

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

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2008**

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NINTH JUDICIAL DISTRICT COURT  
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**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
DIRECTORY OF OFFICIALS  
JUNE 30, 2008**

***JUDGES***

Honorable Stephen K. Quinn	Division I
Honorable Drew D. Tatum	Division II
Honorable Teddy L. Hartley	Chief Judge, Division III
Honorable Robert S. Orlik	Division IV
Honorable David P. Reeb	Division V

***ADMINISTRATIVE OFFICIALS***

Louis Moore	Court Executive Officer
Orlando Ulibarri	Deputy Court Executive Officer
Jo Ann Tootikian	Chief Financial Officer

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
[www.fierrocpa.com](http://www.fierrocpa.com)Independent Auditors' Report

Hector Balderas, State Auditor  
and  
Honorable Teddy L. Hartley, Chief Judge  
State of New Mexico, Ninth Judicial District Court  
Clovis, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the state of New Mexico, Ninth Judicial District Court (District Court), as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements as listed in the table of contents. We have also audited the financial statements of the District Court's nonmajor governmental fund presented as supplementary information in the accompanying individual fund financial statements as of, and for the year ended, June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the 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 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 District Court are intended to present the financial position and the 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 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, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

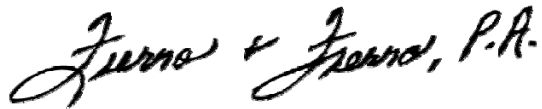
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District Court, as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the nonmajor governmental fund of the District Court, as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparison for the nonmajor fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of the 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 four through twelve 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, the individual fund financial statements, and the budgetary comparisons. The accompanying schedule of changes in assets and liabilities and the cooperative agreement listed as other supplemental financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and the other opinion units listed above. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and the other opinion units listed above and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements and the other opinion units listed above, taken as a whole.



Fierro & Fierro, P.A.  
Las Cruces, New Mexico

November 21, 2008

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

The following is an overview of the financial condition for the Office of the Ninth Judicial District Court (District Court) for the fiscal year ended June 30, 2008. This narrative highlights the major aspects of the District Court's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

**Financial Highlights**

The District Court was statutorily created to service Curry and Roosevelt Counties in the State of New Mexico. The county seat for Curry County is located in Clovis, and the county seat for Roosevelt County is located in Portales. State district courts exist to provide equal access to justice, to resolve disputes in a just and timely manner, and to maintain accurate records of legal proceedings in order to protect the rights and liberties guaranteed by the constitutions of the state of New Mexico and the United States of America.

The District Court is comprised of five Judicial Divisions: Judicial Divisions I, III, IV, and V serve the citizens of Curry County in Clovis. Division II serves the citizens of Roosevelt County in Portales. The Chief District Judge, Teddy L. Hartley, is the sitting judge of Division III. The supporting departments include the Curry County District Court Clerk's Office, the Roosevelt County District Court Clerk's Office, the Administrative Division, Special Programs Division, Domestic Violence Division, Adult Drug Court Division, the Pro Se /Trial Court Staff Attorney Division. The District Court also administers the Child Support Hearing Officer Program for 11 of the 33 counties in the State of New Mexico, spanning four Judicial Districts (4<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, and 10<sup>th</sup> Judicial Districts) encompassing the northeastern quadrant of the State.

The major financial issue and goal facing this agency during fiscal year 2008 was to implement processes that would bring the financial accounting and reporting of the agency to the level that it was prior to the PEOPLESOFT/SHARE (Statewide Human Resource, Accounting, and Management Reporting System) project implementation level. Prior to this implementation, this agency received very good annual audits. In the first year of operations under the PEOPLESOFT/SHARE system, this agency received a number of audit findings due in large part to the rushed implementation, inadequate training associated with the PEOPLESOFT/SHARE system, and the deficient capabilities of the system itself. The agency's human resources, fiscal and Court Clerk's staff were charged with the goal of developing and implementing processes to cure these audit findings as well as the other findings unassociated with PEOPLESOFT/SHARE.

Prior to the SHARE Project implementation, most state agencies had specialized systems that were chosen due to their efficient and effective performance which specifically addressed the needs of each agency allowing for maximization of the agency's limited financial division staff resources. Due to the complexity, lack of meaningful and adequate training during the SHARE Project implementation, and the inadequate performance of the system, the District Court's available staff in the fiscal and human resources departments' was insufficient and were unprepared to perform at the same levels that they had in the past.

This agency is very pleased to say that, it's fiscal, human resource, and Court Clerk's staff rose to the challenge and achieved their goal of curing all audit findings and implementing processes to ensure the proper functioning and reporting of these areas. Their tremendous success is attributed to several factors:

**STATE OF NEW MEXICO**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Financial Highlights (continued)**

1. A vacant 0.50 FTE financial specialist position's was filled as of the first day of the fiscal year;
2. The agency, with the greatly appreciated assistance of the DFA and LFC analysts and area legislators, was successful in obtaining an appropriation during the 2007 Legislative session for a permanent full time financial specialist position. This position was filled at the end of August, 2007;
3. The Agency's use of a secondary financial and accounting system, (AFRAS) as an accurate measuring and reporting tool;
4. An aggressive training program for these two new financial employees by the Court Financial Manager and the Financial Supervisor; and
5. Collaboration between the Fiscal Department and the Court Clerk's Office to insure that proper processes, segregation of duties, and fiscal oversight exist in the collection, accounting, remission and disbursement of the various funds collected by the District Court.
6. The experience, long hours, hard work and expertise of the agency's Court Clerk, Human Resource, and Fiscal department staff.

As compared to FY2007, the agency received an additional \$273,151 in general fund revenue in FY2008 which primarily funded employee salary increases, the additional financial specialist FTE, and the position classification correction of several agency staff pursuant to a recommendation by the Administrative Office of the Courts.

In addition, the agency received an increase in funding from FY2007 to FY2008 for its Child Support Hearing Officer program in an amount of \$95,778.24 used primarily to fund a full time term classified court monitor to record the official record of Child Support Hearing Officer proceedings in the 4<sup>th</sup> and 8<sup>th</sup> Judicial District that this program serves. The remaining funding alleviated the past reoccurrence of the District Court having to supplement this multi-district CSHO program's expenditures with operating resources.

Finally, the agency received a funding "allotment" from the administrative office of the Courts in the amount of \$120,000 to purchase space-saver filing and bar coding systems. This allotment is this agency's portion of the \$2,000,000 in Capital Funds that were appropriated to the Administrative Office of the Courts as part of a multi-year judiciary wide capital appropriation that expires as of the end of FY2009. The Judiciary's Budget Committee and Supreme Court scrutinized, prioritized and approved requests for capital project funding for the various judicial entities.

