

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
INDEPENDENT AUDITORS' REPORT
AND ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011



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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
Annual Financial Report
June 30, 2011**

Function of Entity

The Seventh Judicial District Court was established by New Mexico Statutes Annotated, 1978 Compilation and is comprised of the counties of Socorro, Torrance, Sierra, and Catron. The principal office of the District presiding judge is located in Socorro, New Mexico. The District Court has original jurisdiction in all matters and causes not excepted in the constitution, and such jurisdiction of special cases and proceedings as may be conferred by law, and appellate jurisdiction of all cases originating in inferior courts and tribunals in their respective districts, and supervisory control over the same. The District Courts, or any judge thereof, have power to issue writs of habeas corpus, mandamus, injunctions, quo warranto, certiorari, prohibition, and other writs remedial or otherwise in the exercise of their jurisdiction; provided that no such writs issued shall be directed to judges or courts of equal or superior jurisdiction. The District Courts also have the power of naturalization in accordance with the laws of the United States.

Official Roster
June 30, 2011

Name

Title

Judges

Honorable Kevin R. Sweazea	Chief Presiding Judge Division III
Honorable Edmund H. Kase, III	District Judge Division I
Honorable Matthew G. Reynolds	District Judge Division II

Administrative Officials

Jason E. Jones	Court Executive Officer
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**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
FOR THE YEAR ENDED JUNE 30, 2011
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FINANCIAL SECTION

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Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Kevin R. Sweazea
Seventh Judicial District Court
Socorro County Courthouse
Socorro, New Mexico
And
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Seventh Judicial District 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 Seventh 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 agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Seventh Judicial District Court, New Mexico are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Seventh Judicial District Court. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2011 or the changes in its financial position for the year 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 Seventh Judicial District Court, as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 on our consideration of the Seventh Judicial District 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 v through x 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 basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The Statement of Changes in Assets and Liabilities – Agency Funds presented as supplemental data is presented for purposes of additional analysis and is 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.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 12, 2011

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**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS**

This section of The Seventh Judicial District Court's (Court) annual financial report has been prepared by the management of the Court and presents a discussion and analysis of the Court's financial performance during the fiscal year that ended June 30, 2011. Please read it in conjunction with the Court's financial statements, which follow this section.

OVERVIEW

The caseload for the Court during the fiscal year 2011 was 2,312 cases. This is a decrease from the previous fiscal year 2010, of 2,409 cases. In addition to the general operations of the court, other programs include; a Child Support Hearing Officer Program, Domestic Violence Program, Domestic Relations Mediation Program, and Court Appointed Special Advocate Program, and an Adult Drug Court Program, which are all included in the basic financial statements.

Total revenues decreased by \$142,072, which represents a decrease of 5.5%. This decrease was mainly from a loss in State General Fund Appropriations.

Total expenses decreased by \$164,542, which is a decrease of 6.2%. This decrease was mainly from a decrease in expenses for all categories, including Personnel Services and Benefits, Contractual Services, and Other category.

The Court had an increase in Net Capital Assets during fiscal year 2011 of \$26,378.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of Net Assets and the Statement of Activities provide information about the activities of the Court as a whole. The Court has no business-type activities but rather solely supports governmental type activities. For government activities, these statements reflect how these services were financed in the current year and what remains for future spending. The fund financial statements report the Court's operations in more detail than the government-wide statements by providing information about the court's most significant funds. The remaining statements provide financial information about activities for which the Court acts solely in a fiduciary capacity for monies held in trust until litigation is completed. Pursuant to state statute, at the end of the fiscal year the Court held in trust \$226,997, for litigants and \$4,388 to be distributed to other state agencies.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS**

REPORTING THE COURT AS A WHOLE

These statements include all assets and liabilities of the court, except for the fiduciary funds, using an accrual basis of accounting, similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Table A is a summary of the Financial Statements and provides an explanation of the Court's net assets for the fiscal year ended June 30, 2011 and June 30, 2010.

TABLE A

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current Assets	\$ 269,497	\$ 312,913
Capital Assets	<u>130,440</u>	<u>156,818</u>
Total Assets	<u>399,937</u>	<u>469,731</u>
Current Liabilities	211,867	264,394
Compensable Absences	<u>85,803</u>	<u>78,461</u>
Total Liabilities	<u>297,670</u>	<u>342,855</u>
Invested in Capital Assets	130,440	156,818
Unrestricted:		
Reserved for Mediation Fund	42,134	39,082
Unreserved	<u>(70,307)</u>	<u>(69,024)</u>
Total Net Assets	<u>\$ 102,267</u>	<u>\$ 126,876</u>

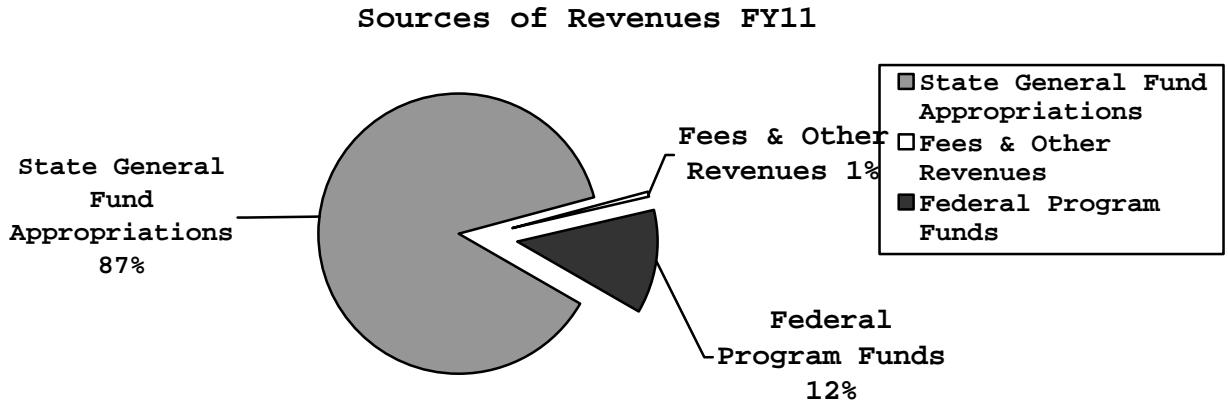
The Court does not maintain available funds for future payment of the accrued compensable absences. The Court relies on future State appropriations to pay the accrued compensable absences as they come due.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS**

SOURCES OF REVENUES

As previously stated, the District Court serves as an umbrella organization for the administration of several different activities. Viewed as a whole, the Court is one program. Sources of revenue for the program for FY11 are as follows: State general fund appropriations \$2,160,589, (adjusted for reversions) federal pass-through funds of \$296,732 (adjusted for reversions) and fees and other revenues \$22,839 for total revenue of \$2,480,160. Chart A, below, provides a graphic presentation of revenue sources.

