11-15
BASIC FINANCIAL STATEMENTS:		
Statement of Net Assets	A-1	18
Statement of Activities	A-2	19
Balance Sheet - Governmental Funds	B-1	20
Reconciliation of the Balance Sheet to the Statement of Net Assets		21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	B-2	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances with the Statement of Activities		23
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual GAAP Budgetary Basis - General Fund	C-1	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual GAAP Budgetary Basis - Mediation Fund	C-2	25
Statement of Fiduciary Assets and Liabilities - Agency Funds	D-1	26
NOTES TO THE FINANCIAL STATEMENTS		27-40
SUPPORTING SCHEDULES:		
Schedule of Changes in Assets and Liabilities - Agency Funds	I	42
Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations	II	43
COMPLIANCE SECTION:		
Report on Internal Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		47-48
Schedule of Findings and Responses		49
OTHER DISCLOSURES:		50

STATE OF NEW MEXICO

Sixth Judicial District Court

Official Roster

June 30, 2011

<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 - Hidalgo County
Angelic Chacon		District Court Clerk - Luna County

This page is intentionally left blank

FINANCIAL SECTION

This page is intentionally left blank



Accounting & Consulting Group, LLP

Certified Public Accountants

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor
The Honorable Henry Quintero, 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 mediation 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, 2011, which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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, 2011 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Court, as of June 30, 2011, and the respective changes in financial position, and the budgetary comparison for the general fund, mediation 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 12, 2011 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 11 through 15 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 12, 2011

STATE OF NEW MEXICO
Sixth Judicial District court
Counties of Grant, Luna and Hidalgo
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2011

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 2011. 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 33 employees. There are 14 court employees in Luna County, while Grant County is served by 15 district court employees, with 4 employees working in the Hidalgo County courthouse.

Allotment: The district received its allotment of \$3,055,000 through House Bill 2 for fiscal year 2011. Due to state-wide reductions, the district's budget was reduced \$99,200 in August 2010.

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 27 to 39.

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
14600		
	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
52100		
	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's Discussion and Analysis
(Required Supplementary Information)
June 30, 2011

Net Assets

The Sixth Judicial District Court reported balances in three net asset categories for fiscal year ending June 30, 2011. 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 18 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 decreased, due to the fall 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>2011</u>	<u>2010</u>
Assets		
Current Assets	\$ 187,561	\$ 234,840
Capital Assets	73,922	78,307
Total Assets	<u>\$ 261,483</u>	<u>\$ 313,147</u>
Liabilities		
Current Liabilities	\$ 256,982	\$ 304,014
Non-current Liabilities	11,600	25,571
Total Liabilities	<u>268,582</u>	<u>329,585</u>
Net Assets		
Invested in Capital Assets	73,922	78,307
Restricted	27,331	23,992
Unrestricted	(108,352)	(118,737)
Total Net Assets	<u>\$ (7,099)</u>	<u>\$ (16,438)</u>

Statement of Activities: The following represents the revenue and expenses for fiscal year 2011. *See page 19 for a detailed report of the Statement of Activities.* The changes in revenues and expenses of (\$240,632) and (\$244,986)11 respectively are a result of increases in operating revenues being outpaced by increases in operating costs to run the agency's programs.

	<u>2011</u>	<u>2010</u>
Revenue		
<u>General Revenue</u>		
State General Fund Appropriation (net of reversions)	\$ 2,937,303	\$ 3,133,824
Other Financing Sources/Transfers In	29,101	270,984
Program Revenue	216,165	18,393
Total Revenue	<u>3,182,569</u>	<u>3,423,201</u>
Expenses		
Judicial Expenses	<u>3,173,230</u>	<u>3,418,216</u>
Change in Net Assets	9,339	4,985
Beginning Net Assets	<u>(16,438)</u>	<u>(21,423)</u>
Ending Net Assets	<u>\$ (7,099)</u>	<u>\$ (16,438)</u>

STATE OF NEW MEXICO
Sixth Judicial District court
Counties of Grant, Luna and Hidalgo
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2011

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:

	<u>2011</u>	<u>2010</u>
Accumulated Leave Balance:		
Compensated Absences Payable:	\$108,352	\$118,737

Additional information on the court's long term debt can be found in Note 4 on page 36 of this report.

Capital Assets: The Court's investment in capital assets for its governmental activities as of June 30, 2011, amounted to \$73,922 (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 2011 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 2011, the numbers of employees are 25 full-time, 3 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 \$30.00 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 11 the court collected \$9,869 and expended \$6,531. The balance is non-reverting and remains available for use the following year.

