

State of New Mexico Ninth Judicial District Court



Financial Statements

June 30, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION

Function of Entity and Official Roster 1

FINANCIAL SECTION

Independent Auditors Report 2

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets 4

Statement of Activities 5

Fund Financial Statements:

Balance Sheet – Governmental Funds 6

Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets 7

Statement of Revenues, Expenditures, and Changes in Fund
Balances – Governmental Funds 8

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to
the Statement of Activities 9

Statement of Revenues and Expenditures, Budget and
Actual – (Budgetary Basis)

General Fund 10

Mediation Fund 11

Child Support Hearing Officer Fund 12

Statement of Fiduciary Assets and Liabilities- Agency Funds 13

Notes to the Financial Statements 14

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION

Statement of Changes in Fiduciary Assets and Liabilities..... 31
Schedule of Operating Transfers 32
Schedule of Memorandums of Understanding 33

COMPLIANCE SECTION

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* 34
Schedule of Findings and Responses 36
Other Disclosures 39

Function of Entity

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

Official Roster

Name

Title

Judges:

Honorable Stephen K. Quinn	District Judge, Division I
Honorable Drew D. Tatum	District Judge, Division II,
Honorable Teddy L. Hartley	Chief District Judge, Division III
Honorable Donna J. Mowrer	District Judge, Division IV
Honorable David P. Reeb, Jr.	District Judge, Division V

Administrative Officials:

Louis C. Moore	Court Executive Officer
Orlando J. Ulibarri	Deputy Court Executive Officer
Jo Ann M. Tootikian	Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Honorable Teddy L. Hartley, Chief Judge
Ninth Judicial District Court
And
Hector Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and the major special revenue funds of the State of New Mexico, Ninth Judicial District Court (Court), as of and for the year ended June 30, 2012 which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

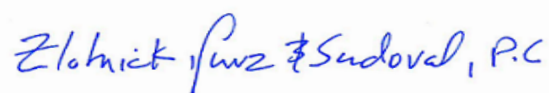
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Court as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparisons for the general fund and the major special revenue funds 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 14, 2012 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Court has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Zlotnick, Laws & Sandoval, P.C.

November 14, 2012

STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities
ASSETS	
Current Assets:	
Petty Cash	\$ 450
Investment in State General Fund Investment Pool	223,316
Due From Other Agencies	83,203
Supplies Inventory	40,498
Total Current Assets	347,467
Capital Assets, net	112,397
TOTAL ASSETS	\$ 459,864
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 24,613
Accrued Payroll	133,648
Due to State General Fund	7,161
Due to Other Agencies	6,210
Compensated Absences - current	100,699
Total Current Liabilities	272,331
Noncurrent Liabilities:	
Compensated Absences	15,576
TOTAL LIABILITIES	287,907
NET ASSETS	
Invested in Capital Assets	112,397
Restricted for:	
Drug Court	29,542
Mediations	24,134
Child Support Hearing Officer	81,211
Unrestricted (deficit)	(75,327)
TOTAL NET ASSETS	171,957
TOTAL LIABILITIES AND NET ASSETS	\$ 459,864

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Governmental Activities
Expenses:	
Judicial:	
Administrative Services	3,575,522
Depreciation Expense	41,414
Total Expenses	3,616,936
Program Revenues:	
Operating Grants	499,220
Charges for Services	44,785
Court Fees	17,660
Total Program Revenues	561,665
Net program expenses	(3,055,271)
General Revenues and Transfers	
State General Fund Appropriations	2,973,100
Other State Funds	86,625
State General Fund Reversion	(2,429)
Total General Revenues and Transfers	3,057,296
Change in net assets	2,025
Net Assets, beginning of year	169,932
Net Assets, end of year	\$ 171,957

See Notes to Financial Statements.