CHART A

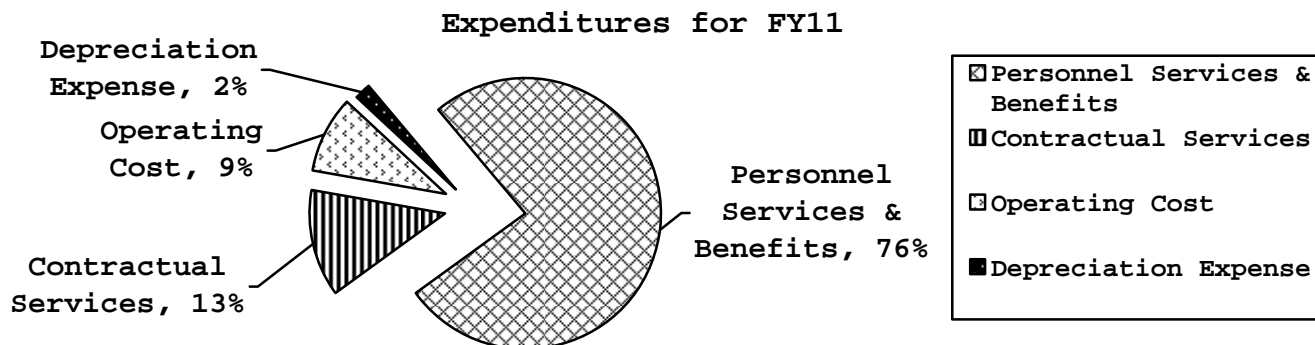


EXPENSES

The Court's total expenditures for FY11 were \$2,504,769 with the following components; Personnel Services and Benefits \$1,900,676 or 76% of the total; Contractual Services \$319,416 or 13% of the total; Operating costs \$234,960 or 9% of the total and Depreciation Expenses \$49,717 or 2% of the total. Chart B, on the next page, illustrates the expenditures for the fiscal year.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS**

CHART B



The change in Net Assets is derived from the variance between Total Revenues and Total Expenditures. The following summarizes the related information.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
GENERAL REVENUE:		
State General Fund Appropriations	\$ 2,156,388	\$ 2,275,607
Federal Program Funds	300,933	303,050
Capital Outlay Funds	-	26,223
Fees and Other Revenues	<u>22,839</u>	<u>17,352</u>
Total Revenues	<u>2,480,160</u>	<u>2,622,232</u>
EXPENSES:		
Court Regular	2,194,416	2,331,549
Child Support Hearing Officer	304,820	309,513
Capital Outlay Project	-	26,223
Mediation	<u>5,533</u>	<u>2,026</u>
Total Expenses	<u>2,504,769</u>	<u>2,669,311</u>
Change in Net Assets	(24,609)	(47,079)
Net Assets - Beginning	<u>126,876</u>	<u>173,955</u>
Net Assets - Ending	<u>\$ 102,267</u>	<u>\$ 126,876</u>

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS**

BUDGETARY COMPARISONS OF GENERAL FUND

Following is a summary of budget (GAAP Basis) to actual (Budgetary Basis) comparisons for the General Fund activity for FY11. An explanation of the major variances follows.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
Revenues:	\$ <u>2,208,300</u>	\$ <u>2,193,805</u>	\$ <u>2,196,059</u>	\$ <u>2,254</u>
Expenditures:				
Personnel Services And Benefits	1,710,000	1,660,000	1,650,475	9,525
Contractual Services	368,400	318,905	311,383	7,522
Other Operating Costs	<u>129,900</u>	<u>214,900</u>	<u>212,985</u>	<u>1,915</u>
Total Expenditures	<u>2,208,300</u>	<u>2,193,805</u>	<u>2,174,843</u>	<u>18,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u> -</u>	\$ <u> -</u>	\$ <u> (21,216)</u>	\$ <u> (21,216)</u>

The Court utilizes the “budget adjustment request” system to better utilize the budget. A budget increase and a budget adjustment from personnel services and contractual categories to other operating cost were necessary to assist our district with purchasing furniture and equipment. The Court attempts to fulfill all foreseeable expenses through annual budget requests and relies on the New Mexico Legislature to appropriate accordingly.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MANAGEMENT DISCUSSION AND ANALYSIS**

CAPITAL ASSET ACTIVITY FOR FY11

The following provide a detailed analysis of the change in capital assets for FY11 and FY10.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Additions:		
Asset Additions	23,339	0
Depreciation	(49,717)	(50,392)
Total Change in Capital Assets	<u>\$ (26,378)</u>	<u>\$ 50,392</u>
 Additions to Fixed Assets included:		
Furniture and Fixtures	\$ 23,339	\$ 0
Automobiles	<u>0</u>	<u>0</u>
Total Additions	<u>\$ 23,339</u>	<u>\$ 0</u>

LONG-TERM Debt Activity

The Court’s long-term debt consists of compensable absences that are payable to employees upon separation from service. The total liability accumulated through June 30, 2011 and 2010 was \$85,803 and \$78,461 respectively. Consequently there was an increase of \$7,342 in FY11.

CURRENTLY KNOWN FACTS

To the best of our knowledge the Court will continue to operate without any significant changes.

CONTACTING THE AGENCY’S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of the Court’s finances and to demonstrate the agency’s accountability for the funds it receives. If you have any questions or need additional information, contact:

***The Seventh Judicial District Court
P.O. Drawer 1129
Socorro, NM 87801***

**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit A-1

	Governmental Activities
ASSETS	
Current Assets	
Investment in the General Fund Investment Pool	\$ 244,644
Intergovernmental accounts receivable	24,853
Total Current Assets	269,497
Noncurrent Assets	
Capital assets	605,888
Less: accumulated depreciation	(475,448)
Total capital assets	130,440
Total noncurrent Assets	130,440
Total assets	\$ 399,937
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 95,514
Accrued payroll	65,522
Due to State General Fund	21,427
Due to other State Agency - HSD	29,404
Current portion of accrued compensated absences	85,803
Total Current Liabilities:	297,670
Total liabilities	297,670
Invested in capital assets	130,440
Unrestricted	(28,173)
Total net assets	102,267
Total liabilities and net assets	\$ 399,937

