

**State of New Mexico
Eighth Judicial District Court**

**Financial Statements and Schedules
With Independent Auditors Report Thereon**

For the Fiscal Year Ended June 30, 2011

**Joseph M. Salazar CPA
P.O. Box 1744
Española, New Mexico 87532
505-747-2775 Phone/Fax**

INTRODUCTORY SECTION

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

TABLE OF CONTENTS

JUNE 30, 2011

Introductory Section

Table of Contents	ii-iii
Official Roster	iv

Financial Section

Independent Auditor's Report	1-2
Management Discussion and Analysis	3-8

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Assets	9
Statement of Activities	10

Fund Financial Statements

Balance Sheet- Governmental Funds	11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	13
Reconciliation of Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenue and Expenditures Budget and Actual (Budgetary Basis) - Major Governmental Funds	15
Statement of Fiduciary Assets- Agency Funds	16

Notes to the Financial Statements	17-33
Supplementary Information Section	
Schedule of Changes in Assets and Liabilities- Agency Fund	34
Schedule of Operating Transfers	35
Schedule of Deposits and Investments	36
Government Auditing Standards Report	
Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38
Prior Year Findings	39
Exit Conference	40

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

OFFICIAL ROSTER

JUNE 30, 2011

Judges

Honorable John M. Paternoster- Presiding Judge Division 1

Honorable Sarah C. Backus Division 2

Administrative Officials

Jeannette Rael Court Executive Officer

Andres Trujillo Court Financial Manager

FINANCIAL SECTION

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
Española, New Mexico 87532
Phone/Fax 505-747-2775

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

And

Honorable John Paternoster, Presiding Judge
Eighth Judicial District Court
Taos, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Eighth Judicial District Court (Court) as of and for the year ended June 30, 2011 which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the State of New Mexico Eighth Judicial District Court are intended to present the financial position and changes in financial position of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Court. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2011 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Court as of June 30, 2011 and the respective changes in its financial position thereof and the respective budgetary comparisons for the General Fund, Alternative Dispute Resolution Fund and Domestic Relations Mediation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 10, 2011 on our consideration of the Court's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts 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 3 through 8 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquires of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the court's basic financial statements. The accompanying supplementary information listed as schedules in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Joseph M. Salazar, CPA
November 10, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

The Management's Discussion and Analysis (MD&A) for the Eighth Judicial District Court will provide an overview of the Court's activities and programs by (1) evaluating the operating results for the year; (2) assessing its financial position and condition; (3) helping to understand its sources and uses of financial resources; (4) helping to determine if budgets were met; and (5) identifying budget issues or concerns. Finally, the MD&A will provide comparative data from fiscal year 2011 and 2010.

This section provides an analysis of the Court's financial activities based on currently known facts, decisions, or conditions. It also provides an analysis of the Court's overall financial position and results of operations to assist users in assessing whether the financial position has improved or if changes have occurred as a result of the year's activities.

The Court has only one activity, that of Judicial Services which is a governmental activity. The Court does not have any business-type activity or any component units.

AGENCY HIGHLIGHTS

The Eighth Judicial District Court operates under Sections 34-6-1, 34-6-11, and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The district covers Taos, Colfax, and Union Counties and is comprised of two divisions. The Division II Judge is the Chief Judge and is largely responsible for operations in Taos County. Our Division I Judge is responsible for Colfax and Union Counties. The Eighth Judicial District Court funds a variety of support programs to the community. The Mediation Program offers a formal conflict resolution setting rather than litigation. It is a court-mandated process which culminates in a written agreement which is later processed via attorneys through the court system. The Alternative Dispute Resolution (ADR) Program is another way the Court serves the community in resolving disputes in a more cost-effective and informal setting. The DWI Supervision Program provides alcohol screening and treatment for adult offenders. The Taos County community also benefits from the Juvenile, Adult, and Family Drug Court Programs. Colfax County also has a Juvenile and Adult Drug Court Programs. These programs offer treatment and supervision to selected offenders who are identified as having substance abuse issues and could benefit from drug education and treatment. The Domestic Violence Program offers assistance with restraining orders, crisis intervention, and victim advocacy. The Court Appointed Special Advocate (CASA) Program is another support program for the community.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The two government-wide financial statements report information about the Court as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets includes all of the Court's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the Court's net assets and how they have changed. Net assets - the difference between the Court's assets and liabilities - is one way to measure the Court's financial health or position. Over time, increases or decreases in the Court's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide a more detailed look at the Court's significant funds. Funds are accounting devices that the Court uses to keep track of specific sources of funding and spending for a particular purpose. The Court operates on its General Fund Appropriations received from the State Legislature each year. The Court also reports on its agency funds. These funds represent trust responsibilities to litigants and the assets are restricted for that purpose and are not part of the Court's assets. These assets are not presented in any part of the Government-Wide Financial Statements. The funds also present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to the full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements can be found on pages 17 through 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: Below is a summary of the Court's net assets for the fiscal year ending 2011. The Court reports show balances in the following three categories of net assets: (1) invested in capital assets, (2) restricted, and (3) unrestricted. Restricted net assets are created by state statute and are required to be used for the Alternative Dispute Resolution and Domestic Relations Mediation Programs. Unrestricted net assets are negative because it is the government's policy to fund compensated absences payable out of current resources as they become due. See page 9 of this report for a more detailed look at the Statement of Net Assets.

NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current assets	\$270,198	\$370,384
Capital assets	<u>34,173</u>	<u>55,486</u>
Total Assets	304,371	425,870
Current liabilities	160,521	288,782
Other liabilities	<u>0</u>	<u>0</u>
Total Liabilities	160,521	288,782
Net assets:		
Invested in capital assets	34,173	55,486
Restricted	168,091	148,666
Unrestricted	<u>(58,414)</u>	<u>(67,064)</u>
Total Net Assets	\$143,850	\$137,088

Current assets of \$270,198 are comprised of the following: Interest in the State General Fund Investment Pool for the Court’s three funds (Court Regular, Alternative Dispute Resolution (ADR), and the Mediation Fund) in the amount of \$264,674, Petty Cash for \$50, an accounts receivable for the drug court program for \$5,474. A comparison of current assets shows a decrease of \$100,186 over the previous year. This is the result of an increase of \$42,787 in Fund 14800, an increase of fees collected for the ADR and Mediation Funds of \$19,125, an increase of \$1,196 in an accounts receivable and in FY10 there was a \$163,294 distribution from a severance tax bond for the Colfax County Courthouse. The decrease to capital assets of \$21,313 is just the accumulated depreciation expense for FY11 since there were no capital asset purchases. Total assets decreased by \$121,499 as explained above.

Total current liabilities decreased by \$128,261 primarily due to a reduction of \$117,916 in accounts payable caused by the furniture purchases for the new Colfax County courthouse the previous year and the net difference of \$10,345 for the payroll payables, compensated absences and the reversion. Total net assets for FY11 increased by \$6,762 over FY10's end of year balance.

Statement of Activities: The following represents the revenues and expenses for fiscal year 2011. See page 10 for a more detailed look at the Statement of Activities.

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues		
Charges for services and court fees	46,097	49,770
General revenues		
State General Fund Appropriation (net of reversions)	<u>2,604,332</u>	<u>2,974,015</u>
Total Revenues	2,650,429	3,023,785
Expenses:		
Judicial	<u>2,643,667</u>	<u>2,990,139</u>
Change in net assets	6,762	33,646
Net assets – Beginning	<u>137,088</u>	<u>103,442</u>
Net assets - Ending	\$143,850	\$137,088

In FY11, total revenues decreased by \$373,356 over the previous year. The majority of the decrease can be attributed to a decrease to charges for services and court fees of \$3,673, a decrease to the General Fund of \$186,700, a decrease to the CASA Program of \$12,943, an increase to a drug court grant of \$13,679, a decrease to the severance tax bond of \$154,821 and a net change to this year's reversion by \$28,898. Expenditures for FY11, decreased by \$346,472 due primarily to the purchases made for the new Colfax County Courthouse in FY10 and less general fund appropriations in FY11. The change in net assets is the result of the collective results of revenues received, expenditures made, and liabilities recorded in FY11.

FUND FINANCIAL ANALYSIS

Government Funds: The focus of the Court's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. For the current year the Court had three governmental funds, the General Fund, the Alternative Dispute Resolution Fund, and the Domestic Relations Mediation Fund. As of year end, the General Fund reported a fund balance of \$50. This balance is due to the petty cash account. The General Fund is a reverting fund and any remaining balances excluding the petty cash account must be reverted back to the State General Fund. The Alternative Dispute Resolution (ADR) and the Domestic Relations Mediation (Med) Funds reported fund balances of \$113,050 and \$55,041, respectively. The revenues generated for the ADR and Mediation Funds come from fees collected from civil and domestic filing fees at \$15 and \$30, respectively. These funds are reserved for expenditure on the programs in future years and are not revertible.

BUDGETARY COMPARISONS

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules present both the original and the appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government's budgetary basis. As required by the Office of the State Auditor under 2.2.2 NMAC, the budgetary comparison statement is included herein. The information is provided at the approved budget level to demonstrate compliance with legal requirements. On the revenue side of Fund 14800 the overall variance was \$8,915. This was the result of \$15,000 that was budgeted for the Domestic Violence Program but no revenue was received or collected from the Town of Taos or from Taos County. Each year a budget is established for the revenue generated from the collection of copy and tape duplication fees. This year the budget was established at \$26,000.00 with collections of \$23,612 for a variance of \$2,388. The Court received \$8,473 in severance tax bond funding for the Colfax County Courthouse. On the expenditure side a variance of \$48,652 is reflected, but once the reversion is processed all that will remain will be the \$50 for the petty cash account. Revenues collected in the Alternative Dispute Resolution Fund were \$14,055 with a variance of \$945 and no expenditures were made against this fund. Revenues collected in the Court Mediation Fund were \$8,430 with a variance of \$6,570 with \$3,060 in expenditures made against this fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The Court's investment in capital assets for its government activities as of 30 June 2011 amounts to \$34,173 (net of accumulated depreciation). This investment in capital assets consists of a collection of library books, office furniture and equipment, and vehicles. There were no major capital asset transactions during the current year, however, there were deletions totaling \$439,042 due to equipment deletions in Taos and Colfax Counties and the disposition of the majority of the Colfax County law library books. These deletions are the result of both courthouses moving into new courthouses. Additional information on the Court's capital assets can be found in on pages 20, 21, and 28 of this report.