**Overview of the Financial Statements**

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



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**NINTH JUDICIAL DISTRICT COURT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District Court's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the District Court's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Court is improving or deteriorating.

The statement of activities presents information showing how the District Court's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows; thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages thirteen and fourteen of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District Court, like other state agencies, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the District Court's funds can be divided into two categories: governmental and fiduciary.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District Court's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the general fund, the District Court maintains two other individual governmental funds that are both classified as special revenue funds. Information for the general fund and the child support hearing officer fund, both of which are considered to be major funds, is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for the non-major governmental fund is provided following the notes to the financial statements.

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**NINTH JUDICIAL DISTRICT COURT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Governmental Funds (continued)**

The New Mexico Legislature makes annual appropriations for the District Court's general fund. Amendments to the budget require approval by the budget division of the Department of Finance and Administration (DFA). Over the course of the fiscal year, the District Court revised the general fund budget and the child support hearing officer fund budget twice. Budgetary comparison statements for the general and special revenue major funds are located on pages nineteen and twenty. The budgetary comparison statement for the special revenue non-major fund, which was not revised, can be found on page forty.

The basic governmental fund financial statements can be found on pages fifteen through twenty of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the agency. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District Court's own programs. The accounting used for fiduciary funds is equivalent to what is used for proprietary funds. The fiduciary fund financial statement can be found on page twenty-one.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages twenty-two through thirty-seven of this report.

**Government-Wide Financial Analysis**

<b>Condensed Statement of Net Assets Governmental Activities</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
	<u>          </u>	<u>          </u>
Assets:		
Current and other assets	\$ 277,011	\$ 594,797
Capital assets, net of accumulated depreciation	<u>306,253</u>	<u>311,399</u>
Total assets	583,264	906,196
Liabilities:		
Current liabilities	337,531	627,001
Long-term liabilities	<u>36,661</u>	<u>28,326</u>
Total liabilities	<u>374,192</u>	<u>655,327</u>
Net Assets:		
Invested in capital assets	306,253	311,399
Restricted for program expenses	42,845	56,344
Unrestricted	<u>(140,026)</u>	<u>(116,874)</u>
Total net assets	<u>\$ 209,072</u>	<u>\$ 250,869</u>

**STATE OF NEW MEXICO**  
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**Government-Wide Financial Analysis (continued)**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District Court's primary government, assets exceeded liabilities by \$170,674 at the close of the most recent fiscal year. The District Court's activities during the fiscal year decreased the District Court's net assets by \$41,797. The decrease is attributed in large part to the recording of depreciation expense and compensating absences. Net assets are composed of investment in capital assets (e.g., furniture, equipment and vehicles) of \$306,253 netted with unrestricted deficit of \$135,579. The deficit amount is representative of the current and long-term portions of compensated absences that are accrued in the government-wide statements. The District Court uses its capital assets to provide services to the citizens; consequently, these assets are not available for future spending. The District Court made purchases of additional capital assets of \$59,541 during the most recent fiscal year.

Current and other assets consist of cash, investments, and receivables, all collectible within one year of the closing of the fiscal year. The amount decreased by \$317,786 due in large part to amounts held by the District Court at June 30, 2007 to satisfy third party liabilities from employee withholdings and various court filing fees and costs.

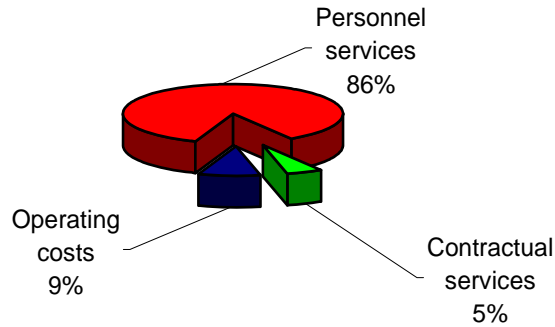
Current liabilities which consist of accounts payable, accrued salaries, current amounts of compensated absences, and amounts due to the state general fund and other state agencies as of June 30, 2008 equaled \$337,531. At June 30, 2007, the District Court reported an amount equal to \$627,001. The current liability decreased by \$289,470.

Revenues:		
Program revenues:		
Operating grants and contributions	\$ 468,534	\$ 372,756
Charges for services	78,318	71,723
General revenues:		
State general fund appropriations	<u>3,410,779</u>	<u>3,188,174</u>
Total revenues	3,957,631	3,632,653
Expenses:		
Judicial	<u>3,999,428</u>	<u>3,688,657</u>
Change in net assets	<u>\$ (41,797)</u>	<u>\$ (56,004)</u>

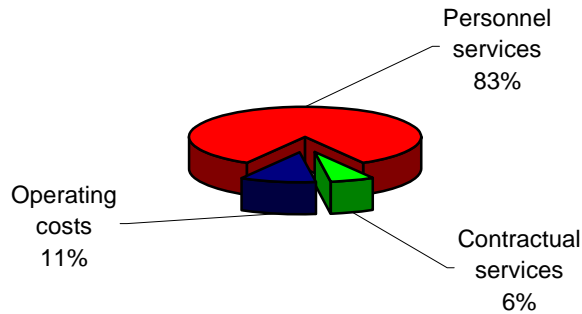
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NINTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Government-Wide Financial Analysis (continued)**

**Operating Expenses - FYE 6-30-08**



**Operating Expenses - FYE 06-30-07**



The statement of activities shows increases in both revenues and expenses for fiscal year 2008 from fiscal year 2007. Operating grants and contributions increased by \$95,778 due to the contract with the Human Services Department for the Child Support Hearing Officer program which services the 4<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, and 10<sup>th</sup> Judicial District Courts covering the northeast quadrant of the State of New Mexico encompassing eleven of the thirty-three counties state wide that the Ninth Judicial District Court administers. Court filing fees and cost revenues increased by \$6,500, mainly from the agency's new procedure in the collections of fees from the drug court division's participant's, and \$750 in court costs from domestic case filing fees. State general fund appropriations increased by \$ 225,397. The overall increase in judicial expenses was \$310,771, which was largely attributed to increases in salaries and benefits of \$349,229 and netted with a decrease in other operating expenses of \$38,458.