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Mediation Fund	CSHO Fund	Total
ASSETS				
Current Assets:				
Petty Cash	\$ 350	-	100	\$ 450
Investment in State Gen. Fund Investment Pool	181,941	25,533	15,842	223,316
Due from Other Agencies	-	-	83,203	83,203
Due from Other Funds	-	-	383	383
Supplies Inventory	36,533	-	3,965	40,498
TOTAL ASSETS	\$ 218,824	25,533	103,493	\$ 347,850
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts Payable	\$ 21,259	1,399	1,955	\$ 24,613
Accrued Payroll	117,386	-	16,262	133,648
Due to State General Fund	7,161	-	-	7,161
Due to Other Agencies	6,210	-	-	6,210
Due to Other Funds	383	-	-	383
TOTAL LIABILITIES	152,399	1,399	18,217	172,015
FUND BALANCES				
Nonspendable:				
Petty Cash	350	-	100	450
Supplies Inventory	36,533	-	3,965	40,498
Restricted for:				
Drug Court	29,542	-	-	29,542
Mediations	-	24,134	-	24,134
Child Support Hearing Officer	-	-	81,211	81,211
TOTAL FUND BALANCE	66,425	24,134	85,276	175,835
TOTAL LIABILITIES AND FUND BALANCES	\$ 218,824	25,533	103,493	\$ 347,850

See Notes to Financial Statements.

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total fund balances for governmental funds \$ 175,835

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not
financial resources, and therefore are not reported in
the funds. These assets consist of the following:

Capital assets, net 112,397

Some liabilities are not due and payable in the current
period, and therefore are not reported in the funds.
Those liabilities consist of the following:

Compensated absences (116,275)

Net Assets of Governmental Activities \$ 171,957

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	General Fund	Mediation Fund	CSHO Fund	Total
REVENUES				
Operating Grants	\$ -	-	499,220	\$ 499,220
Charges for Services	44,785	-	-	44,785
Court Fees	-	17,660	-	17,660
Total Revenues	44,785	17,660	499,220	561,665
EXPENDITURES				
Current:				
Judicial:				
Administrative Services:				
Personal Services and Benefits	2,864,599	-	425,578	3,290,177
Contract Services	88,176	16,500	5,000	109,676
Other Costs	145,386	1,499	51,891	198,776
Capital Outlay	-	-	-	-
Total Expenditures	3,098,161	17,999	482,469	3,598,629
Excess (Deficiency) of Revenues Over Expenditures	(3,053,376)	(339)	16,751	(3,036,964)
OTHER FINANCING SOURCES (Uses)				
Transfers In:				
General Fund Appropriations	2,973,100	-	-	2,973,100
Transfers From Other Agencies	86,625	-	-	86,625
Transfers Out:				
2012 Reversions to the State General Fund	(2,429)	-	-	(2,429)
Total Other Financing Sources (Uses)	3,057,296	-	-	3,057,296
Net Change in Fund Balances	3,920	(339)	16,751	20,332
Fund Balances, beginning	25,972	24,473	64,560	115,005
Increase in reserve for postage inventory	36,533	-	3,965	40,498
Fund Balances, ending	\$ 66,425	24,134	85,276	\$ 175,835

See Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

Net change in fund balances - total governmental funds		\$ 20,332
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Certain outlays are reported as expenditures in governmental funds. However, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives. In the current period these amounts are:</p>		
Capital outlay	-	
Depreciation expense	(41,414)	
Excess of capital outlay over depreciation expense	(41,414)	(41,414)
Supplies Inventory		40,498
<p>Expenses recognized in the Statement of Activities, not reported in the governmental funds:</p>		
Change in compensated absences (increase)		(17,391)
Change in Net Assets of Governmental Activities		\$ 2,025

See Notes to Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
For the Year Ended June 30, 2012