Long-Term Debt At the end of the current fiscal and prior year, the Court had no long-term debt outstanding. All of the Court's compensated absences for the current year were considered to be current liabilities instead of long term. Additional information on the Court's long-term debt can be found on page 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As reflected in the Statement of Activities, total revenues to operate the Court and its programs was \$2,604,332. Due to the economic woes of the State, there were budget reductions imposed on all state agencies. The judiciary as a whole had to contribute 3.245% of their budgets. This represented a cut of \$84,700 to the Court's General Fund. The Court also had to cover a severe shortfall in the personal services and employee benefits category. This shortfall was the result of personnel actions that took place in FY08 and were not funded in FY09, FY10 and FY11, coupled with reduced appropriations in that category. The shortfall and budget reductions were absorbed from all three categories. Additionally, the Court received grant funds in the amount of \$47,091 for the Drug Court Programs and \$8,473 in severance tax bonds for the new courthouse in Colfax County. Despite the budget reductions the Court met all of its financial obligations for FY11. In FY12, the Court is going to experience the same financial situations in the form of budget shortfalls and reduced appropriations as the previous year. The Court has about a \$55,000 shortfall in personal services and employee benefits. The shortfall will be resolved by leaving the bailiff position in Colfax County vacant and cutting some contractual services. The FY13 Appropriation Request was submitted for \$2,613,500.00 (General Fund) with an additional \$51,200.00 request to increase base to fund the vacant bailiff position in Colfax County and to cover some of the shortfall in personal services and employee benefits. Additionally, \$32,200 from the Liquor Excise Tax Fund (LETf) for drug court programs and \$275,300 in capital outlay for office equipment was requested for the new Taos County courthouse and in Colfax County. Aside from these changes the Court does not expect any other significant changes in next year's operations and budget.

REQUESTS FOR INFORMATION

The purpose of this financial report is to provide the general public and other interested parties with a general overview of this Court's finances and accountability of funds. Questions concerning this report or requests for additional information should be addressed to the Eighth Judicial District Court, 105 Albright Street, Suite N, Taos, NM 87571.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
STATEMENT OF NET ASSETS
June 30, 2011**

ASSETS	Governmental Activities
Investment with the state treasury	\$ 264,674
Petty cash	50
Due from external parties	5,474
Total current assets	<u>270,198</u>
Non Current Assets	
Capital Assets	
Library	63,301
Property, plant and equipment	255,738
Less accumulated depreciator	<u>(284,866)</u>
Total capital assets, net of depreciator	<u>34,173</u>
Total non current assets	<u>34,173</u>
Total Assets	<u><u>\$ 304,371</u></u>
LIABILITIES	
Current liabilities	
Account payable	\$ 16,848
Accrued payroll	45,472
Due to State General Fund-Reversior	39,737
Compensated absences-current	58,464
Total current liabilities	<u>160,521</u>
NET ASSETS	
Invested in capital assets	34,173
Restricted for:	
Alternative dispute resolution	113,050
Domestic relations mediator	55,041
Unrestricted defici	<u>(58,414)</u>
Total net assets	<u>143,850</u>
Total liabilities and net assets	<u><u>\$ 304,371</u></u>

The accompanying notes are an integral part of the financial statement.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

**Governmental
Activities**

Expenses

Judicial:	
Administrative expense	\$2,622,353
Depreciation expense	21,314
Total program expenses	2,643,667

Program revenues

Charges for services	23,612
Court fees	22,485
Net program expenses	(2,597,570)

General revenues and transfers:

State general fund appropriations	2,525,400
Casa appropriation from AOC	63,105
Drug court appropriation from AOC	47,091
Severance tax bond	8,473
State general fund reversior	(39,737)
Total general revenues and transfers	2,604,332

Changes in net assets	6,762
Net assets-beginning of year	137,088
Net assets -ending of year	\$143,850