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**Analysis of Individual Governmental Funds**

Besides the general fund, the District Court has two other governmental funds: the Child Support Hearing Officer fund, and the Mediation Program fund. A detailed description of these two funds can be found on page twenty-four. The District Court received grant revenues of \$468,534 from the New Mexico Human Services Department to fund the Child Support Hearing Officer fund for the year ended June 30, 2008. The Mediation Program fund is supported by courts filing fees and costs. Both funds expended 99% of these respective revenues. The Child Support Hearing Officer fund has been funded at a 25.70% increase in revenues for the next fiscal year.

**Analysis of Budget Results for the Governmental Funds**

The District Court revised its original general fund budget once to account for a decrease in the personal services/employee benefits category in the amount of \$15,900 due to the agency's vacant staff attorney position; a decrease in the contractual services category in the amount of \$4,100; and the corresponding increase in the other operating cost category in the amount of \$20,000. The unreserved fund balance from state appropriations remaining at the end of the fiscal year that reverts to the general fund of the state of New Mexico is \$2,792.

The District Court revised its original Child Support Hearing Officer Fund budget once to account for the increase of \$95,534 that was the difference between the FY2008 general appropriations act amount and the actual contract revenue amount received for the program from the Human Services Department. The unreserved fund balance in this fund does not revert to the general fund of the state of New Mexico as its source of federal revenues is the federal government.

The District Court revised its original Mediation Program budget once to account for the increase in the contact amount by transferring budget from the other operating cost category to the contractual services category in the amount of \$1,500. The unreserved fund balance in this fund does not revert to the general fund of the state of New Mexico per the Domestic Relations Mediations Act.

**Capital Assets**

The District Court's investment in net assets as of June 30, 2008, amounted to \$306,253 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

<b>Ninth Judicial District Court Capital Assets (Net of Accumulated Depreciation)</b>	<b>June 30, 2008</b>	<b>June 30, 2007</b>
Equipment	\$ 117,810	\$ 151,405
Vehicles	142,156	113,911
Furniture and Fixtures	35,599	40,730
Data Processing	10,489	3,366
Library	199	1,987
	<b>\$ 306,253</b>	<b>\$ 311,399</b>

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets (continued)**

The District Court purchased \$59,541 of capital additions for the fiscal year ended June 30, 2008. Additional information on the District Court's capital assets can be found in note five on page thirty-one of this report.

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

The major operational changes, indirectly affecting the financial position of the agency, stemming from fiscal year 2008 are as follows:

The FY2009 General Fund total appropriation was only a 3% increase over FY2008, which includes the FY2009 compensation package for agency wide salary increases. Once the compensation package of \$66,300 has been removed, then the overall increase over the FY2008 total general fund appropriation is actually only 1%. The general fund appropriation of the other (operating) cost category was funded at \$186,700, which is actually \$32,300 less than the FY2004 appropriation level! Given these funding issues, the agency has decided to leave the Staff Attorney position vacant (which is one of the agency's higher paying positions) until the agency can reach its appropriation level. In addition, a few contractual services will also have to be postponed to also balance the budget.

For many decades, the District Court in both Curry and Roosevelt Counties were the only U.S. passport processing agencies within 100 miles. In late summer of 2008, the U.S. Postal Service in Clovis finally began processing U.S. passports. It is yet unclear how much this will affect the agency's miscellaneous revenue collections. Historically passport processing fees make up over half of this particular revenue source which is over 1.6% of this agency's operating fund budget. In contrast, The Child Support Hearing Officer program's FY2009 contract will be increased by 25.70% from the FY2008 contract amount of \$468,534 to \$510,590.

The agency will continue to finalize the purchases of the space saving filing and bar coding systems. The FY2008 \$120,000 funding is currently in place to access for these purchases. As of the end of June 30, 2008, said purchases were in process. The agency has until June 30, 2009 to finalize purchases from this specific appropriation. Unfortunately, it is evident that there will only be enough funding to purchase the filing system and not the bar coding system.

During FY2009, the agency received a funding "allotment" of \$221,300 out of the \$2,300,000 appropriated to the AOC for judiciary wide capital projects that expires as of the end of FY2009. The Judiciary's Budget Committee and Supreme Court scrutinized, prioritized and approved requests for capital project funding for the various judicial entities.

The allotment amount of \$221,300 is to fund capital asset purchases through the Administrative Office of the Courts, including a sound system for the court room proceedings in Division IV, a microfilm reader printer machine in the Curry County Clerks' office, new phone systems in the Curry and Roosevelt County District Courthouses (including the Drug Court Division), and security enhancements for both the Curry and Roosevelt County Courthouses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Request for Information**

This financial report is designed to provide a general overview of the District Court's finances and to show the District Court's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Court Administrator of the Ninth Judicial District Court at 700 Main Street, Suite 12, Clovis, New Mexico 88101.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 350
Investments	275,916
Receivables	745
Capital assets, net of accumulated depreciation	<u>306,253</u>
Total assets	<u>583,264</u>
<b>LIABILITIES</b>	
Accounts payable	60,664
Accrued salaries	67,582
Payroll taxes payable	26,620
Employee withholdings payable	61,800
Due to other state agencies	4,990
Due to state general fund	12,160
Long-term liabilities:	
Due in one year	103,715
Due in more than one year	<u>36,661</u>
Total liabilities	<u>374,192</u>
<b>NET ASSETS</b>	
Invested in capital assets	306,253
Restricted for program expenses	42,845
Unrestricted	<u>(140,026)</u>
Total net assets	<u>\$ 209,072</u>

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

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Activities
Judicial:	
Personal services	\$ 3,382,545
Materials and services	552,196
Loss on disposal of equipment	2,725
Depreciation	61,962
Total program expenses	3,999,428
Program Revenues:	
Program-specific operating grants	468,534
Charges for services	78,318
Total program revenues	546,852
Net program expense	(3,452,576)
Transfers:	
State general fund appropriations	3,207,900
Other state general fund appropriations	205,671
Reversion to the state general fund - FY08	(2,792)
Total net transfers	3,410,779
Change in net assets	(41,797)
Net assets, beginning of year	250,869
Net assets, end of year	\$ 209,072