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Fund Appropriation	\$ 2,973,100	2,973,100	2,973,100	-
Other Financing Sources	81,600	81,600	86,625	5,025
Charges for Services	40,000	40,000	44,785	4,785
Total Revenues	<u>3,094,700</u>	<u>3,094,700</u>	<u>3,104,510</u>	<u>9,810</u>
Fund Balance	25,972	25,972		
Total Revenues and Fund Balance	<u>\$ 3,120,672</u>	<u>3,120,672</u>		
EXPENDITURES				
Administrative Services:				
Personal Services	\$ 2,891,400	2,864,900	2,864,599	301
Contractual Services	83,600	88,628	88,176	452
Other	119,700	146,200	145,386	814
Total Expenditures	<u>\$ 3,094,700</u>	<u>3,099,728</u>	<u>3,098,161</u>	<u>1,567</u>

See Notes to Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) - MEDIATION FUND
For the Year Ended June 30, 2012

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Final	Final		
REVENUES				
Court Fees	\$ 18,000	18,000	17,660	(340)
Fund Balance	24,473	24,473		
Total Revenues	<u>\$ 42,473</u>	<u>42,473</u>		
EXPENDITURES				
Administrative Services:				
Contractual services	\$ 16,500	16,500	16,500	-
Other Costs	1,500	1,500	1,499	1
Total Expenditures	<u>\$ 18,000</u>	<u>18,000</u>	<u>17,999</u>	<u>1</u>

See Notes to Financial Statements.

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) - CHILD SUPPORT HEARING OFFICER FUND
For the Year Ended June 30, 2012

	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Operating Grants	\$ 527,100	499,220	499,220	-
Total Revenues	527,100	499,220	499,220	-
Fund Balance	64,560	64,560		
Total Revenues and Fund Balance	\$ 591,660	563,780		
EXPENDITURES				
Administrative Services:				
Personal Services	\$ 403,800	426,800	425,578	1,222
Contractual Services	27,900	5,000	5,000	-
Other	95,400	67,420	51,891	15,529
Total Expenditures	\$ 527,100	499,220	482,469	16,751

See Notes to Financial Statements.

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES - AGENCY FUNDS
June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 565,870</u>
LIABILITIES	
Deposits held for others (or due to external parties)	<u>\$ 565,870</u>
Fund Balance	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 565,870</u></u>

See Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – Summary of Significant Accounting Policies

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

obligated in some manner for the debt of the organization.

The District Court has no component units.

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

B – Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter fund 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, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District Court has elected not to follow subsequent private-sector guidance.

The accounts of the Ninth Judicial District Court are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The following fund

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

types and account groups are used by the Ninth Judicial District Court:

GOVERNMENTAL FUND

General Fund (149) – The General Fund is the general operating fund of the District Court and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily by an appropriation from the State General Fund and any unused funds at the end of the fiscal year revert back to the State General Fund. The General Fund is always reported as a major fund.

SPECIAL REVENUE FUNDS

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

Child Support Hearing Officer Fund (927) – The District Court has entered into an agreement with the State of New Mexico Human Services Department (HSD) operating through its Child Support Enforcement Division (CSED) which administers a statewide plan for child support enforcement in compliance with Title IV-D of the federal Social Security Act. HSD provides funding to the District Court for implementing measures for the use of child support hearing officers in the adjudication of legal actions for child support pursuant to NMSA 1978 Sec. 40-4B-1. The Child Support Hearing Officer Fund is a non-reverting fund. The Child Support Hearing Officer Fund is reported as a major fund.

Mediation Fund (847) – The District Court has established a domestic relations mediation program pursuant to section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 [40-12-6, NMSA 1978 Compilation] of that act. The Mediation Fund is a non-reverting fund. The Mediation Fund is reported as a major fund.

FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to account for assets held by the District Court in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

Agency funds for the District Court are as follows:

Litigant's Fund – these monies are amounts collected from persons involved in pending litigation. The Court has custody and may invest these monies until refunded

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

and, if not stated, the interest earned is transferred to the State General Fund.

Court Clerk's Fund – These monies are collected from individuals filing with the Court. These monies are remitted intact to the New Mexico State Treasurer.