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

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

ASSETS	General Fund	Alternative Dispute Resolution Fund	Domestic Relations Mediation Fund	Total Governmental Funds
Investment with the state treasurer	\$ 96,583	\$ 113,050	\$ 55,041	\$ 264,674
Petty cash	50	-	-	50
Due from other state agencies	5,474			5,474
Total Assets	<u>\$ 102,107</u>	<u>\$ 113,050</u>	<u>\$ 55,041</u>	<u>\$ 270,198</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Account payable	\$ 16,848	\$ -	\$ -	\$ 16,848
Accrued payroll	45,472	-	-	45,472
Due to State General Fund-Reversior	39,737	-	-	39,737
Total Liabilities	<u>102,057</u>	<u>-</u>	<u>-</u>	<u>102,057</u>
Fund Balances				
Unassigned- petty cash	50	-	-	50
Restricted				
Alternative dispute resolution	-	113,050	-	113,050
Domestic relations mediator	-	-	55,041	55,041
Total Fund Balances	<u>50</u>	<u>113,050</u>	<u>55,041</u>	<u>168,141</u>
Total Liabilities and Fund Balances	<u>\$ 102,107</u>	<u>\$ 113,050</u>	<u>\$ 55,041</u>	<u>\$ 270,198</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2011

Total fund balances for governmental funds		\$ 168,141
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Library	\$ 63,301	
Property, Plant & Equipment	255,738	
Accumulated depreciation	<u>(284,866)</u>	
Total capital assets		\$ 34,173
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	\$ 58,464	
Total liabilities		\$ (58,464)
Net Assets of Governmental Activities		<u>\$ 143,850</u>

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

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
STATEMENT REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	General Fund	Alternative Dispute Resolution Fund	Domestic Relations Mediation Fund	Total Governmental Funds
REVENUES				
Court fees	\$ -	\$ 14,055	\$ 8,430	\$ 22,485
Charges for services	23,612	-	-	23,612
Total Revenues	<u>23,612</u>	<u>14,055</u>	<u>8,430</u>	<u>46,097</u>
EXPENDITURES				
Current				
Judicial				
Personal services and employee benefit	1,695,623	-	-	1,695,623
Contractual services	804,986	-	3,060	808,046
Other costs	127,335	-	-	127,335
Total Expenditures	<u>2,627,944</u>	<u>-</u>	<u>3,060</u>	<u>2,631,004</u>
Excess (Deficiency) of Revenue over Expenditure	<u>(2,604,332)</u>	<u>14,055</u>	<u>5,370</u>	<u>(2,584,907)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out:				
Reversions to the State General Fund FY 2011	(39,737)	-	-	(39,737)
Transfers in:				
State Appropriations-regular	2,525,400	-	-	2,525,400
Casa appropriation from AOC	63,105	-	-	63,105
Drug court grant from AOC	47,091	-	-	47,091
Severance tax bonds-Colfax	8,473	-	-	8,473
Total other Financing Sources (Uses)	<u>2,604,332</u>	<u>-</u>	<u>-</u>	<u>2,604,332</u>
Net Changes in Fund Balances	-	14,055	5,370	19,425
Fund Balances-Beginning of Year	50	98,995	49,671	148,716
Fund Balance-End of Year	<u>\$ 50</u>	<u>\$ 113,050</u>	<u>\$ 55,041</u>	<u>\$ 168,141</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balance – total governmental funds		\$ 19,425
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlay	\$ -	
Depreciation expense	<u>(21,313)</u>	
Excess of depreciation expense over capital outlay		(21,313)
Expenses recognized in the Statement of Activities.		
Not reported in governmental funds- decrease in compensated absences		8,650
Changes in Net Assets of Governmental Activities		<u>\$ 6,762</u>

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

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
STATEMENT REVENUE AND EXPENDITURES- BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
For Year Ended June 30, 2011**

	GENERAL FUND			
	Budget Amounts		Actual	Variance with
	<u>Orginal</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
State appropriation	\$ 2,610,100	\$ 2,525,400	\$ 2,525,400	\$ -
Local governments	15,000	15,000	-	(15,000)
Other financing sources	80,000	90,458	90,458	-
Intra-state wts-federal grants	-	19,738	19,738	-
Severance tax appropriation	11,706	11,706	8,473	(3,233)
Other revenue	26,000	26,000	23,612	(2,388)
Total Revenues	<u>\$ 2,742,806</u>	<u>\$ 2,688,302</u>	<u>\$ 2,667,681</u>	<u>\$ (20,621)</u>
Expenditures				
Administrative Services:				
Personal services & employee benefit:	\$ 1,658,000	\$ 1,725,200	\$ 1,695,623	\$ 29,577
Contractual services	960,400	823,312	804,986	18,326
Other costs	112,700	128,084	118,862	9,222
Capital outlay-colfax	11,706	11,706	8,473	3,233
Total Expenditures	<u>\$ 2,742,806</u>	<u>\$ 2,688,302</u>	<u>\$ 2,627,944</u>	<u>\$ 60,358</u>
	SPECIAL REVENUE			
	ALTERNATIVE DISPUTE RESOLUTION FUND			
	Budget Amounts		Actual	Variance with
	<u>Orginal</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Court Fees	\$ 15,000	\$ 15,000	\$ 14,055	\$ (945)
Fund Balance	98,995	98,995	-	98,995
Total Revenue	<u>\$ 113,995</u>	<u>\$ 113,995</u>	<u>\$ 14,055</u>	<u>\$ (99,940)</u>
EXPENDITURES				
Contractual Services	<u>\$ 113,995</u>	<u>\$ 113,995</u>	<u>\$ -</u>	<u>\$ 113,995</u>
	SPECIAL REVENUE			
	COURT MEDIATION FUND			
	Budget Amounts		Actual	Variance with
	<u>Orginal</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Court Fees	\$ 15,000	\$ 15,000	\$ 8,430	\$ (6,570)
Fund Balance	55,041	55,041	-	(55,041)
Total Revenue	<u>\$ 70,041</u>	<u>\$ 70,041</u>	<u>\$ 8,430</u>	<u>\$ (61,611)</u>
EXPENDITURES				
Contractual Services	<u>\$ 70,041</u>	<u>\$ 70,041</u>	<u>\$ 3,060</u>	<u>\$ 66,981</u>