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

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Child Support Hearing Officer</u>	<u>Non-Major Fund</u>	
<b>ASSETS</b>				
Cash	\$ 350	\$ -	\$ -	\$ 350
Investments	195,974	54,218	25,724	275,916
Receivables	745	-	-	745
Total assets	<u>\$ 197,069</u>	<u>\$ 54,218</u>	<u>\$ 25,724</u>	<u>\$ 277,011</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 37,032	\$ 20,790	\$ 2,842	\$ 60,664
Accrued salaries	59,782	7,800	-	67,582
Payroll taxes payable	23,429	3,191	-	26,620
Employee withholdings payable	54,959	6,841	-	61,800
Due to other state agencies	4,910	80	-	4,990
Due to state general fund	12,160	-	-	12,160
Total liabilities	192,272	38,702	2,842	233,816
Fund Balances:				
Unreserved	350	-	-	350
Reserved for program expenditures	4,447	15,516	22,882	42,845
Total fund balances	<u>4,797</u>	<u>15,516</u>	<u>22,882</u>	<u>43,195</u>
Total liabilities and fund balances	<u>\$ 197,069</u>	<u>\$ 54,218</u>	<u>\$ 25,724</u>	<u>\$ 277,011</u>

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

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

Total fund balance governmental funds (page fifteen)	\$ 43,195
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	306,253
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(140,376)</u>
Net assets of government activities (page thirteen)	<u><u>\$ 209,072</u></u>

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	Child Support Hearing Officer	Non-Major Fund	
Revenues:				
Federal grants	\$ -	\$ 468,534	\$ -	\$ 468,534
Court fees	59,958	-	18,360	78,318
Total revenues	59,958	468,534	18,360	546,852
Expenditures:				
Current:				
Personnel services & employee benefits	2,984,878	374,067	-	3,358,945
Contractual services	183,017	2,000	17,600	202,617
Other operating costs	297,947	91,173	-	389,120
Total expenditures	3,465,842	467,240	17,600	3,950,682
Excess (deficiency) of revenues over expenditures	(3,405,884)	1,294	760	(3,403,830)
Other Financing Sources (Uses):				
State general fund appropriations	3,207,900	-	-	3,207,900
Other state appropriations	205,671	-	-	205,671
Transfer of appropriations	(20,000)	-	-	(20,000)
Reversions to state general fund-FY08	(2,792)	-	-	(2,792)
Total other financing sources (uses)	3,390,779	-	-	3,390,779
Net change in fund balances	(15,105)	1,294	760	(13,051)
Fund balances, beginning of year	19,902	14,222	22,122	56,246
Fund balances, end of year	\$ 4,797	\$ 15,516	\$ 22,882	\$ 43,195

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

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

Net change in fund balances total governmental funds (page seventeen)	\$ (13,051)
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay (59,541) exceeded depreciation (61,962) in the current period.	(2,421)
Loss on disposal of equipment	(2,725)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(23,600)</u>
Change in net assets of governmental activities (page fourteen)	<u>\$ (41,797)</u>

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Court fees	\$ 55,000	\$ 55,000	\$ 59,958	\$ 4,958
Expenditures:				
Current:				
Personnel services and employee benefits	3,000,900	2,985,000	2,984,878	122
Contractual services	202,248	198,148	183,017	15,131
Other operating costs	280,400	300,400	298,395	2,005
Total expenditures	<u>3,483,548</u>	<u>3,483,548</u>	<u>3,466,290</u>	<u>17,258</u>
Excess (deficiency) of revenues over expenditures	(3,428,548)	(3,428,548)	(3,406,332)	22,216
Other Financing Sources (Uses):				
State general fund appropriations	3,227,900	3,227,900	3,207,900	20,000
Other state appropriations	220,648	220,648	205,671	14,977
Transfer of appropriations	(20,000)	(20,000)	(20,000)	-
Reversions to state general fund-FY08	-	-	(2,792)	2,792
Total other financing sources (uses)	<u>3,428,548</u>	<u>3,428,548</u>	<u>3,390,779</u>	<u>(37,769)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,553)</u>	<u>\$ (15,553)</u>
Beginning fund balance available to balance budget	N/A	N/A	<u>\$ 15,553</u>	

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



**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS  
CHILD SUPPORT HEARING OFFICER FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal grants	\$ 468,534	\$ 468,534	\$ 468,534	\$ -
Expenditures:				
Current:				
Personnel services	374,200	374,200	374,067	133
Contractual services	2,000	2,000	2,000	-
Other costs	<u>92,334</u>	<u>92,334</u>	<u>91,173</u>	<u>1,161</u>
Total expenditures	<u>468,534</u>	<u>468,534</u>	<u>467,240</u>	<u>1,294</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,294</u>	<u>\$ 1,294</u>

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

## **FIDUCIARY FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2008

**ASSETS**

Cash	\$ 645,253
Receivable	<u>217</u>
Total assets	<u><u>\$ 645,470</u></u>

**LIABILITIES**

Amounts held for others	<u><u>\$ 645,470</u></u>
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ninth Judicial District Court (District Court) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The District Court is given its authority under Section 13 of the New Mexico State Constitution and Sections 34-6-1, 34-6-2, 34-6-12 and 36-5-17 through 34-6-47 of the New Mexico State Statutes Annotated, 1978 Compilation, and is a component unit of the state of New Mexico. The agency code assigned by the Department of Finance and Administration for the District Court is 23900. The District Court judges are elected to their position in a partisan election prior to being eligible for a nonpartisan retention election. Thereafter, each judge is subject to retention or rejection on a nonpartisan ballot every sixth year. 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 District Court is by state appropriations.

The District Court's basic financial statements include all activities and accounts of the District Court's "financial reporting entity."

The financial reporting entity consists of the primary government, and another organization 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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The District Court's Office has no component units.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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 District Court does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide and fiduciary funds financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditure is recorded as liabilities when they are incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are recorded.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The District Court reports the following major 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 unreserved fund balance from state appropriations remaining at the end of the fiscal year reverts to the general fund of the state of New Mexico. The SHARE fund number and description for the *general fund* of the District Court is 14900 – Ninth Judicial District Court.

**Child Support Hearing Officer Fund**

The *Child Support Hearing Officer fund* is used to account for the proceeds from state pass through grants from the New Mexico State Department of Human Services and the expenditures there from. The authority for the creation and maintenance of the fund is given under New Mexico State Statute 40-4B-1. The fund balance will not revert to the state of New Mexico's general fund as the source of revenues is the federal government. The District Court has determined that the *Child Support Hearing Officer fund* is a major fund whose SHARE fund number is 92700.

The District Court reports the following non-major governmental fund:

**Mediation Program Fund**

The *Mediation Program fund* is used to account for proceeds from surcharges on domestic filing fees. The authority for the creation and maintenance of the fund is given under New Mexico State Statute 40-12-5 of the Domestic Relations Mediations Act. The Court collects fees to finance a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody, and visitation issues. The fund is non-reverting. The District Court has determined that the *Mediation Program fund* is a nonmajor fund whose SHARE fund number is 84700.