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-2

Functions/Programs	Program Revenues			Net Revenues (Expenses)	
	Expenses	Charges for Services	Operating Grants		Capital Grants and Contributions
Governmental activities:					
Judicial					
Court Regular	\$ 2,194,416	\$ 13,727	\$ -	\$ -	\$ (2,180,689)
Child Support Hearing Officer	304,820	-	300,933	-	(3,887)
Mediation	5,533	8,585	-	-	3,052
Total governmental activities	<u>\$ 2,504,769</u>	<u>\$ 22,312</u>	<u>\$ 300,933</u>	<u>\$ -</u>	<u>(2,181,524)</u>
General Revenues:					
Miscellaneous Revenues					527
Transfer - State General Fund Appropriation					2,181,805
Transfer - Reversion Due to State					<u>(25,417)</u>
Total general revenues and transfers					<u>2,156,915</u>
Change in net assets					(24,609)
Beginning net assets					<u>126,876</u>
Ending net assets					<u><u>\$ 102,267</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit B-1

	<u>General Fund 147</u>	<u>Child Support Hearing Officer Fund 522</u>	<u>Mediation Fund 294</u>	<u>Total</u>
ASSETS				
<i>Current:</i>				
Investment in the General Fund				
Investment Pool	\$ 172,928	\$ 29,402	\$ 42,314	\$ 244,644
Intergovernmental receivables	-	24,853	-	24,853
<i>Total current assets</i>	<u>\$ 172,928</u>	<u>\$ 54,255</u>	<u>\$ 42,314</u>	<u>\$ 269,497</u>
 LIABILITIES AND FUND BALANCE				
<i>Current Liabilities:</i>				
Accounts payable	\$ 91,983	\$ 3,351	\$ 180	\$ 95,514
Accrued payroll	59,518	6,004		65,522
Interfund balances	-	-	-	-
Deferred revenue	-	-	-	-
Due to State General Fund: Reversions	21,427	-	-	21,427
Due to Other State Agency - HSD	-	29,404	-	29,404
<i>Total liabilities</i>	<u>172,928</u>	<u>38,759</u>	<u>180</u>	<u>211,867</u>
 <i>Fund balances</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special revenue	-	15,496	42,134	57,630
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>15,496</u>	<u>42,134</u>	<u>57,630</u>
<i>Total liabilities and fund balance</i>	<u>\$ 172,928</u>	<u>\$ 54,255</u>	<u>\$ 42,314</u>	<u>\$ 269,497</u>

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

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit B-1

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	<u>\$ 57,630</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Property, Plant and Equipment	605,888
Accumulated Depreciation	<u>(475,448)</u>
Total Capital Assets	<u>130,440</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(85,803)</u>
Total Net Assets	<u><u>\$ 102,267</u></u>

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

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-2

<i>Revenues:</i>	General Fund 147	Child Support Hearing Officer Fund 522	Mediation Fund 294	Total
Federal Pass-Through Funds	\$ -	\$ 300,933	\$ -	\$ 300,933
Fees	13,727	-	8,585	22,312
Miscellaneous	527	-	-	527
<i>Total revenues</i>	<u>14,254</u>	<u>300,933</u>	<u>8,585</u>	<u>323,772</u>
 <i>Expenditures:</i>				
Current				
Personnel Services and Benefits	1,650,475	242,859	-	1,893,334
Contractual Services	311,383	2,500	5,533	319,416
Operating Costs	212,985	45,314	-	258,299
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>2,174,843</u>	<u>290,673</u>	<u>5,533</u>	<u>2,471,049</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,160,589)</u>	<u>10,260</u>	<u>3,052</u>	<u>(2,147,277)</u>
 <i>Other financing sources (uses):</i>				
Transfers				
State General Fund Appropriation	2,181,805	-	-	2,181,805
State Capital Outlay Appropriation	-	-	-	-
Reversions - 2011 FY	(21,216)	(4,201)	-	(25,417)
<i>Total other financing sources (uses)</i>	<u>2,160,589</u>	<u>(4,201)</u>	<u>-</u>	<u>2,156,388</u>
 <i>Net change in fund balances</i>	 -	 6,059	 3,052	 9,111
 <i>Fund balances - beginning of year</i>	 -	 9,437	 39,082	 48,519
 <i>Fund balances - end of year</i>	 <u>\$ -</u>	 <u>\$ 15,496</u>	 <u>\$ 42,134</u>	 <u>\$ 57,630</u>

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

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-2

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

Net change in fund balances - total governmental funds	\$ 9,111
--	----------

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 and reported as depreciation expense:

Net Capital Assets Acquired	23,339
Depreciation expense	(49,717)

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Decrease in accrued compensated absences	<u>(7,342)</u>
Changes in Net Assets	<u><u>\$ (24,609)</u></u>

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

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STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
GENERAL FUND

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
State General Fund Appropriations	\$ 2,196,300	\$ 2,181,805	2,181,805	\$ -
Miscellaneous revenue	12,000	12,000	14,254	2,254
<i>Total revenues</i>	2,208,300	2,193,805	2,196,059	2,254
<i>Expenditures:</i>				
Personal Services & Benefits	1,710,000	1,660,000	1,650,475	9,525
Contractual services	368,400	318,905	311,383	7,522
Operating Costs	129,900	214,900	212,985	1,915
<i>Total expenditures</i>	2,208,300	2,193,805	2,174,843	18,962
<i>Other Financing Sources (Uses):</i>				
Prior Year A/P not Encumbered	-	-	-	-
2011 FY Reversion to State Gen. Fund	-	-	(21,216)	(21,216)
<i>Total Other Financing Sources</i>	-	-	(21,216)	(21,216)
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Net change in fund balances</i>	\$ -	\$ -	\$ -	\$ -
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
CHILD SUPPORT HEARING OFFICER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-2

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Federal Pass-Through Funds	\$ 330,600	\$ 298,236	\$ 300,933	\$ 2,697
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	330,600	298,236	300,933	2,697
<i>Expenditures:</i>				
Personal Services & Benefits	275,600	249,600	242,859	6,741
Contractual services	2,500	2,500	2,500	-
Operating Costs	52,500	46,136	45,314	822
<i>Total expenditures</i>	330,600	298,236	290,673	7,563
<i>Other Financing Sources (Uses):</i>				
Prior Year A/P not Encumbered	-	-	-	-
2011 FY Reversion to State Gen. Fund	-	-	(4,201)	(4,201)
<i>Total Other Financing Sources</i>	-	-	(4,201)	(4,201)
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	6,059	6,059
<i>Net change in fund balances</i>	\$ -	\$ -	\$ 6,059	\$ 6,059
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 6,059	