C – Measurement focus, basis of accounting, and financial statement presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the District Court, the primary government, as a whole without displaying individual funds or fund types. Generally these statements distinguish between activities that are governmental and those that are considered business-type activities. The District Court has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurements focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

FUND FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

D – Budgets and Budgetary Accounting

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

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

During the fiscal year 2005 the General Appropriation Act of 2004 established the modified accrual basis of accounting as the budgetary basis of accounting for the encumbrances at the end of the fiscal year 2005. However, only valid encumbrances (those paid within the deadline set by DFA) are included in the budgetary statements. In addition, the budgetary financial statements include the purchase of capital assets as budgetary expenditures and omit expenditures that are not expected to be paid out of available financial resources. Budgetary financial statements omit revenue included in accounts receivable that is not expected to be

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

received within 60 days following the end of the fiscal year. Thus budgetary comparisons presented in the report for the fiscal year are on the modified accrual basis of accounting. For comparison to the legally adopted budget, revenues and expenditures were adjusted to the budgetary basis.

E – Encumbrances

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

F –Supplies Inventory

Supplies inventory consists of non-resale paper, postage and office supplies. The Court uses the purchases method to account for its inventory.

G – Accrued Annual Leave

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

Years of Service	Hours Earned Per Pay Period
Day 1 – 3 Years	4.62
Over 3 – 7 Years	5.54
Over 7 – 14 Years	6.46
Over 14 Years	7.39

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

H – Accrued Sick Leave

Chapter 150, Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours in a fiscal year. However, the sick leave will be paid at fifty percent of the employee’s regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at the end of the fiscal year over 600 hours. Expenditures for accumulated sick pay for hours under

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability and net changes are recorded as an expenditure in the government-wide financial statements. For fund financial statements and budgetary reporting the expenditure is only recognized when payments are made to employees.

I – Capital Assets

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. The legislature enacted HB 1074 during a recent Legislative Session, changing the “Audit Act” capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000.

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

Automotive	10 years
Equipment and Machinery	6 years
Furniture and Fixtures	7 years
Data processing	3 years
Library	3 years

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

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

J – Intergovernmental Receivables and Deferred Revenue

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

K – Due to State General Fund for Reversions

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

L – Cost of Operations Not Included in Statements

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

M – Use of Estimates

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

N – Net Assets or Fund Equity

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

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

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

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

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

The Court would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

In the government-wide financial statements, fund equity is classified as net assets and is displayed in three components:

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Invested in capital assets: Consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt. The District Court has no outstanding debt relating to capital assets.

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

Unrestricted: Consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

NOTE 2 – Cash and Investments

At June 30, 2012, cash and cash equivalents consisted of the following checking accounts:

	Type	Interest Bearing	Bank Balance	Book Balance
Agency Funds:				
Bank of Clovis – Trust	Checking		\$ 298,453	\$ 295,233
Bank of Clovis – Litigant	Checking	X	116,552	116,552
Wells Fargo – State Treasurer	Checking		-	-
Wells Fargo – State Treasurer	Checking		-	-
Wells Fargo – Trust	Checking		154,085	154,085
Wells Fargo – Litigant	Checking	X	-	-
			\$ 569,090	\$ 565,870
Total			\$ 569,090	\$ 565,870

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure the Court’s deposits may not be returned. Currently all of the above listed accounts are either insured or collateral has been pledged by the financial institution for amounts exceeding FDIC insurance.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The Following is a schedule of pledged collateral:

Name of Depository	Description of Pledged Collateral	Fair Market Value 6/30/2012	Name and Location of Safekeeper
Bank of Clovis	CLOUDCROFT NM MUNI SC, CUSIP 189134EA3, 4.00%, 08/01/15	\$ 125,219	TIB
Bank of Clovis	LOS LUNAS NM SCH DIST, CUSIP 545562MS6, 3.80%, 07/15/16	436,292	TIB
Bank of Clovis	CLOUDCROFT NM MUNI SC CUSIP 189134EB1, 4.13%, 08/01/16	150,273	TIB
Bank of Clovis	LOS LUNUS NM SCH DIST CUSIP 545562MT4, 3.85%, 07/15/17	435,236	TIB
		<u>\$ 1,147,020</u>	