All government-wide financial statements of the District Court follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements. Governments also have the option of following subsequent private-sector guidance for the government-wide financial statements. The District Court has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 measurement of results of operations.

The District Court has two agency funds:

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

D. Budgets

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

1. Prior to September 15<sup>th</sup>, the District Court submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1<sup>st</sup>. The appropriation request includes proposed expenditures and the means of financing them.
2. 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.
3. The governor of the state of New Mexico within the legally prescribed time limit signs the Act into law.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets (continued)**

4. The District Court submits, no later than May 1<sup>st</sup>, 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<sup>st</sup>. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal budget control for expenditures is by expenditure category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the state of New Mexico in accordance with the manual of model accounting practices issued by DFA. There is one statutory exception to the modified accrual basis for budget. That exception addresses accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of the appropriation period.
8. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

**E. Assets, Liabilities, and Net Assets or Equity**

**1. Cash**

The District Court has defined cash to include cash on hand and demand deposits.



**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Liabilities, and Net Assets or Equity (continued)**

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**3. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Prior to June 17, 2005, the District Court defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with Section 12-6-10 NMSA 1978, the District Court changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the District Court remain on the financial and accounting records of the District Court. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation. Costs other than personnel expenses for computer software developed internally are capitalized and depreciated over its useful life. Purchased computer software is recorded at historical cost.

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

Furniture and fixtures	7 years
Equipment and machinery	6 years
Automotive	5 years
Data processing	3 years
Library	3 years

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. Assets, Liabilities, and Net Assets or Equity (continued)

**4. Compensated Absences**

District Court employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources.

A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements. District Court employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

**5. Net Assets**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

*Investment in capital assets, net of related debt* – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

*Restricted* – This category reflects the portion of net assets that have third party limitations on their use.

*Unrestricted* – This category reflects net assets of the District Court, not restricted for any project or other purpose.

**6. 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  
NINTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**2. CASH AND DEPOSITS**

Cash

New Mexico State statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the District Court. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments. Cash includes cash on hand and cash deposits in two financial institutions. The District Court's deposits are carried at cost.

As of June 30, 2008, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	<u>Type of Account</u>	<u>Per Bank Balance 06/30/08</u>	<u>Reconciling Items</u>	<u>Reconciled Balance 06/30/08</u>
<i>General Fund</i>				
Cash on hand	\$ -	\$ -	\$ 350	\$ 350
<i>Agency Funds</i>				
Clovis Trust Account:				
Bank of Clovis 300 Main Street Clovis, New Mexico	Checking	388,710	-	388,710
Portales Trust Accounts:				
Wells Fargo Bank, N.A. 316 West Second Street Portales, New Mexico	Checking	<u>261,543</u>	<u>(5,000)</u>	<u>256,543</u>
Total		<u>\$ 650,253</u>	<u>\$ (4,650)</u>	<u>\$ 645,603</u>

Statement of Net Assets	\$ 350
Statement of Fiduciary Net Assets	<u>645,253</u>
Total cash reported on financial statements	<u>\$ 645,603</u>

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**2. CASH AND DEPOSITS (continued)**

*Cash (continued)*

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the District Court. All deposits are collateralized with eligible securities, as described by New Mexico State statute, in amounts equal to at least 50% of the Court's carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the State statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Bank of Clovis	Wells Fargo Bank
Demand deposits	\$ 388,710	\$ 261,543
FDIC coverage	(100,000)	(100,000)
Total uninsured public funds	<u>\$ 288,710</u>	<u>\$ 161,543</u>
Pledged securities	1,525,000	21,623,585
Collateral requirements (50% of uninsured public funds)	<u>144,355</u>	<u>80,772</u>
Over (under) collateralization	<u>\$ 1,380,645</u>	<u>\$ 21,542,814</u>

A detail listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$450,253 of the District Court's agency fund demand deposits of \$650,253 was exposed to custodial credit risk as follows:

	Bank of Clovis	Wells Fargo Bank, N.A.	Total
Uninsured and collateral held by pledging banks' trust department or agent, not in the District Court's name	<u>\$ 288,710</u>	<u>\$ 161,543</u>	<u>\$ 450,253</u>

**3. INVESTMENTS**

New Mexico State statutes require that the New Mexico State Treasurer holds all operating funds on behalf of the District Court. Such funds are held in the State's General Fund Investment Pool. Those funds are reflected as investments on the District Court's statements of financial position. At June 30, 2008, the balance is as follows:

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**3. INVESTMENTS (continued)**

*Interest Rate Risk* – The District Court does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

	<u>Share Fund</u>	<u>Fund</u>	<u>Maturities</u>	<u>Fair Value</u>
<i>State General Fund Investment Pool</i>	14900	General	1 day to 3 years	<u>\$ 195,974</u>
<i>State General Fund Investment Pool</i>	92700	Child Support Hearing Officer	1 day to 3 years	<u>\$ 54,218</u>
<i>State General Fund Investment Pool</i>	84700	Mediation Program	1 day to 3 years	<u>\$ 25,724</u>

*Interest Rate Risk* – The District Court does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – The State’s General Fund Investment Pool is not rated.

For additional GASB 40 disclosure information related to the State’s General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer for the fiscal year ended June 30, 2008.

**4. RECEIVABLE**

Receivable at June 30, 2008 consisted of the following:

Refund from PERA	<u>\$ 745</u>
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The amount was collected in full subsequent to year end.

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>
Capital assets, being depreciated:				
Furniture and fixtures	\$ 83,597	\$ -	\$ (2,430)	\$ 81,167
Equipment	304,884	-	(18,150)	286,734
Data processing	46,770	-	(1,711)	45,059
Vehicles	237,590	59,541	-	297,131
Library	5,744	-	-	5,744
Total capital assets, being depreciated	678,585	59,541	(22,291)	715,835

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**5. CAPITAL ASSETS (continued)**

Less accumulated depreciation for:				
Furniture and fixtures	(42,867)	(5,130)	2,429	(45,568)
Equipment	(153,479)	(31,197)	15,752	(168,924)
Data processing	(30,288)	(5,667)	1,385	(34,570)
Vehicles	(136,795)	(18,180)	-	(154,975)
Library	(3,757)	(1,788)	-	(5,545)
	<u>(367,186)</u>	<u>(61,962)</u>	<u>19,566</u>	<u>(409,582)</u>
Total accumulated depreciation				
	<u>(367,186)</u>	<u>(61,962)</u>	<u>19,566</u>	<u>(409,582)</u>
Total capital assets, net	<u>\$ 311,399</u>	<u>\$ (2,421)</u>	<u>\$ (2,725)</u>	<u>\$ 306,253</u>

The District Court recorded a depreciation expense of \$61,962 for the year ended June 30, 2008. The depreciation expense is a direct expense of the public safety function. The District Court does not have any debt related to capital assets.