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

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
MEDIATION FUND - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-3

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
State General Fund	\$ -	\$ -	\$ -	\$ -
Fees	12,000	12,000	8,585	(3,415)
<i>Total revenues</i>	<u>12,000</u>	<u>12,000</u>	<u>8,585</u>	<u>(3,415)</u>
<i>Expenditures:</i>				
Personal Services & Benefits	-	-	-	-
Contractual services	16,000	16,000	5,533	10,467
Operating Costs	1,000	1,000	-	1,000
<i>Total expenditures</i>	<u>17,000</u>	<u>17,000</u>	<u>5,533</u>	<u>11,467</u>
<i>Other Financing Sources (Uses):</i>				
Prior Year A/P not Encumbered	-	-	-	-
2011 FY Reversion to State Gen. Fund	-	-	-	-
<i>Total Other Financing Sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,000)</u>	<u>(5,000)</u>	<u>3,052</u>	<u>8,052</u>
<i>Net change in fund balances</i>	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>\$ 3,052</u>	<u>\$ 8,052</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 3,052</u>	

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

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STATE OF NEW MEXICO Exhibit D-1
 SEVENTH JUDICIAL DISTRICT COURT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

	Agency Funds
ASSETS	
Cash in Banks	\$ 214,392
Investments - State Treasurer	
Local Government Investment Pool	16,993
<i>Total assets</i>	\$ 231,385
 LIABILITIES	
Due to State General Fund	\$ 4,374
Due to State Treasurer	14
Due to Litigants	226,997
<i>Total liabilities</i>	\$ 231,385

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

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STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the Seventh Judicial District Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Seventh Judicial District Court's accounting policies are described below.

A. *Reporting Entity*

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 applying the criteria for including a potential component unit within the reporting entity. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation 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 authority, the designation of management, the ability to significantly influence operation, 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 District Court, or whether the activity is conducted within the geographic boundaries of the District Court. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District Court is able to exercise oversight responsibilities. Based upon the application of these criteria, included within the reporting entity are all funds and functions under the District Court's control and responsibility, which are included in the District Court's reports to the New Mexico Department of Finance and Administration. Based on the application of the above criteria, no other activities meet the criteria for inclusion in the reporting entity; therefore, there are no component units included in these financial statements.

The Seventh Judicial District Court is a part of the Judicial Branch of the State of New Mexico. These financial statements include only those funds and activities over which the Seventh Judicial District Court has oversight responsibility. The Seventh Judicial District Court is not included in any other government "reporting entity" as described in Section 2100, "Codification of Governmental Accounting and Financial Reporting Standards."

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies - (Continued)

B. *Government-wide and fund financial statements (Continued)*

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District Court has elected not to follow subsequent private-sector guidance.

The accounts of the Seventh Judicial District 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 assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The following fund types and account groups are used by the Seventh Judicial District Court.

GOVERNMENTAL FUND

General Fund (147) – The General Fund is the general operating fund of the District Court and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily by an appropriation from the State General Fund and any unused funds at the end of the fiscal year revert back to the State General Fund. The General Fund is always reported as a major fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the Special Revenue Funds for general operations of the District Court. The District Court has two Special Revenue Funds.

Child Support Hearing Officer Fund (522) – The District Court has entered into an agreement with the State of New Mexico Human Services Department (HSD) operating through its Child Support Enforcement Division (CSED) which administers a statewide plan for child support enforcement in compliance with Title IV-D of the federal Social Security Act. HSD provides funding to the District Court for implementing measures for the use of child support hearing officers in the adjudication of legal actions for child support pursuant to NMSA 1978 Sec. 40-4B-1. The Child Support Hearing Officer Fund is a non-reverting fund. The Child Support Hearing Officer Fund is reported as a major fund.

Mediation Fund (294) – The District Court has established a domestic relations mediation program pursuant to section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made through the imposition of a sliding fee scale 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 Section 6 [40-12-6, NMSA 1978 Compilation] of that act. The Mediation Fund is a non-reverting fund. The Mediation Fund is reported as a major fund.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies - (Continued)

B. *Government-wide and fund financial statements (Continued)*

FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to account for assets held by the District 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 measurements of results of operations.

Agency funds for the District Court are as follows:

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

C. *Measurement focus, basis of accounting, and financial statement presentation*

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District Court, the primary government, as a whole without displaying individual funds or fund types. Generally these statements distinguish between activities that are governmental and those that are considered business-type activities. The District 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” measurements focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

FUND FINANCIAL STATEMENTS

The governmental fund financial statements are prepared using only a “current financial resources” measurement focus and the modified accrual basis of accounting. Under this focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. Governmental funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the District Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. A reconciliation is provided with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the Seventh Judicial District Court submits to the Administrative Offices of the Courts Budget Committee (AOC), the Legislative Finance Committee (LFC), and the Department of Finance and Administration, State Budget Division (DFA-SBD) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the AOC 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 Seventh Judicial District Court
3. Budget hearings are scheduled before the New Mexico House Appropriations and the Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Seventh Judicial District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation 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 DFA – Budget Division and LFC. The budget was amended in a legal manner for the current year.
6. Budget control for expenditures is by category of expenditures and to meet legal compliance cannot exceed the total budget for the fund.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds and Capital Project Fund.
8. Appropriations lapse at the end of the fiscal year except for those amounts properly encumbered for accounts payable. All unused annual appropriation within the General Fund revert to the State General Fund. The Child Support Hearing Officer Fund and Mediation Fund are Special Revenue Funds and are non-reverting funds.

During fiscal year 2005 the General Appropriation Act of 2004 established the modified accrual basis of accounting as the budgetary basis of accounting for the encumbrances at the end of the fiscal year 2005. However, only valid encumbrances (those paid within the deadline set by DFA) are included in the budgetary statements. In addition, the budgetary financial statements include the purchase of capital assets as budgetary expenditures and omit expenditures that are not expected to be paid out of available financial resources. Budgetary financial statements omit revenue included in accounts receivable that is not expected to be received within 60 days following the end of the fiscal year. Thus budgetary comparisons presented in the report for the fiscal year are on the modified accrual basis of accounting. For comparison to the legally adopted budget, revenues and expenditures were adjusted to the budgetary basis.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. *Encumbrances*

Encumbrances follow the modified accrual basis of accounting. Outstanding valid encumbrances are classified as accounts payable if they are normally paid before 30 days after the end of the fiscal year. After this deadline, the agency may still make the expenditure for a prior year accounts payable; however, they must first obtain DFA's permission to pay prior year bills. "Permission to pay prior year bills" is a penalty under law for not paying bills timely. It penalizes an agency by mandating that they charge an expenditure of one fiscal year to the subsequent fiscal year's budget.