NOTE 3 – State Treasurer General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Court's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012 the Court had the following invested in the General Fund Investment Pool:

	Share Fund #	Maturity	Account Balance	Fair Value
General Fund	149	1 day	\$ 181,941	\$ 181,941
Mediation Fund	847	1 day	25,533	25,533
Child Support Hearing Officer Fund	927	1 day	<u>15,842</u>	<u>15,842</u>
Total Governmental Funds			<u>\$ 223,316</u>	<u>\$ 223,316</u>

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is the means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the balances at the business unit/fund level is not possible. Section 6-5-2.1(J) NMSA 1978 requires DFA to complete on a monthly basis, reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

Since SHARE was implemented, the Court recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

NOTE 4 – Due From Other State Agencies

As of June 30, 2012, \$83,203 was due from the State of New Mexico Human Services Department (SHARE fund 63000) for Child Support Hearing Officer Services.

NOTE 5 – Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Capital Assets:				
Furniture & Fixtures	\$ 47,751	-	2,775	\$ 44,976
Equipment	216,880	-	-	216,880
Data Processing	63,771	-	10,875	52,896
Vehicles	201,624	-	-	201,624
Total Capital Assets	<u>530,026</u>	<u>-</u>	<u>13,650</u>	<u>516,376</u>
Accumulated Depreciation:				
Furniture & Fixtures	34,525	2,955	2,775	34,705
Equipment	182,017	17,391	-	199,408
Data Processing	35,501	5,133	10,875	29,759
Vehicles	124,172	15,935	-	140,107
Total Accumulated Depreciation	<u>376,215</u>	<u>41,414</u>	<u>13,650</u>	<u>403,979</u>
Net Capital Assets	<u>\$ 153,811</u>	<u>41,414</u>	<u>-</u>	<u>\$ 112,397</u>

Current depreciation expense is \$41,414.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – Due to State of New Mexico General Fund and Due to Other State Agencies

Due to State of New Mexico General Fund (SHARE fund 85300) as of June 30, 2012 consists of the following:

Court costs collected during FY 2012	\$	4,732
FY 2012 Reversion		2,429
Total	\$	7,161

Due to State of Other State Agencies as of June 30, 2012 consists of the following:

<u>SHARE Fund</u>	<u>Agency</u>		
07600	Compilation Commission	\$	1,174
60300	Public Employees Retirement Association		3,686
01200	Administrative Office of the Courts		1,350
	Total	\$	6,210

NOTE 7 – Compensated Absences

The following is a summary of changes in compensated absences:

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/12</u>	<u>Due within</u> <u>One Year</u>
Compensated Absences	\$ 98,884	135,546	118,155	\$ 116,275	\$ 15,576

Compensated absences are liquidated with available financial resources out of the general fund. The State of NM does not budget in the current year, funds to pay any portion of the compensated absence liability at the end of the year; therefore, the current portion of compensated absences is not recorded in the fund financial statements. The Court has no other debt.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 8 – Operating Leases

The District Court has operating leases for various office equipment as well as office space. 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. The Court paid \$22,522 in lease payments during the year ended June 30, 2012. Minimum future rental payments under operating leases having terms in excess of one year as of June 30, 2012, and for the next four years and in the aggregate are:

2013	\$	21,778
2014		16,550
2015		9,910
2016		4,855
2017		-
Total	\$	<u>53,093</u>

NOTE 9 – Pension Plan - Public Employees Retirement Association

Plan Description. Substantially all of the 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.