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

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
STATEMENT OF FIDUCIARY ASSETS & LIABILITIES- AGENCY FUNDS
June 30, 2011**

ASSETS	AGENCY FUNDS
Cash and cash equivalents	
Cash on deposit	607,385
Total assets	<u>\$ 607,385</u>
LIABILITIES	
Payable to external parties	607,385
Total liabilities	<u>\$ 607,385</u>

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Eighth Judicial District Court operates under Section 34-6-1, 34-6-11 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Eighth Judicial District Court covers Taos, Colfax and Union Counties. The District Court is comprised of two divisions as authorized in the above sections. The District Court is the State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases which are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

These financial statements include all funds and activities over which the Court's has oversight responsibility. The District Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primarily accountability for fiscal matters. Additionally, the Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. However, New Mexico does not at present, issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The court has no component units that are required to be reported in its financial statements.

The Court applies Government Accounting Standards Board (GASB) pronouncements as well as relevant pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB Pronouncements.

The accounting policies of the Eighth Judicial District Court conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Court's significant accounting policies follows:

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting- GASB Statement No. 34

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

B. Basis of Presentation – Fund Accounting

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the court, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amounts. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation – Fund Accounting (continued)

This presentation is deemed appropriate to (a) demonstrate legal compliance. (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Court's actual experience confirms to the budget of fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented on the page following each fund statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the government-wide presentation.

Government-Wide Financial Statements

The Court's fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements. Interfund receivable and payables have been eliminated in the government wide financial statements.

When an expense is incurred for purpose for which both restricted and unrestricted net assets are available, the Court first uses restricted resources then unrestricted resources.

The accounts of the Court are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Court:

Governmental Funds

General Fund – The General Fund is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The SHARE number and description of the General Fund is #14800 – Court Regular.

Special Revenue Funds – Account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for operations of the Court.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation – Fund Accounting (continued)

Court Mediation - The District has established a domestic relations mediation program pursuant to Section 5 (40-12-5 NMSA, 1978 Comp.) 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 Comp.) of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 (40-12-6, NMSA, 1978 Comp.) of the Act. The Mediation Fund is a special revenue fund and is non-reverting per state statute 40-12-6. The SHARE number of the Mediation Fund is #92600. The court considers this fund a major fund.

Alternative Dispute Resolution – The District has also established an alternative dispute resolution program pursuant to Section 34-6-45, NMSA, 1978 Comp. The purpose of the program is to resolve disputes through alternative means, including, but not limited to, arbitration, mediation and settlement mediation. To finance the cost of the program, the Court charges a \$15 fee on all new and reopened cases. In accordance with Section 34-6-44, NMSA, 1978 Comp., the fee is deposited into the alternative dispute resolution fund. The fund is a special revenue fund and is non-reverting per state statute 34-6-44. The SHARE number is #08400. For purposes of financial statement presentation the fund is considered a major fund.

Fiduciary Funds

Agency Funds - The agency fund is used to account for assets held by the Court in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds as a result of fees collected by statute or as part of amounts litigant's deposits with the court. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Share number for the agency funds is #96730.

C. Assets, Liabilities and Equity

Investment with the State Treasurer

The Court's cash and cash equivalents are demand deposits with the State Treasurer.

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Assets, Liabilities and Equity(continued)

Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated.

Section 12-6-10 NMSA 1978 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated.

Capital Assets

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture and Equipment	5 years
Automotive	5 years
Library books	1 year

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

Long-Term Liabilities

Compensated Liabilities

The Court's policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current and noncurrent liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Fund Balance

Government-Wide Statements

Fund balance is classified as net assets and displayed in three components:

1. Invested in capital assets, consists of capital asset net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Assets, Liabilities and Equity(continued)

3. Unrestricted net assets are all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned depending on the constraints that control how the Board can spend the amounts.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Budgets and Budgetary Accounting

The Eighth Judicial District Court follows these procedures in establishing the budgetary data reflected in the financial statements.