F. *Inventory*

The cost of office supply inventory items are recorded as expenditures at the time they are purchased.

G. *Accrued Annual Leave*

Qualified employees accumulate annual leave to a maximum of 240 hours as follows:

<u>Years Of Service</u>	<u>Hours Earned Per Month</u>
1 month - 3 yrs	10
3 yrs - 7 yrs	12
7 yrs - 14 yrs	14
Over 14 yrs	16

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination. Accrued compensable absences payable for accumulated annual leave totaled \$84,986 at June 30, 2011 and \$77,651 at June 30, 2010. Accrued annual leave is recorded as a liability and net changes are recorded as an expenditure in the government-wide financial statements. The fund financial statements and budgetary comparison reports only recognize the compensated absences when payments are made to employees.

H. *Accrued Sick Leave*

Chapter 150, Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours in a fiscal year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at the end of the fiscal year over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability and net changes are recorded as an expenditure in the government-wide financial statements. For fund financial statements and budgetary reporting the expenditure is only recognized when payments are made to employees. The Court had one employee with accumulated sick leave in excess of 600 hours. Accrued sick leave in excess of 600 hours amounted to \$817 at June 30, 2011 and \$810 at June 30, 2010.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies - (Continued)

I. *Capital Assets*

In the government-wide financial statements, fixed 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 are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. The legislature enacted HB 1074 during a recent Legislative Session, changing the "Audit Act" capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000.

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:

Automotive	7 years
Equipment and Machinery	7 years
Furniture and Fixtures	7 years
Software	7 years

In the fund financial statements and budgetary comparisons, capital assets used in governmental fund operation are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The District Court's library is held for education and research, protected, kept unencumbered, preserved, and consists of all individual items with a value less than the capitalization threshold. Therefore the library is not reported as a capital asset.

J. *Intergovernmental Receivables and Deferred Revenue*

Intergovernmental Receivables include amounts due from grantors for grants for specific programs and capital projects. Program grants and capital grants are recorded as receivables and revenues at the time reimbursable projects costs are incurred. Revenues received in advance of project costs being incurred would be deferred revenue.

K. *Due to State General Fund for Reversions*

State General Fund appropriations are reverting appropriations and special revenue funds revenues are non-reverting. State General Fund appropriations that are not encumbered at year end and are not spent by August 31 following the year-end are considered reverting. Reverting amounts are recorded as a payable to the State General Fund and as an "other financing use" at year-end.

L. *Cost of Operations Not Included in Statements*

The local Counties provide the cost of building space and related expenses to the District Court.

M. *Use of Estimates*

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

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. Summary of Significant Accounting Policies - (Continued)

N. *Net Assets or Fund Equity*

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of these classifications is presented in Note 18.

In the government-wide financial statements, fund equity is classified as net assets and is 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 District Court has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net asset with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net or related debt”.

O. *Use of Restricted and Unrestricted Resources*

When both restricted and unrestricted resources are available for use, it is the District Court’s policy to use the restricted resources first. Then unrestricted resources are used as needed.

NOTE 2. PENSION PLAN - Public Employees Retirement Association

Plan Description. Substantially all of the Seventh Judicial District Court’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (PERA) (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Seventh Judicial District Court is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Seventh Judicial District Court are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Seventh Judicial District Court’s contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$153,818, \$168,105 and \$189,953 respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. Retirement Plan (Judicial Branch)

All of the Seventh Judicial District Court Judges 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 accumulating 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 state-wide 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 judge or justice, and who, upon retirement there from, has served as a judge or justice in any combination for net 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 installment from the judicial retirement fund during the remainder of his 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, while in office, contribute 9.0% of their gross salary to the member contribution fund. The District Court contributes 10.5% of the member's gross salary and remits \$38.00 of each civil case docket fee paid into the Judge's Retirement Fund. The Court contributed \$35,354 and remitted \$33,340 in filing fees to the plan during the year ended June 30, 2011 and the judges contributed \$30,303 for a total contribution of \$98,997.

The payroll covered by JRA for the year ended June 30, 2011 was \$336,700.

NOTE 4. Deferred Compensation

The State of New Mexico offers state and local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all state employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in Trust by the State of New Mexico for the benefit of the participants.

The Seventh Judicial District Court and the State of New Mexico do not make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Seventh Judicial District Court have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The Seventh Judicial District 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 premiums 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 .833% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

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

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1, municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee’s annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013, the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	2.292%	1.146%
FY13	2.500%	1.250%

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 Seventh Judicial District Court's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$23,846, \$18,838 and \$19,261, respectively, which equal the required contributions for each year.

NOTE 6. Reconciliation between Government-Wide, Fund and Budgetary

	<u>General Fund #147</u>	<u>Child Support Hearing Officer Fund #522</u>	<u>Mediation Fund #294</u>
Revenues:			
Government-Wide	\$ 2,174,843	\$ 300,933	\$ 8,585
Plus Loss on Disposal of Assets	—	—	—
Fund Revenues and Sources	<u>2,174,843</u>	<u>300,933</u>	<u>8,585</u>
Accounts Receivable	—	—	—
Budgetary Revenues	<u>\$ 2,174,843</u>	<u>\$ 300,933</u>	<u>\$ 8,585</u>
Expenses:			
Government-Wide	\$ 2,194,416	\$ 304,820	\$ 5,533
Less: Depreciation Expense	(41,629)	(8,088)	—
Plus: Capital Asset Additions	23,339	—	—
Less: Accrued Compensable Absences	<u>(1,283)</u>	<u>(6,059)</u>	<u>—</u>
Fund Expenditures	<u>2,174,843</u>	<u>290,673</u>	<u>5,533</u>
Non-Budgeted Expenditures	—	—	—
Budgetary Expenses	<u>\$ 2,174,843</u>	<u>\$ 290,673</u>	<u>\$ 5,533</u>

NOTE 7. Cash and Investments

The appropriations from the State General Fund and other general fund monies are held by the State Treasurer as an Investment in the State Treasurer General Fund Investment Pool. The District Court deposits the Court Clerk's funds directly into an interest bearing bank account in the name of the State Treasurer's Office. The District Court's litigant's fund accounts are held by private financial institutions and in the State of New Mexico Local Government Investment Pool (LGIP) in the name of the State Treasurer and the name of the Seventh Judicial District Court.