**6. DUE TO STATE OF NEW MEXICO GENERAL FUND**

For the year ending June 30, 2008, the amounts due to the state of New Mexico general fund is as follows:

Fiscal year 2007 reversion	\$ 6,334
Fiscal year 2008 reversion	2,792
June 2008 court costs collected	<u>3,034</u>
Total due state of New Mexico General Fund	<u>\$ 12,160</u>

**7. DUE TO OTHER STATE AGENCIES**

For the year ending June 30, 2008, the amounts due to other state agencies is as follows:

<u>Due to</u>	<u>Share Fund</u>	<u>Purpose</u>	<u>Amounts</u>
Administrative Office of the Courts	1200	Court costs/ Jury demand fees	<u>\$ 4,990</u>

**8. COMPENSATED ABSENCES**

**Accrued Annual Leave**

Qualified employees accumulate annual leave as a rate of:

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**8. COMPENSATED ABSENCES (continued)**

**Accrued Annual Leave (continued)**

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>	<u>Hours of Maximum Accrual</u>
1 pay period - 3 years	4.62	240
Over 3 years - 7 years	5.54	240
Over 7 years - 14 years	6.46	240
Over 14 years and beyond	7.38	240

A maximum of 240 hours of 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, up to the aforementioned maximums.

**Accrued Sick Leave**

Chapter 150, Laws of 1983 provided 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 on the payday following the first full pay period or the paydays following the first full pay period in January of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. A maximum of 120 hours of sick leave can be paid in one fiscal year. 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 June 30, 2008, over 600 hours. Expenditures for accumulated sick leave pay for less than 600 hours will be recognized as employees take such absences.

The current period adjustment recorded as a charge to the general government function for compensated absences is \$23,600.

The amount recorded as a long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave as follows:

	<u>Balance 06/30/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/08</u>	<u>Amounts Due Within One Year</u>
Accrued annual leave	\$ 114,715	\$ 172,547	\$ 149,734	\$ 137,528	\$ 101,722
Accrued sick leave	2,061	1,435	648	2,848	1,993
Total	<u>\$ 116,776</u>	<u>\$ 173,982</u>	<u>\$ 150,382</u>	<u>\$ 140,376</u>	<u>\$ 103,715</u>

In the prior years, eighty-five percent has been paid by the general fund and fifteen percent by the child support hearing officer fund.

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**9. OPERATING LEASES**

The District Court has the operating leases for three mailing machines and ten copiers. The leases have terms that vary from four to five years and are payable on a monthly or quarterly basis. Each individual lease can be terminated due to lack of funding from the legislature with no penalty to the District Court. Minimum future rental payments under operating leases having terms in excess of one year as of June 30, 2008, and for the next four years and in the aggregate are:

<u>Period Ending</u>	<u>Amounts</u>
June 30, 2009	\$ 27,244
June 30, 2010	20,512
June 30, 2011	10,629
June 30, 2012	<u>2,523</u>
	<u>\$ 60,908</u>

The District Court recorded rental of equipment expense of \$41,555 for the year ending June 30, 2008.

**10. PENSION PLANS**

Public Employees Retirement Association (PERA)

*Plan Description.* Substantially all of the District Court’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement 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](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7.42% of their gross salary. The District Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the District Court are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District Court’s contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006, were \$314,342, \$278,022, and \$249,251 respectively, which equal to the amount of the required contributions for each fiscal year.



**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**10. PENSION PLANS (continued)**

Judicial Retirement Act (JRA)

*Plan Description.* Substantially, all of the District Court's Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act (10-12B-1 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](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7.5% of their gross salary. The District Court is required to contribute 12.0% of the gross covered salary. The District Court's contributions to JRA for the fiscal years ending June 30, 2008, 2007, and 2006 were \$65,506, \$60,460, and \$39,487, respectively, which equal the amount of the required contributions for each fiscal year.

In addition to the above, the Court remits \$38 of 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 \$61,370, \$64,828, and \$56,240, in filing fees for the fiscal years ending June 30, 2008, 2007, and 2006, respectively.

**11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

*Plan Description.* The 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. 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 the 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.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**11. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)**

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is a statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% 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 District Court's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$29,119, \$26,353 and \$21,078, respectively, which equal the required contributions for each year.

Pursuant to GASB 43, a legal determination has been made whereby the Retiree Health care Authority is considered a multiple employer cost sharing trust. Under this determination, the extensive OPEB disclosure concerning the funded status of the plan is made on the Authority's books rather than at the participant or agency level. Accordingly, no accrual has been made for this liability on the District Court's books.

**12. RISK OF LOSS**

The District Court's Office is insured through the 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 funds to provide unemployment compensation, tort liability insurance, workman's compensation, general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process.

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**12. RISK OF LOSS (continued)**

The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Court is not liable for more than the premiums paid.

**13. UNRESTRICTED DEFICIT NET ASSETS**

GASB 34 requires recording of capitalized assets, net of accumulated depreciation and long term liabilities, which results in an unrestricted net asset deficit of \$140,026. The deficit is created by compensated absence liabilities which are expected to be paid from subsequent years state general fund appropriations.