1. No later than September 1, the Eighth Judicial District Court submits to the Judicial Budget Committee (JBC), the Legislative Finance Committee (LFC) and the Department of Finance and Administration an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBC. Recommendations are made by the JBC to the Supreme Court for their approval. The Supreme Court approved appropriation request then are submitted to the Legislature as the Supreme Court’s recommended appropriation request for the Eighth District.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Budgets and Budgetary Accounting(continued)

5. The Eighth Judicial District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA – Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the JBC and the director of the DFA - Budget Division. The current year budget was revised in a legal manner.
6. Legal budget control for expenditures and encumbrances is by appropriation unit.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
8. The budget for the Governmental Funds is adopted on a basis consistent with generally accepted accounting principles (GAAP) and the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget. Under the modified accrual basis of accounting, encumbrances are excluded from budgeted expenditures. Budgetary comparisons presented for these funds in this report are on that basis. Therefore there are no differences between the budget basis and fund financial statements because both are reported on the modified accrual basis.
9. Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.

E. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative, however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Compensated Absences Payable (continued)

Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements. The court has typically used general fund resources to liquidate compensated absences in the past.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Eighth District Court allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Interfund Activity

Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. Then agency fund (fiduciary fund type) collects fees that are designated for use by the Special Revenue funds. The interfund balance at year end was \$ 0.

H. Program revenues

Program revenues consist of charges for tapes and copies of court proceedings, court fees and grants from local governments. Grant revenue is recognized when all of the eligibility requirements are met.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER

The Court has deposits with the New Mexico State Treasurer. These monies are held on deposit with the State Treasurer and are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits. Cash on deposit with the State Treasurer at year end is as follows:

<u>Fund</u>	<u>Book Balance</u>
Operating account	\$ 96,583
Alternative Dispute Resolution	113,050
Mediation	55,041

The court has cash on deposit with the State Treasurer in the General Fund Investment Pool (GFIP) except the \$50 petty cash fund that is administered by Court. The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Section 6-10-10.I through O NMSA 1978 as amended. The State Treasurer, with the advice and consent of the state board of finance can invest money held in demand deposits and not immediately needed for the operations of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies that are either direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government.
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or its agencies or by other securities backed by the United States or its agencies or instrumentalities having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- (c) Contracts for the temporary exchange of state owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or cash equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER (continued)

The collateral required shall be delivered to the fiscal agent of New Mexico or the designee simultaneously with the transfer of funds, no later than the same day the state-owned securities are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.

- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated “prime” quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalents by a nationally recognized rating service.
- (e) Shares of an open-ended diversified investment company that is registered with the United States securities and exchange commission, complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, or the United States securities and exchange commission applicable to money market mutual funds; and assesses no fees pursuant to Rule 12b-1, or any successor rule, on sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, provided that the state shall not, at any time, own more than five percent of a money market mutual fund’s assets.
- (f) Individual common or collective trust funds of banks or trust companies that invest in U.S, fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less that five percent of the assets of the individual, common or collective trust fund.

Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER (continued)

For additional disclosures information regarding the investment in the State Treasurer’s GFIP, the reader should see the separate audit report for the State Treasurer’s for the fiscal year ended June 30, 2011, review the State Treasurer’s Investment Policy at Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements and Custodial Bank Requirements.

(3) COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized.

Collateralization of the Court’s bank deposits is as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Agency Funds:		
First Community Bank of Taos	233,781	233,781
First Community Bank of Taos	42,508	42,508
International Bank	47,791	47,791
Farmers & Stockman’s Bank	283,305	283,305
Farmers & Stockman’s Bank	-	-
Centinel Bank of Taos	-	-
Total Agency Funds	<u>607,385</u>	<u>607,385</u>
Less: FDIC coverage or NCUSIF Coverage	<u>(547,791)</u>	
Total uninsured public funds	59,594	
50% collateral requirement (Section 6-10-17, NMSA 1978)	29,797	
Pledged Security	<u> *</u>	

* Details of pledged collateral specific to the Court held by the Bank’s are unavailable because the bank’s commingles pledged collateral for all state funds it holds. However the New Mexico State Treasurer’s Office Collateral Bureau monitors pledged collateral for all state funds held by the court in such “authorized” bank accounts.

Custodial Credit Risk – Deposit

Custodial credit risk is the risk that in the event of a bank failure, the court’s deposits may not be returned to it. The court does not have a policy for custodial credit risk. As of June 30, 2011, \$59,594 was exposed to custodial credit risk.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(4) CAPITAL ASSETS

GOVERNMENTAL ACTIVITIES

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Cost</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Furniture & Equipment	\$227,479	\$ -	\$39,169	\$188,310
Automotive	67,428	-	-	67,428
Library	463,174	-	399,873	63,301
Total	<u>758,081</u>	<u>-</u>	<u>439,042</u>	<u>319,039</u>
 <u>Accumulated Depreciation</u>				
Furniture & Equipment	\$(185,457)	(12,102)	\$39,169	\$(158,390)
Automotive	(53,963)	(9,212)	-	(63,175)
Library	(463,174)	-	399,873	(63,301)
Total	<u>(702,595)</u>	<u>(21,314)</u>	<u>439,042</u>	<u>(284,866)</u>
 Net Capital Assets	 <u>\$ 55,487</u>	 <u>\$ (21,314)</u>	 <u>\$ -</u>	 <u>\$ 34,173</u>

Current year depreciation expense is \$21,314 charged to judicial function.