A schedule of cash and investments accounts is as follows:

<u>Investments in the State Treasurer General Fund Investment Pool</u>	<u>Agency</u>	<u>SHARE Fund</u>	<u>Fair Value</u>	<u>Investment Maturities Less than 1 Yr</u>
General Fund	237	14700	\$ 172,928	\$ 172,928
Child Support Hearing Officer Fund	237	52200	29,402	29,402
Mediation Fund	237	29400	<u>42,314</u>	<u>42,314</u>
Total Governmental Funds			<u>\$ 244,644</u>	<u>\$ 244,644</u>

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7. Cash and Investments – (Continued)

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2011. The State of New Mexico is the regulatory oversight entity and participation in the pool is voluntary.

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2011, the District Court's investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 36-day WAM.

Agency Funds:

Accounts in the name of Seventh Judicial District Court:

		Bank Balance	Deposits in Transit	Outstanding Checks	Reconciled Balance
First State Bank	Checking	\$ 67,560	\$ —	\$ 1,275	\$ 66,285
First State Bank	Checking	32,328	—	—	32,328
Wells Fargo Bank	Checking	40,224	—	—	40,224
Bank of the Southwest	Checking	71,181	—	—	71,181
Total District Court Accounts		<u>\$ 211,293</u>	<u>\$ —</u>	<u>\$ 1,275</u>	<u>\$ 210,018</u>

Accounts in the name of the State Treasurer

		Bank Balance	Deposits in Transit	Outstanding Checks	Reconciled Balance
State Treasurer	LGIP	\$ 706	\$ —	\$ —	\$ 706
State Treasurer	LGIP	999	—	—	999
State Treasurer	LGIP	1,177	—	—	1,177
State Treasurer	LGIP	11,102	—	—	11,102
State Treasurer	LGIP	973	—	—	973
State Treasurer	LGIP	2,036	—	—	2,036
Wells Fargo Bank	Checking	544	—	—	544
Wells Fargo Bank	Checking	524	—	—	524
Bank of the Southwest	Checking	3,306	—	—	3,306
Total State Treasurer Accounts		<u>\$ 21,367</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 21,367</u>
Total Agency Funds		<u>\$ 232,660</u>	<u>\$ —</u>	<u>\$ 1,275</u>	<u>\$ 231,385</u>

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7. Cash and Investments (Continued)

Section 6-10-16, NMSA 1978 Compilation states that no security is required for the deposit of public money that is insured by the FDIC. One half of public money in excess of the FDIC coverage must have pledged collateral. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution or, (c) collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the government. The Seventh Judicial District Court's deposits were all fully insured by the FDIC and therefore did not have any custodial risk.

The District Court may invest in the following type of investments: (1) Securities of the United States Government; (2) Obligations of the State of New Mexico or any county, municipality, or school district within the State of New Mexico. The District Court did not make any investments during the fiscal year.

The collateral categories below represent only those deposits held by the court, in trust for other parties, and do not include deposits of the District Court's funds held by the State Treasurer. The collateralization of the District Court's funds held by the State Treasurer is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure those deposits.

At June 30, 2011 the Seventh Judicial District Court's agency funds had the following bank accounts:

	First State Bank	Wells Fargo Bank	Bank of the Southwest
Total amounts of deposits	\$ 99,888	\$ 41,292	\$ 74,487
FDIC coverage	(99,888)	(41,292)	(74,487)
Total uninsured public funds	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>—</u>	<u>—</u>	<u>—</u>
Collateral requirement: 50% uninsured public funds	\$ —	\$ —	\$ —
Pledged security	<u>—</u>	<u>—</u>	<u>—</u>
Total under (over) collateralized	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the vent of a bank failure, the District Court's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2011, the carrying amount of these deposits was \$214,392.

NOTE 8. Due to General Fund and Other State Agencies

Due to State General Fund for reversions as of June 30, 2011 are as follows

Reversions for Fiscal Year Ended June 30, 2011	\$ 21,216
Stale Dated Warrants	<u>211</u>
Total Reversion Due to State General Fund	<u>\$ 21,427</u>

Agency Fund: Due to State General Fund for the collection of court costs held in trust to be remitted as of June 30, 2011 amounted to \$4,374. Due to State Treasurer for the interest earned on litigant funds not designated by statute on court order therefore, to be remitted to the State Treasurer as of June 30, 2011 amounted to \$14.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9. Due to Other State Agency – HSD

The Seventh Judicial District Court entered into an agreement with the State of New Mexico Human Services Department (HSD, SHARE Fund #63000) operating through its Child Support Enforcement Division (CSED), which administers a program for child support enforcement in compliance with Title IV-D of the federal Social Security Act. Program funds are recorded as receivables and revenue at the time reimbursable program costs are incurred. Unused program funds are due back to HSD and are recorded as a payable.

Unused Program Funds due back to HSD for Fiscal Year 2006	\$	7,026
Unused Program Funds due back to HSD for Fiscal Year 2007		14,401
Unused Program Funds due back to HSD for Fiscal Year 2008		1,693
Unused Program Funds due back to HSD for Fiscal Year 2009		(1,272)
Unused Program Funds due back to HSD for Fiscal Year 2010		3,355
Unused Program Funds due back to HSD for Fiscal Year 2011		<u>4,201</u>
Total Unused Program Funds due back to HSD as of June 30, 2011	\$	<u>29,404</u>

NOTE 10. Reconciliation of Encumbrances and Accounts Payable

	<u>Total Encumbrances & Accounts Payable</u>	<u>Amounts Not Paid Within DFA Time Limits</u>	<u>Budgetary Basis Encumbrances & Accounts Payable</u>
General Fund (Fund 14700)			
Contractual Services	\$ 36,324	\$ —	\$ 36,324
Other Operating	<u>55,659</u>	<u>—</u>	<u>55,659</u>
Total	<u>91,983</u>	<u>—</u>	<u>91,983</u>
Child Support Hearing Officer Fund (Fund 52200)			
Other Operating	<u>3,351</u>	<u>—</u>	<u>3,351</u>
Total	<u>3,351</u>	<u>—</u>	<u>3,351</u>
Medication Fund (Fund 29400)			
Contractual Services	<u>180</u>	<u>—</u>	<u>180</u>
Total	<u>180</u>	<u>—</u>	<u>180</u>
Total Encumbrances	<u>\$ 95,514</u>	<u>\$ —</u>	<u>\$ 95,514</u>