**14. RECONCILIATION OF BUDGETARY COMPARISON SCHEDULE AND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS**

	General Fund	Child Support Hearing Officer
Uses/Outflows of Operating Resources: Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison statement	\$ 3,466,290	\$ 467,240
Differences - Budget to GAAP: The District budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities that did not get paid by the end of the year are not included in the budgetary basis but are expenses for financial reporting purposes.	(448)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in net assets	\$ 3,465,842	\$ 467,240

**15. STATEMENT INTER-AGENCY TRANSFERS**

	From/To Fund No.	Transfer In	Transfer Out
<b>General Fund - 14900</b>			
Department of Finance and Administration State General Fund Appropriation Laws of 2007, Chapter 28	85300	\$ 3,207,900	\$ -
Department of Finance and Administration State Compensation Package Laws of 2007, Chapter 28	62000	126,423	-
Department of Finance and Administration Fiscal year 2008 reversion	85300	-	2,792
Ninth Judicial District Attorney Laws 2007, Chapter 42, Sec. 50	25900	-	20,000
Administrative Office of the Courts CASA Appropriation, Laws of 2007	13900	79,248	-
		\$ 3,413,571	\$ 22,792

## **INDIVIDUAL FUND STATEMENTS**

**STATE OF NEW MEXICO  
 NINTH JUDICIAL DISTRICT COURT  
 BALANCE SHEET – NON-MAJOR FUND  
 MEDIATION PROGRAM  
 JUNE 30, 2008**

	<u>Mediation Program</u>
<b>ASSETS</b>	
Investments	<u>\$ 25,724</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 2,842
Fund Balances:	
Reserved for future expenditures	<u>22,882</u>
Total liabilities and fund balances	<u>\$ 25,724</u>

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – NON-MAJOR FUND  
MEDIATION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2008

	Mediation Program
Revenues:	
Court fees	\$ 18,360
Expenditures:	
Current:	
Contractual services	17,600
Excess of revenues over expenditures	760
Fund balance, beginning of year	22,122
Fund balance, end of year	\$ 22,882

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS  
NON-MAJOR FUND  
MEDIATION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Court fees	\$ 17,600	\$ 17,600	\$ 18,360	\$ 760
Expenditures:				
Current:				
Contractual services	16,100	17,600	17,600	-
Other costs	1,500	-	-	-
Total expenditures	17,600	17,600	17,600	-
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 760	\$ 760

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

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**



**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/08</u>
<b>Assets</b>				
Cash - Litigant accounts	\$ 1,860,695	\$ 1,861,141	\$ (3,076,366)	\$ 645,470
Cash - Court Clerk account	6,062	316,376	(322,655)	(217)
Receivable	<u>16</u>	<u>217</u>	<u>(16)</u>	<u>217</u>
Total assets	<u><u>\$ 1,866,773</u></u>	<u><u>\$ 2,177,734</u></u>	<u><u>\$ (3,399,037)</u></u>	<u><u>\$ 645,470</u></u>
<b>Liabilities</b>				
Amounts held for others	\$ 1,860,711	\$ 1,861,141	\$ (3,076,382)	\$ 645,470
Due to other agencies	<u>6,062</u>	<u>316,376</u>	<u>(322,438)</u>	<u>-</u>
Total liabilities	<u><u>\$ 1,866,773</u></u>	<u><u>\$ 2,177,517</u></u>	<u><u>\$ (3,398,820)</u></u>	<u><u>\$ 645,470</u></u>

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**JUNE 30, 2008**

The collateral pledged by Bank of Clovis is as follows:

Security	CUSIP#	Maturity	Market Value
Cloudcroft NM IS - Municipal Bond	189134EA	8/1/2015	\$ 125,000
Cloudcroft NM IS - Municipal Bond	189134EB	8/1/2016	150,000
Bernalillo NM IS - Municipal Bond	085279JF	8/1/2011	450,000
Los Lunas NM ISD - Municipal Bond	545562MT	7/15/2017	400,000
Los Lunas NM ISD - Municipal Bond	545562MS	7/15/2016	400,000
			<u>\$ 1,525,000</u>

The holder of the above listed collateral is the Bank of Clovis, 300 Main Street, Clovis, New Mexico.

The collateral pledged by Wells Fargo Bank, N.A., is as follows:

Security	CUSIP#	Maturity	Market Value
FNMA Pool 735590 6.000%	31402RF7	5/1/2035	\$ 5,043,874
FNMA Pool 745663 6.000%	31403DML	7/1/2036	16,003,068
FNMA Pool 941322 6.000%	31413CG7	7/1/2037	576,643
			<u>\$ 21,623,585</u>

The holder of the above listed collateral is the Wells Fargo Bank, N.A., 200 Lomas Blvd, NW, Albuquerque, New Mexico.

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

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
GOVERNMENT SERVICES  
COOPERATIVE AGREEMENT  
JUNE 30, 2008

- A. Participants – The New Mexico Human Services Department and the Ninth Judicial District Court.
- B. Party responsible for operations – The Ninth Judicial District Court.
- C. Description – For the provision of a Child Support Hearing Officer and related services pursuant to NMSA 1978, Section 40-4B-1 etseq. (1999 Repl. Pam).

The purpose of this cooperative agreement is to provide additional personnel and procedures to promote prompt and full payment by obligated parties of child support obligations for their dependent children and, where applicable, attendant spousal support obligations. The agreement has a further purpose of insuring that support payments are made in compliance with federal regulations governing the state's federally mandated program pursuant to Title IV-D of the Federal Social Security Act. Improved compliance will speed up the processing of cases and completion of enforcement actions, thereby reducing expenditures of the Temporary Aid to Needy Families Program (TANF). The Judicial District shall be the employer of any and all hearing officers, and any and all personnel employed to carry out the terms of this agreement for the following jurisdictions: Fourth Judicial District, Eighth Judicial District, Ninth Judicial District and Tenth Judicial District.

- D. Beginning and ending of agreement – August 22, 2005 to June 30, 2008.
- E. Total estimated amount of cooperative agreement - \$1,200,090.
- F. Amount contributed – The Human Services Department contributed \$468,534 in the current fiscal year.
- G. Entity responsible for the annual audit – The Ninth Judicial District Court has audit responsibility.
- H. Fiscal agent - The Ninth Judicial District Court is the fiscal agent.
- I. Name of entity accounting for revenues and expenditures – The Ninth Judicial District Court has reflected all revenue and expenses.

**ADDITIONAL INDEPENDENT AUDITORS' REPORTS**

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Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance with *Government Auditing Standards*

Hector H. Balderas, State Auditor  
and  
Honorable Teddy L. Hartley, Chief Judge  
State of New Mexico, Ninth Judicial District Court  
Clovis, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and each major special revenue fund of the State of New Mexico's Ninth Judicial District Court (District Court) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. We also have audited the financial statements of each of the District Court's nonmajor governmental funds and the respective budgetary comparison for the nonmajor special revenue funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. 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 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 District Court's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of District Court's internal control over financial reporting.

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted a certain matter that is required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as item 2008-01.

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

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

A handwritten signature in black ink that reads "Fierro & Fierro, P.A." in a cursive script.

Fierro & Fierro, P.A.  
Las Cruces, New Mexico

November 21, 2008

**STATE OF NEW MEXICO  
NINTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2008**

*Item 2008-01 – Negative Cash Balance in Trust Account*

**Statement of Condition** – The District Court Clerk’s fund in Portales recorded a negative cash balance of \$217 at June 30, 2008.