(5) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Annual Leave	\$ 65,162	72,799	(81,327)	56,634	56,634
Sick Leave	<u>1,952</u>	<u>3,040</u>	<u>(3,163)</u>	<u>1,829</u>	<u>1,829</u>
 Total	 <u>\$ 67,114</u>	 <u>\$77,374</u>	 <u>\$(59,690)</u>	 <u>\$72,151</u>	 <u>\$72,151</u>

The Court's general fund is used to pay compensated absences.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(6) OPERATING LEASES

The Eighth Judicial District Court has the following leases which can be terminated, with no penalty to the Court, if the Legislature does not appropriate money to the Court:

Four leases for four copiers were entered into on June 16, 2008 which required 48 monthly payments of \$221, \$228, \$142 and \$305. .

Three leases for three mailing machines were entered into on July 1, 2010 which required monthly payments of two at \$110 and the other for \$58.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2011, for each of the next five years and in the aggregate are:

June 30, 2012	14,105
June 30, 2013	3,336
June 30, 2013	<u>3,336</u>
Total	<u>\$20,777</u>

Total lease payments for 2011 were \$14,105.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(7) PERA RETIREMENT PLAN

Plan Description

Substantially all of the Eight Judicial District Court's full-time employees participate in a public retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits survivor benefits and cost-of-living adjustments to plan 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, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Eighth Judicial District Court is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Eight Judicial District Court are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Eighth Judicial District Court's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$223,533, \$234,909 and \$205,455 respectively, which equal the amount of the required contributions for each fiscal year.

(8) JRA RETIREMENT PLAN

Substantially all of the Eighth Judicial District Court's Judges or Justices participate in a public employees retirement system authorized under the Judicial Retirement Act. The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issued a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Funding Policy

Plan members are required to contribute 9% of their gross salary. The Eighth Judicial District Court is required to contribute 10.5% of the gross covered salary. The Eighth Judicial District Court's contributions to JRA for the years ending June 30, 2011, 2010 and 2009 were \$21,999, \$23,834, and \$27,118 respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(8) JRA RETIREMENT PLAN (continued)

In addition to the above, the Court remits \$38 for each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$51,381 in filing fees for the year ending June 30, 2011.

(9) DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan 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.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Eighth Judicial District Court nor the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Eighth Judicial District Court have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

(10) Post Employment Benefits- State Retiree Health Care Plan

Plan Description

The Eighth Judicial District Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefits 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 the event the time period required for employee and employer

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(10) RETIREE HEALTH CARE ACT CONTRIBUTION (continued)

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 premiums 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 and additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website.

The Retiree Health Care Act (Section 10-7C NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.66% of each participating employee's annual salary; each participating employee is required to contribute .833% of their salary. 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 Eighth Judicial District Court's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$20,795, \$16,227, and \$15,808, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

(11) RISKS OF LOSS

The Court obtains coverage through Risk Management Division of the State of New Mexico General Service Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. This coverage's are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of \$5,000,000 coverage limit with a \$1,000 deductible per occurrences by the State of New Mexico for the period July 1, 2010 through June 30, 2011.

(12) Deficit Net Assets

GASB#34 requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in an unrestricted net asset deficit of 58,414. This deficit is created by compensated absence liabilities which will be paid from subsequent years State General Fund Appropriations.

(13) Due to/Due From

	Purpose	Due From	Due To
General Fund –Court regular- Fund 14800			
Due from other state agency fund (AOC)	Grant reimbursement	\$5,474	\$ -
Due to State General Fund-	Reversion	<u>-</u>	<u>39,737</u>
		<u>\$5,474</u>	<u>\$39,737</u>

(14) Memorandum of Understanding

The Court entered into a Memorandum of Understanding (MOU) with the Administrative Office of the Courts (AOC) on November 1, 2009 and terminated June 30, 2011. The purpose of the MOU are to provide treatment and counseling to drug dependent adults and juvenile offenders, who are in the criminal justice system due to drug related charges, with the aim of eliminating their substance abuse. The Court received \$41,617 and expended \$47,091 and had a due from the AOC of \$5,474 as of June 30, 2011. The responsible party for the operations is the Court. The fiscal agent is the AOC. The AOC is the government agency where revenues and expenditures are reported. The audit responsibility is with the Fiscal Services Division of the AOC.