Juvenile Drug Court – The Juvenile Drug Court program has been in existence since August 2000 and to date has impacted 154 juvenile participants and has obtained a 10% 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. The Sixth Judicial expensed general funds for the Juvenile Drug Court (JDC) in the amount of \$166,900.

STATE OF NEW MEXICO
Sixth Judicial District court
Counties of Grant, Luna and Hidalgo
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2011

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 expended a total of \$100,853 during FY 11 for its portion of the program, which includes all operational costs. During FY 11 the program had 12 participants, with 9 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 \$83,591. Such funds were utilized for operational costs.

During FY 11, the Drug Court conducted twenty-nine (29) intakes, with nineteen (19) successful graduates. The program maintains a five (5%) recidivism rate; while maintaining a eighty-seven percent (87%) retention rate.

Juvenile Justice Continuum Services - The Sixth Judicial expended general funds for the Juvenile Justice Continuum Services Program (JJCS) in the amount of \$253,695. This funding was distributed to the three counties that comprise in the Sixth Judicial District.

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 JPPD 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 11 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.

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 11 is as follows:

Grant County	\$218,596
Luna County	90,940
Hidalgo County	25,958

STATE OF NEW MEXICO
Sixth Judicial District court
Counties of Grant, Luna and Hidalgo
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2011

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 11 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.

Economic Factors and Next Year's Budget

The cuts in the Operating Budget for fiscal year 2011 that were mandated by the legislature were painfully taken in stride by this agency. Fiscal Year 2012 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.

This page is intentionally left blank

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Sixth Judicial District Court
Statement of Net Assets
Government -Wide
June 30, 2011

Exhibit A-1

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investments in State Treasurer's General Fund investment pool (Note 2)	\$ 180,765
Accounts receivable	475
Due from other state agencies	6,321
Total current assets	187,561
Noncurrent assets:	
Capital assets, net of depreciation (Note 3)	73,922
Total assets	\$ 261,483
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 64,308
Accrued expenses	18,761
Accrued payroll	58,664
Compensated absences - current portion	96,752
Due to state general fund (Note 9)	18,497
Total current liabilities	256,982
Noncurrent liabilities:	
Compensated absences	11,600
Total liabilities	268,582
 NET ASSETS	
Invested in capital assets	73,922
Restricted	27,331
Unrestricted (Note 10)	(108,352)
Total net assets	(7,099)
Total liabilities and net assets	\$ 261,483

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, 2011

Exhibit A-2

	Governmental Activities
Expenses:	
General Government:	
Judicial services	\$ 3,150,781
Depreciation	22,449
Total program expenses	3,173,230
Program revenues:	
Federal grants	35,181
Operating grants and contributions	162,653
Miscellaneous revenues	18,331
Total program revenues	216,165
Net program expense	(2,957,065)
General revenues and transfers:	
State general fund appropriation	2,955,800
Transfers in - severance tax bond appropriation	29,101
Reversion to the state general fund - FY 2011	(18,497)
Total general revenues and transfers	2,966,404
Change in net assets	9,339
Net assets - beginning of the year	(16,438)
Net assets - end of the year	\$ (7,099)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit B-1

Sixth Judicial District Court

Balance Sheet

Governmental Funds

June 30, 2011

	General Fund	Mediation Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Investments in the State Treasurer's			
General Fund investment pool	\$ 152,988	\$ 27,777	\$ 180,765
Accounts receivable	201	274	475
Due from other state agencies	6,321	-	6,321
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 159,510</u>	<u>\$ 28,051</u>	<u>\$ 187,561</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 63,588	\$ 720	\$ 64,308
Accrued expenses	18,761	-	18,761
Accrued payroll	58,664	-	58,664
Due to State General fund	18,497	-	18,497
Total liabilities	<u>159,510</u>	<u>720</u>	<u>160,230</u>
 Fund balances:			
Spendable			
Restricted	-	27,331	27,331
Total fund balances	<u>-</u>	<u>27,331</u>	<u>27,331</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 159,510</u>	<u>\$ 28,051</u>	<u>\$ 187,561</u>

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, 2011

Exhibit B-1

Total fund balances - Governmental Funds	\$	27,331
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>		
Property, plant and equipment	266,242	
Accumulated depreciation	<u>(192,320)</u>	
Total capital assets		73,922
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities of:</p>		
Compensated absences		<u>(108,352)</u>
Net assets of governmental activities (See Exhibit A-1)	\$	<u><u>(7,099)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit B-2