**Criteria** – Agency funds are primarily clearance devices for cash collected for others, held briefly, and then disbursed to authorized recipients. The accountability focus in agency fund accounting is on the manner in which the government agency fulfilled its fiduciary responsibilities during a specified period of time.

**Effect** – Without proper timely reconciliations, which include validating all collections, errors could occur and not be detected by employees during the course of their normal duties.

**Cause** – The Court Clerk had not collected on an insufficient fund check it had received some time ago. The check amount of \$217 had been included in the total monies collected and subsequently remitted to the New Mexico State Treasurer causing the bank account to be overdrawn at June 30, 2008.

**Recommendation** – We recommend the District Court review its procedures for the collection of insufficient checks. The reconciliation procedures should include steps that review the validity of all collections before they are remitted to the State Treasurer. Adjustments to such procedures, if any, should be implemented as soon as possible.

**Views of Responsible Officials and Planned Corrective Actions** – Although District Court personnel cannot ensure that an insufficient check will never be received by the Court, management has mandated that the District Court’s fiscal department play a more active roll by increasing its oversight of the District Court Clerk’s office’s financial processes. This will enable a more thorough reconciliation process and a more timely collection process of any insufficient checks that may be received.

**PRIOR YEAR FINDINGS**

*Reconciliation of General Ledger and  
Item 2007-01 - Preparation of Financial Statements*

In the prior year, the Ninth Judicial District Court (District Court) did not perform a completion test to ensure that all cash entries were properly posted to SHARE. As such, not all general ledger account balances were reconciled. In addition, the financial statements and related disclosures are not being prepared by the District Court. During the current year, the Court reconciled all its general ledger accounts balances. They also received training from the Administrative Office of the Courts on how to prepare financial statements and did present financial statements for audit. The finding is considered resolved.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Item 2007-02 – Liability for Payroll Taxes and Other Employee Withholdings*

Statement of Condition – The District Court had not recorded a liability of \$42,632 for payroll taxes due at June 30, 2008 from pay periods ending 01/12/2007, 01/26/2007, and 03/09/2007. The District Court also had not recorded a liability of \$53,225 for other employee withholdings at June 30, 2008 for the same pay periods. The total amounts of liabilities of \$95,857 are material to the financial statements. The discovery and subsequent recording of such liabilities did not occur until a full reconciliation was performed months after year ending. The liabilities were paid in September 2007. The finding was unique to fiscal year ending June 30, 2007. It is considered resolved.

*Item 2007-03 – Submission of Audit Report*

Statement of Condition – The audit report for the fiscal year ended June 30, 2008, was due to the New Mexico state auditor's office by December 15, 2007. The audit report was submitted June 6, 2008. The finding was unique to fiscal year ending June 30, 2007. It is considered resolved.

*Item 2007-04 – Bond Subsidiary Records Reconciliation – Agency Funds*

Statement of Condition – The District Court did not reconcile its bond subsidiary records in the agency funds for the fiscal year ended June 30, 2007 on a timely basis. When the final reconciliation was prepared prior to audit, it was revealed that the balance of the bank account that holds the bonds was \$200 different from the balance per the reconciled bond records. In addition, the Court discovered that they are holding bonds that date back ten years. The court performed a full reconciliation of all its holdings and reconciled all the differences noted in the 2007 audit. This finding is considered resolved.

*Item 2007-05 – State Agency Reversions*

Statement of Condition – The District Court did not revert, to the State General Fund the unreserved, undesignated fund balance in its general fund as of June 30, 2007. The reversion occurred after the required time had expired. Because the court continues to gain the much needed knowledge of the reconciliation process, determination of the amounts to revert has become less taxing. The finding is considered resolved.

*Item 2007-06 – Remission of Court Fees and Costs*

Statement of Condition – The District Court did not transfer filing and docket fees and court costs collected by the District Court Clerk's office in association with the filing of court cases. The amount due to other state agencies is \$95,770. The Court implemented many new processes, one of which was to train the new Financial Specialist in the operating transfer process. Consequently, the transfers of court fees are now current. The finding is considered resolved.



**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Item 2007-07 – Transfer of Interest from the Administrative Trust Account*

Statement of Condition – The District Court did not transfer interest earned from the Administrative Trust Account to the State Treasurer since April 2005. The amount of interest earned as of June 30, 2007 is \$10,318. The District Court implemented many new processes and consequently, the transfer of interest is now current. The finding is considered resolved.

*Item 2007-08 – Documentation of Payroll Expenses*

Statement of Condition – During our audit tests of payroll documentation, we discovered missing I-9's and W-4's from personnel files. The Court's new hire procedures do include completion of the I-9 Form as well as the completion of the W-4 form for payroll deductions when a new employee is processed or when an employee changes any payroll deductions. The District Court was more diligent in initiating regular internal audits to check on the status of these required documents. The finding is considered resolved.

*Item 2007-09 – Payroll Processing*

Statement of Condition – During our testing of payroll disbursements, we noted the following instances were an employee was paid for more hours than actual worked and one missing time sheets from a terminated employee. Subsequent to its discovery, an adjustment to correct the overpayment was made on the employee's paycheck. In addition, subsequent to the completion of the audit fieldwork it was discovered that timesheets could be retrieved from the PEOPLESOFT system. The finding is considered resolved.

*Item 2007-10 – Legal Compliance With Adopted Budget*

Statement of Condition – The District Court's authorized budget within the other cost expenditure category of the general fund was \$332,499. During the fiscal year, the district Court expended \$333,502 within the category. The District Court exceeded its approved budget by \$1,003. The District Court performed regular budget analysis throughout this fiscal year. The finding is considered resolved.

**STATE OF NEW MEXICO**  
**NINTH JUDICIAL DISTRICT COURT**  
EXIT CONFERENCE  
JUNE 30, 2008

This report was discussed during the exit conference held in Clovis, New Mexico on November 21, 2008. Present for the Ninth Judicial District Court were Honorable Judges Quinn, Tatum, Hartley and Orlik; Louis Moore, court executive officer; and Jo Ann Tootikian, chief financial officer. Present for the auditing firm was Rose Fierro, CPA.

The auditing firm of Fierro & Fierro, Certified Public Accountants, assisted in the preparation of the financial statements of the District Court as of June 30, 2008. The District Court's management has reviewed and approved the financial statements and related notes, and they believe that the District Court's books and records adequately support them.