NOTE 11. Capital Assets

A summary of changes in capital assets and accumulated depreciation is as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital Assets:				
General Fund:				
Furniture, Fixtures, Equipment	\$ 328,018	\$ 23,339	\$ —	\$ 351,357
Automotive	<u>185,807</u>	<u>—</u>	<u>—</u>	<u>185,807</u>
Total General Fund	<u>513,825</u>	<u>23,339</u>	<u>—</u>	<u>537,164</u>
Child Support Hearing Officer Fund:				
Furniture, Fixtures, Equipment	48,090	—	—	48,090
Automotive	<u>20,634</u>	<u>—</u>	<u>—</u>	<u>20,634</u>
Total CSFO Fund	<u>68,724</u>	<u>—</u>	<u>—</u>	<u>68,724</u>
Total Capital Assets	<u>\$ 582,549</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 605,888</u>

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11. Capital Assets (continued)

Less Accumulated Depreciation:				
General Fund:				
Furniture, Fixtures, Equipment	\$ 274,034	\$ 19,716	\$ —	\$ 293,750
Automotive	<u>108,146</u>	<u>21,913</u>	<u>—</u>	<u>130,059</u>
Total General Fund	<u>382,180</u>	<u>41,629</u>	<u>—</u>	<u>423,809</u>
Child Support Hearing Officer Fund:				
Furniture, Fixtures, Equipment	40,391	5,140	—	45,531
Automotive	<u>3,160</u>	<u>2,948</u>	<u>—</u>	<u>6,108</u>
Total CSHO Fund	<u>43,551</u>	<u>8,088</u>	<u>—</u>	<u>51,639</u>
Total Accumulated Depreciation	<u>425,731</u>	<u>49,717</u>	<u>—</u>	<u>475,448</u>
Net Capital Assets	<u>\$ 156,818</u>	<u>\$ (26,378)</u>	<u>\$ —</u>	<u>\$ 130,440</u>

Depreciation Expense was charged to functions as follows:	
General Fund	\$ 41,629
CSHO Fund	<u>8,088</u>
Total Depreciation Expense	<u>\$ 49,717</u>

NOTE 12. Changes in Compensable Absences

A summary of changes in compensable absences is as follows:

	Balance <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2011</u>	Amount Due Within One <u>Year</u>
Accrued Compensable Absences:					
Accrued Annual Leave	\$ 77,651	\$ 79,145	\$ 71,810	\$ 84,986	\$ 84,986
Accrued Sick Leave	<u>810</u>	<u>47,009</u>	<u>47,002</u>	<u>817</u>	<u>817</u>
Total Accrued Compensable Absences	<u>\$ 78,461</u>	<u>\$ 126,154</u>	<u>\$ 118,812</u>	<u>\$ 85,803</u>	<u>\$ 85,803</u>

Accrued Compensable Absences are maintained on a first earned, first used method; therefore, it is expected that all of the accrued compensable absences as of the end of the fiscal year will be used and due within one year. It is also anticipated that all compensable absences will not all be used within the same year as they were earned.

A schedule by activity of Compensable Absences is as follows:

	Balance <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2011</u>
General Fund	\$ 69,024	\$ 103,449	\$ 102,166	\$ 70,307
CSHO Fund	<u>9,437</u>	<u>22,705</u>	<u>16,646</u>	<u>15,496</u>
Total Compensable Absences	<u>\$ 78,461</u>	<u>\$ 126,154</u>	<u>\$ 118,812</u>	<u>\$ 85,803</u>

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13. Net Assets and Fund Balance

Net Assets for Investment in Capital Assets consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The court has no outstanding debt relating to capital assets.

Net Assets Unrestricted consists of the following:

	General Fund	CSHO Fund	Mediation Fund	Total
Unreserved:				
Undesignated	\$ —	\$ 15,496	\$ 42,134	\$ 57,630
Less Accrued Compensable Absences	* (70,307)	(15,496)	—	(85,803)
Net Assets Unrestricted	<u>\$ (70,307)</u>	<u>\$ —</u>	<u>\$ 42,134</u>	<u>\$ (28,173)</u>

* The District Court does not maintain available funds in the General Fund for future payment of these accrued compensable absences. The District Court relies on future State Appropriations to fund the accrued compensable absences as they come due.

NOTE 14. Interagency Transfers

SHARE Fund #	TITLE	TRANSFER	
		IN	OUT
(1) 85300	Department of Finance and Administration	\$ 2,118,700	\$ —
(2) 05200	Human Services Department	300,933	—
(3) 13900	Administrative Office of the Courts	63,105	—
Total		<u>\$ 2,482,738</u>	<u>\$ —</u>

- (1) General Fund Appropriation, Laws of 2010, 2nd Special Session, Chapter 6, Section 4
- (2) Child Support Hearing Officer Appropriation, Laws of 2010, 2nd Special Session, Chapter 6, Section 4
- (3) CASA Program Appropriation, Laws of 2010, 2nd Special Session, Chapter 6, Section 4

NOTE 15. Contingent Liabilities

There are no known contingent liabilities involving the Seventh Judicial District Court.

Risk of Loss

The Seventh Judicial District Court is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees or others; or acts of God. The District Court is insured through Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the state and state agencies; manages fund to provide unemployment compensation, tort liability insurance, workman's compensation, and general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Court would not be liable for more than the annual premiums.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 16. Subsequent Accounting Standard Pronouncements

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan*, which is effective for financial statement periods beginning after June 15, 2011. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which is effective for financial statement periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances.

In December of 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

The requirements in this Statement will improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

NOTE 17. Capital Outlay Appropriation

Pursuant to “Severance Tax Bonds, Laws of 2009, Chapter 125, Section 12”, the District Court was appropriated \$30,000 to furnish and equip the Seventh Judicial District Court in Sierra County. The appropriation period is July 2009 through June 2012. During the year ended June 30, 2010, the District Court expended \$26,223 leaving an unexpended and unencumbered balance of \$3,777. During late 2009, the remaining funds were frozen due to budget shortfalls in the state. If and when the funds are unfrozen, the District Court will spend the remaining balance before June 30, 2012.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 18. Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

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

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Detail relating to the fund balance classifications is displayed below:

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 18. Fund Balance (continued)

	General Fund	Child Support Hearing Officer Fund	Mediation Fund	Total Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ -	\$ -
Restricted for:				
General fund	-	-	-	-
Public Safety	-	15,496	42,134	57,630
Capital projects	-	-	-	-
Assigned to:				
Other capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned:	-	-	-	-
Total fund balances	<u>\$ -</u>	<u>\$ 15,496</u>	<u>\$ 42,134</u>	<u>\$ 57,630</u>