Sixth Judicial District Court

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2011

	General Fund	Mediation Fund	Total
REVENUES			
Intergovernmental revenues	\$ 187,965	\$ 9,869	\$ 197,834
Miscellaneous	18,331	-	18,331
Total revenues	<u>206,296</u>	<u>9,869</u>	<u>216,165</u>
EXPENDITURES			
Current:			
Administrative services:			
Personal services	2,385,320	-	2,385,320
Contractual services	595,440	6,530	601,970
Capital outlay	18,064	-	18,064
Other	173,876	-	173,876
Total expenditures	<u>3,172,700</u>	<u>6,530</u>	<u>3,179,230</u>
Excess (deficiency) of revenues over expenditures	<u>(2,966,404)</u>	<u>3,339</u>	<u>(2,963,065)</u>
OTHER FINANCING SOURCES (USES)			
State general fund appropriations	2,955,800	-	2,955,800
Transfers in - severance tax bond proceeds	29,101	-	29,101
Reversions to the state general fund - FY 2011	(18,497)	-	(18,497)
Total other financing sources and uses	<u>2,966,404</u>	<u>-</u>	<u>2,966,404</u>
Net change in fund balance	-	3,339	3,339
Fund balances - beginning of the year	<u>-</u>	<u>23,992</u>	<u>23,992</u>
Fund balances - end of the year	<u>\$ -</u>	<u>\$ 27,331</u>	<u>\$ 27,331</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, 2011

Exhibit B-2

Net change in fund balances -- total governmental funds	\$	3,339
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities 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		18,064
Depreciation Expense		<u>(22,449)</u>
Excess of capital outlay over depreciation expense		(4,385)
<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>10,385</u>
Change in net assets of governmental activities (See Exhibit A-2)	\$	<u><u>9,339</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit 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, 2011

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other financing sources	\$ 72,700	\$ 59,161	\$ 59,162	\$ 1
State grants	-	134,991	128,803	(6,188)
Miscellaneous revenue	11,000	11,000	18,331	7,331
Total revenues	83,700	205,152	206,296	1,144
EXPENDITURES				
Administrative services:				
Personal services	2,215,400	2,392,901	2,385,320	7,581
Contractual services	680,400	603,861	595,440	8,421
Other	143,700	164,190	162,839	1,351
*Special capital appropriation	161,190	161,190	29,101	132,089
Total expenditures	3,200,690	3,322,142	3,172,700	149,442
Excess (deficiency) of revenues over expenditures	(3,116,990)	(3,116,990)	(2,966,404)	(148,298)
Other financing sources (uses):				
General fund appropriations	2,955,800	2,955,800	2,955,800	-
*Transfers in - severance tax bond proceeds	161,190	161,190	29,101	(132,089)
Reversions to the state general fund - FY 2011	-	-	(18,497)	(18,497)
Total other financing sources (uses)	3,116,990	3,116,990	2,966,404	(150,586)
Net change in fund balance	-	-	\$ -	\$ -
Prior year fund balance	-	-		
End of year fund balance	\$ -	\$ -		

*See Schedule II, Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations, on page 43.

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

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, 2011

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other financing sources	\$ -	\$ -	\$ 9,869	\$ 9,869
Total revenues	<u>-</u>	<u>-</u>	<u>9,869</u>	<u>9,869</u>
EXPENDITURES				
Contractual services	14,800	14,800	6,530	8,270
Total expenditures	<u>14,800</u>	<u>14,800</u>	<u>6,530</u>	<u>8,270</u>
Excess (deficiency) of revenues over expenditures	(14,800)	(14,800)	<u>\$ 3,339</u>	<u>\$ 18,139</u>
Prior year fund balance	<u>23,992</u>	<u>23,992</u>		
End of year fund balance	<u>\$ 9,192</u>	<u>\$ 9,192</u>		

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, 2011

Exhibit D-1

	Agency Funds
ASSETS	
Cash and cash equivalents:	
Litigant fund	\$ 456,263
Treasurer fund	22,036
	<hr/>
Total assets	\$ 478,299
	<hr/> <hr/>
LIABILITIES	
Due to external units:	
Litigant fund	\$ 456,263
Treasurer fund	22,036
	<hr/>
Total liabilities	\$ 478,299
	<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, 2011

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 76th 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, 2011

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, 2011

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, 2011

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, 2011

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 Nonspendable, restricted, committed, assigned and unassigned, as per GASB Statement 54, effective for financial statements for periods beginning after June 15, 2010.