(15) Severance Tax Bond Appropriation

The Court received an appropriation of \$175,000 pursuant to the State of New Mexico Laws of 2009, Chapter 125, Section 13 to furnish and equip the Court in Colfax County. The Court has expended \$171,767 as of June 30, 2011. The Court had a balance of \$3,233 available at June 30, 2011. The reversion on this appropriation is June 30, 2012.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2011**

Assets	Beginning Balance	Additions	Deletions	Ending Balance
State Treasurer Accounts	\$ -	\$ 236,102	\$ 236,102	\$ -
Cash in Bank	495,341	642,601	530,558	607,384
Trust Accounts	\$ 495,341	\$ 878,703	\$ 766,660	\$ 607,384
LIABILITIES				
Due to Litigants	\$ 495,341	\$ 642,601	\$ 530,558	\$ 607,384
Due to Other State Agencies	-	157,643	157,643	-
Due to District Court General Fund	-	32,362	32,362	-
Due to State General Fund	-	23,612	23,612	-
Due to Mediation Fund	(90)	8,520	8,430	-
Due to Alternative Dispute Resolution Fund	90	13,965	14,055	-
	<u>\$ 495,341</u>	<u>\$ 878,703</u>	<u>\$ 766,660</u>	<u>\$ 607,384</u>

See Auditor's Report

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
SCHEDULE OF OPERATING TRANSFERS**

For the Year Ended June 30, 2011

SHARE FUND	TITLE	TRANSFER IN	TRANSFER OUT
1	85300 Department of Finance and Administration	2,525,400	
2	13900 Administrative Office of the Courts	63,105	
3	13900 Administrative Office of the Courts	4,804	
4	13900 Administrative Office of the Courts	14,934	
5	13900 Administrative Office of the Courts	27,353	
6	85300 Department of Finance and Administration		39,737
7	14800 DFA Severance Tax Bond (Capital Outlay)	8,473	

- 1 General Fund Appropriation Laws of 2010 2nd SS, Chapter 6, Section 9 (c)
- 2 CASA program appropriation Laws 2010 Chapter 6 Section 4
- 3 Drug Court Grant Laws 2010 2nd SS Chapter 6 Section 6-3-23 (D) NMSA 1978
- 4 Drug Court Grant Laws 2010 2nd SS Chapter 6 Section 6-3-23 (3H) NMSA 1978
- 5 Drug Court Grant Laws 2010 2nd SS Chapter 6 Section 6-3-23 (H) NMSA 1978
- 6 Reversion to State General Fund
- 7 State of New Mexico Chapter 5,125 and 128, Laws 2009, Chapter 92, Laws of 2008 Chapter 334, Laws 2007 Chapter 3, Laws 2007

All of the above transfers were made to the District Court's general fund SHARE Fund # 14800 except for the reversion out to the State General Fund

See Auditor's Report

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS**

June 30, 2011

	Book Balance	Bank Balance
GENERAL FUND		
New Mexico State Treasurer (Checking)	<u>\$ 96,583</u>	
SPECIAL REVENUE FUND		
New Mexico State Treasurer-Alternative Dispute Resolution (Checking)	113,050	
New Mexico State Treasurer-Mediation (Checking)	55,041	
Total Special Revenue Funds (Checking)	<u>\$ 168,091</u>	
AGENCY FUND		
First Community Bank		
State of New Mexico District Court-Litigant Account (Checking)	\$ 42,508	\$ 42,508
State of New Mexico District Court Clerk (Checking)	233,781	233,781
Centinel Bank of Taos		
New Mexico State Treasurer Eighth Judicial District Court (Checking)	-	-
International Bank		
8th Judicial District Court Trust Account (Checking)	47,791	47,791
Wells Fargo Bank		
New Mexico State Treasurer-8th Judicial State of New Mexico (Checking)	-	-
Farmers & Stockman's Bank		
8th Judicial District Court Trust (Checking)	283,305	283,305
State Treasury 8th Judicial District Court (Checking)	-	-
TOTAL AGENCY FUND	<u>\$ 607,385</u>	<u>\$ 607,385</u>

(1) all accounts are checking accounts

See Auditor's Report

JOSEPH M. SALAZAR, CPA
P.O. Box 1744
Espanola, New Mexico 87532
505-747-2775

**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**

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

And

Honorable John Paternoster, Presiding Judge
Eighth Judicial District Court
Taos, New Mexico

We have audited the financial statements of the governmental activities, major fund, the respective budgetary comparisons and the aggregate remaining fund information of the State of New Mexico, Eighth Judicial District Court (Court) as of and for the year ended June 30, 2011 which collectively comprise the Court's basic financial statements and have issued my report thereon dated November 10, 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 Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the court's internal control over financial reporting.

A 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 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 Court's financial statements sequential will not be prevented or detected and corrected on a timely basis..

Our consideration of the 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 considered to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Joseph M. Salazar, CPA
November 10, 2011

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
PRIOR YEAR FINDINGS
June 30, 2011**

No prior year findings

Financial Statement Preparation

The financial statements, notes to the financial statements and schedules were prepared by the District Court's Financial Manager. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. District court has personnel that are knowledgeable and experienced in the preparation, review and approval of financial statements.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
June 30, 2011**

The contents of this report were discussed at an exit conference held on November 10, 2011.
Those attending were as follows:

Eighth Judicial District Court

Honorable Sarah C. Backus, Chief Judge

Jeannette Rael, Court Executive Officer

Andres Trujillo, Court Financial Manager

Gayle Harvey, Financial Specialist Senior

Independent Auditor

Joseph M. Salazar, CPA