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
AGENCY FUND
JUNE 30, 2011

Statement A-1

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>Socorro-Catron</u>				
<u>Counties Litigant's Fund</u>				
Assets				
Cash in Banks	\$ 66,745	\$ 761,382	\$ 729,514	\$ 98,613
Cash on Deposit - State Treasurer	12,752	2,205	-	14,957
Total Assets	<u>\$ 79,497</u>	<u>\$ 763,587</u>	<u>\$ 729,514</u>	<u>\$ 113,570</u>
Liabilities				
Interest Due to State Treasurer	\$ 15	\$ 92	\$ 98	\$ 9
Deposits held for Litigants	79,482	763,495	729,416	113,561
Total Liabilities	<u>\$ 79,497</u>	<u>\$ 763,587</u>	<u>\$ 729,514</u>	<u>\$ 113,570</u>
<u>Torrance County</u>				
<u>Litigant's Fund</u>				
Assets				
Cash in Banks	\$ 61,725	\$ 27,916	\$ 49,418	\$ 40,223
Cash on Deposit - State Treasurer	-	-	-	-
Total Assets	<u>\$ 61,725</u>	<u>\$ 27,916</u>	<u>\$ 49,418</u>	<u>\$ 40,223</u>
Liabilities				
Interest Due to State Treasurer	\$ -	\$ 16	\$ 18	\$ (2)
Deposits held for Litigants	61,725	27,900	49,400	40,225
Total Liabilities	<u>\$ 61,725</u>	<u>\$ 27,916</u>	<u>\$ 49,418</u>	<u>\$ 40,223</u>
<u>Sierra County</u>				
<u>Litigant's Fund</u>				
Assets				
Cash in Banks	\$ 53,033	\$ 81,849	\$ 63,700	\$ 71,182
Cash on Deposit - State Treasurer	703,757	2,177	703,898	2,036
Total Assets	<u>\$ 756,790</u>	<u>\$ 84,026</u>	<u>\$ 767,598</u>	<u>\$ 73,218</u>
Liabilities				
Interest Due to State Treasurer	\$ 8	\$ 53	\$ 54	\$ 7
Deposits held for Litigants	756,782	83,973	767,544	73,211
Total Liabilities	<u>\$ 756,790</u>	<u>\$ 84,026</u>	<u>\$ 767,598</u>	<u>\$ 73,218</u>

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
AGENCY FUND
JUNE 30, 2011

Statement A-1

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>Total Litigants Fund</u>				
Assets				
Cash in Banks	\$ 181,503	\$ 871,147	\$ 842,632	\$ 210,018
Cash on Deposit - State Treasurer	716,509	4,382	703,898	16,993
Total Assets	\$ 898,012	\$ 875,529	\$ 1,546,530	\$ 227,011
Liabilities				
Interest Due to State Treasurer	\$ 23	\$ 161	\$ 170	\$ 14
Deposits held for Litigants	897,989	875,368	1,546,360	226,997
Total Liabilities	\$ 898,012	\$ 875,529	\$ 1,546,530	\$ 227,011
 <u>County Clerk's Fund</u>				
Assets				
Cash in Banks				
Socorro & Catron Co	\$ 397	\$ 203,197	\$ 203,050	\$ 544
Torrance County	1,167	47,562	48,205	524
Sierra County	1,487	37,529	35,710	3,306
Total Assets	\$ 3,051	\$ 288,288	\$ 286,965	\$ 4,374
Liabilities				
Due to State General Fund	\$ 3,051	\$ 288,288	\$ 286,965	\$ 4,374
Total Liabilities	\$ 3,051	\$ 288,288	\$ 286,965	\$ 4,374
 <u>Total Agency's Fund</u>				
Assets				
Cash in Banks	\$ 184,554	\$ 1,159,435	\$ 1,129,597	\$ 214,392
Cash on Deposit - State Treasurer	716,509	4,382	703,898	16,993
Total Assets	\$ 901,063	\$ 1,163,817	\$ 1,833,495	\$ 231,385
Liabilities				
Deposits held for Litigants	\$ 897,989	\$ 875,368	\$ 1,546,360	\$ 226,997
Due to State General Fund	3,051	288,288	286,965	4,374
Due to State Treasurer	23	161	170	14
Total Liabilities	\$ 901,063	\$ 1,163,817	\$ 1,833,495	\$ 231,385

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COMPLIANCE SECTION

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Griego Professional Services, LLC

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*

Honorable Kevin R. Sweazea
Seventh Judicial District Court
Socorro County Courthouse
Socorro, New Mexico
And
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the supplemental information of the Seventh Judicial District Court, as of and for the year ended June 30, 2011, 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.

Internal Control Over Financial Reporting

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

A 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (FS 10-01) A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Seventh 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The 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 agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 12, 2011

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STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Schedule I

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditors' report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weakness identified?	No
b. Significant deficiency identified not considered to be a material weakness?	Yes
c. Control deficiency identified not considered to be a significant deficiency?	No
d. Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

FS 10-01 – Internal Controls Payroll – Repeated and Revised – Significant Deficiency

Criteria: Per NMSA 6-5-2 all State agencies shall comply with the model accounting practices established by the financial control division, and the administrative head of each state agency shall ensure that the model accounting practices are followed. Additionally, State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law. Per U.S. Citizenship and Immigration Services M-274, if an organization chooses to retain copies of employee I-9 documentation, they must do so for all employees, regardless of national origin or citizenship status.

Condition: During our test work of personnel files, GPS noted the following:

- One out of twelve I-9's reviewed did not include copies of any documents provided as forms of identification

Cause: I-9 documentation was inconsistently retained.

Effect: Inconsistency in retaining I-9 documentation could result in the Court being in violation of the Fair Labor Standards Act.

Auditors' Recommendation: We recommend that the Court implement and enforce policies relating to I-9 documentation retention. We also recommend that the Court periodically review employee files to make sure that I-9s are filled out correctly and have the required supporting documentation attached.

Management's Response: The District Court will ensure that I-9 documentation is properly filled out and retained properly as part of the personnel file. The Court will periodically review employee files for accuracy and completeness.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011

Schedule I

Section III – Prior Year Audit Findings

FS 10-01 – Internal Controls – Payroll Repeated and Revised

Section IV – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Court's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

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

Seventh Judicial District Court

Honorable Kevin R. Sweazea, Chief Presiding Judge Division III
Jason E. Jones, Court Executive Officer
Lilia Romero, Financial Supervisor

Griego Professional Services, LLC

Monica Yaple, CPA