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.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

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.

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, 2011 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, 2011. 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.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting (continued)

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 procedure 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.
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, 2011.
14. The legal level of budgetary control is at the appropriation unit level.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (3,116,990)	\$ (3,116,990)
Mediation Fund	(14,800)	(14,800)

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.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Accrued Expenses

Accrued expenses consist of payroll tax liabilities and benefit liabilities as of June 30, 2011.

H. Program Revenues

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

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, 2011. There is no custodial risk at the Court level since the cash amount is under the contract of the New Mexico State Treasurer.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

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

At June 30, 2011, 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	\$ 19,855	\$ 19,855
Litigant - Wells Fargo Silver City	Checking	22,200	22,200
State Treasurer - Wells Fargo Deming	Checking	1,001	1,001
Litigant - Wells Fargo Deming	Checking	422,921	422,921
State Treasurer - Western Bank Lordsburg	Checking	179	179
Litigant - Western Bank Lordsburg	Checking	11,143	11,143
		<u>\$ 477,299</u>	<u>\$ 477,299</u>
Total amount of deposits in banks		\$ 477,299	
FDIC coverage		(477,299)	
Total uninsured public funds		<u>\$ -</u>	
50% Collateral Requirement		<u>\$ -</u>	

At June 30, 2011, the Court had the following deposits and investments:

<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	\$ 152,988	\$ -	\$ 152,988
<u>Special Revenue Fund:</u>					
Investments in the State Treasurer's General Fund Investment Pool Mediation Fund	52100	<180 days	27,777	-	27,777
			<u>\$ 180,765</u>	<u>\$ -</u>	<u>\$ 180,765</u>
<u>Agency Funds:</u>					
State Treasurer - Wells Fargo Silver City		N/A	\$ 19,855	\$ -	\$ 19,855
Litigant - Wells Fargo Silver City		N/A	22,200	-	22,200
State Treasurer - Wells Fargo Deming		N/A	1,001	-	1,001
Litigant - Wells Fargo Deming		N/A	422,921	-	422,921
State Treasurer - Western Bank Lordsburg		N/A	179	-	179
Litigant - Western Bank Lordsburg		N/A	11,143	-	11,143
			<u>\$ 477,299</u>	<u>\$ -</u>	<u>\$ 477,299</u>

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

NOTE 3: CAPITAL ASSETS

A summary of capital assets and occurring during the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and fixtures	\$ 34,812	\$ 18,064	\$ -	\$ 52,876
Equipment and machinery	126,640	-	-	126,640
Vehicles	86,726	-	-	86,726
	<u>248,178</u>	<u>18,064</u>	<u>-</u>	<u>266,242</u>
Less accumulated depreciation				
Furniture and fixtures	13,747	5,307	-	19,054
Equipment and machinery	99,633	6,275	-	105,908
Vehicles	56,491	10,867	-	67,358
Total accumulated depreciation	<u>169,871</u>	<u>22,449</u>	<u>-</u>	<u>192,320</u>
Capital Assets, net	<u>\$ 78,307</u>	<u>\$ (4,385)</u>	<u>\$ -</u>	<u>\$ 73,922</u>

Current depreciation expense is \$22,449.

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	<u>\$ 118,737</u>	<u>\$ 86,367</u>	<u>\$ 96,752</u>	<u>\$ 108,352</u>	<u>\$ 96,752</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.

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, 2011, 2010, and 2009 were \$242,102, \$243,765, and \$266,097, respectively, equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

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 \$47,766 in filing fees to the plan during the year ended June 30, 2011.

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.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

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

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

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

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

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, 2011, 2010, and 2009 were \$30,647, \$22,075 and \$21,067, 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 \$18,497 from 2011 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 \$108,352. This deficit is created primarily by compensated absences, which will be paid from subsequent years' State General Fund appropriations.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

NOTE 11: INTERAGENCY TRANSFERS

The Court had the following transfers for the fiscal year ending June 30, 2011:

<u>Transfers From:</u>	<u>Share Fund #</u>	<u>Transfers To:</u>	<u>Share Fund #</u>	<u>Agency #</u>	<u>Amount</u>
<u>General Fund:</u>					
State General Fund	85300	General Fund	14600	34101	\$ 2,955,800
General Fund	14600	State General Fund	85300	34101	18,497
Administrative Office of the Courts	13900	Mediation Fund	14600	21800	59,162

NOTE 12: DUE FROM OTHER STATE AGENCIES

The Court had the following due from other state agencies for the fiscal year ending June 30, 2011:

<u>Due From:</u>	<u>Share Fund #</u>	<u>Due To:</u>	<u>Share Fund #</u>	<u>Amount</u>
Department of Finance	34100	Sixth Judicial District Court	14600	\$ 6,321

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

NOTE 13: SUBSEQUENT PRONOUNCEMENTS

In November 2010, GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The District is still evaluating the possible effects of this standard.

In November 2010, GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the District in upcoming years.

In December 2010, GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The District will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the District in upcoming years.

In June 2011, GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53 Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the District in upcoming years.

STATE OF NEW MEXICO
Sixth Judicial District Court
Notes to the Financial Statements
June 30, 2011

NOTE 14: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. There were no funds that maintained a deficit fund balance as of June 30, 2011.
- B. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2011.

NOTE 15: CONCENTRATIONS

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Sixth Judicial District Court
Schedule of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2011

Schedule I

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and cash equivalents				
Litigant fund	\$ 74,950	\$ 503,580	\$ 122,267	\$ 456,263
Treasurer fund	1,094	346,089	325,147	22,036
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 76,044	\$ 849,669	\$ 447,414	\$ 478,299
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES				
Due to state				
Trust and treasury accounts				
Litigant fund	\$ 74,950	\$ 503,580	\$ 122,267	\$ 456,263
Treasurer fund	1,094	346,089	325,147	22,036
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 76,044	\$ 849,669	\$ 447,414	\$ 478,299
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2011

Description	Original Appropriation	Appropriation Period	Current Year Expenditures	Expenditures To Date	Final Budget
Special, Deficiency, Specific and Capital Outlay Appropriations					
Laws 2009 - HB 154/Chapter 125/Section 11	\$ 220,000	07/01/09-06/30/12	\$ 29,101	\$ 87,911	\$ 132,089

See accompanying independent auditors' report

This page is intentionally left blank

COMPLIANCE SECTION

This page is intentionally left blank



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, 2011, which collectively comprise the Court's basic financial statements as listed in the table of contents and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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.

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 the information and use of management, others within the 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 12, 2011

STATE OF NEW MEXICO
Sixth Judicial District Court
Schedule of Findings and Responses
June 30, 2011

A. CURRENT YEAR FINDINGS

None.

B. PRIOR YEAR FINDINGS

2010-1 – Reversion of Unreserved and Undesignated Fund Balances – Resolved

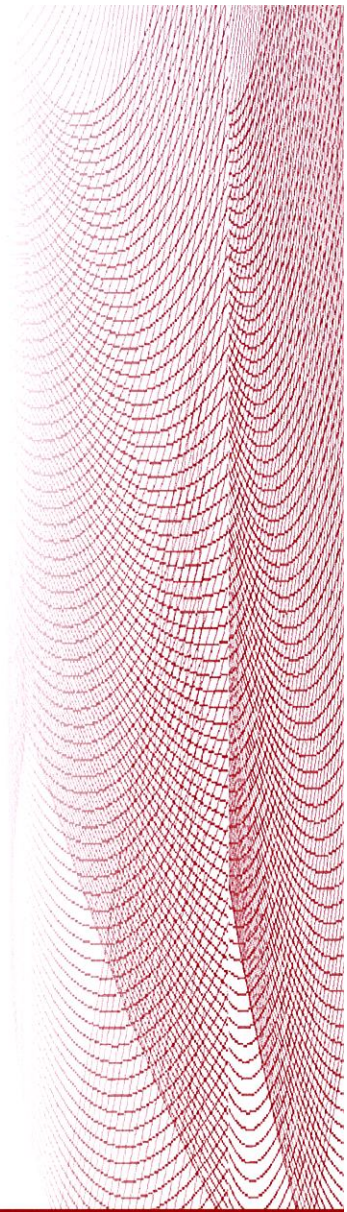
STATE OF NEW MEXICO
Sixth Judicial District Court
Other Disclosure
June 30, 2011

A. EXIT CONFERENCE

The contents of this report were discussed on December 12, 2011. The following individuals were in attendance.

Sixth Judicial District Court
Honorable Henry Quintero – Chief Judge
Melissa Frost – Court Executive Officer
Guadalupe Leftault – Financial Specialist

Accounting & Consulting Group, LLP
Shelley Olson – Senior Accountant



www.acgnm.com