Funding Policy. Plan members are required to contribute 10.67% of their gross salary. The Court is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Court’s contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$252,056, \$269,862 and \$297,999 respectively, which equal the amount of the required contributions for each fiscal year.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 10 – Retirement Plan (Judicial Branch)

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

Funding Policy

Plan members are required to contribute 10.75% of their gross salary. The Ninth Judicial District Court is required to contribute 8.75% of the gross covered salary. The Ninth Judicial District Court’s contributions to JRA for the years ending June 30, 2012, 2011, and 2010 were \$49,304, \$58,345, and \$59,442, respectively, equal to the amount of the required contributions for each 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 \$58,064 in filing fees for the year ending June 30, 2012.

NOTE 11 – Post-Employment Benefits - State Retiree Health Care Plan

Plan Description

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

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

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee is required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year Employer</u>	<u>Contribution Rate</u>	<u>Contribution Rate</u>
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan, during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year Employer</u>	<u>Contribution Rate</u>	<u>Contribution Rate</u>
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are 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.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The Ninth Judicial District Court's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$45,679, \$40,935 and \$31,733, respectively, which equal the required contributions for each year.

NOTE 12 – Risk of Loss

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

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
For the year ended June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash in Bank:				
State Treasurer Account	\$ 51	308,515	308,566	\$ -
Trust Accounts	667,803	555,640	657,573	565,870
	<u>\$ 667,854</u>	<u>864,155</u>	<u>966,139</u>	<u>\$ 565,870</u>
LIABILITIES				
Due to State Treasurer	\$ 51	308,515	308,566	\$ -
Due to Litigants	667,803	555,640	657,573	565,870
	<u>\$ 667,854</u>	<u>864,155</u>	<u>966,139</u>	<u>\$ 565,870</u>

See Notes to Financial Statements.

SCHEDULE OF OPERATING TRANSFERS
For the Year Ended June 30, 2012

<u>SHARE FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
		<u>In</u>	<u>Out</u>
(1) 85300	Department of Finance & Administration	\$ 2,973,100	\$ -
(2) 13900	Administrative Office of the Courts	68,125	-
(3) 13900	Administrative Office of the Courts	18,500	-
(1) 14900	FY 2012 Reversion	-	2,429
Total		<u>\$ 3,059,725</u>	<u>\$ 2,429</u>

(1) General Fund Appropriation, Laws of 2011, Chapter 179, Section 4

(2) CASA Appropriation, Laws of 2011, Chapter 179, Section 4

(3) Interlock DWI Grant (LETF) to District Court

SCHEDULE OF MEMORANDUMS OF UNDERSTANDING
June 30, 2012

The New Mexico Human Services Department operating through its Child Support Enforcement Division and the Ninth Judicial District Court

- a. Participants: Human Services Department (HSD) operating through its Child Support Enforcement Division and the Ninth Judicial District Court (Court).
- b. Responsible party for operations: The Court.
- a. Description: Providing a cooperative structure for the Judicial District and HSD to implement the Child Support Hearing Officer Act [40-4B-1 to 40-4B-10 NMSA 1978].
- b. Beginning and ending dates of agreement: July 1, 2011, to June 30, 2012.
- c. Total estimated amount of project is \$499,220, of which the Court paid \$0 and the HSD contributed \$499,220.
- d. During FY2012 the Court contributed \$0 towards this agreement.
- e. The Court has the audit responsibility.
- f. The HSD is the fiscal agent.
- g. The Court reports all revenues and expenditures.

The Ninth Judicial District Court and the Administrative Office of the Courts

- a. Participants: The Ninth Judicial District Court (Court) and Administrative Office of the Courts (AOC).
- b. Responsible party for operations: The Court.
- c. Description: to provide treatment and counseling to drug-dependent offenders, who are in the criminal justice system due to drug-related charges, with the aim of eliminating their substance abuse.
- a. Beginning and ending dates of agreement: July 1, 2011, to June 30, 2012.
- b. Total estimated amount of project is \$18,500, of which the Court paid \$0 and the AOC contributed \$18,500.
- c. During FY2012 the Court contributed \$0 towards this agreement.
- d. The Court has the audit responsibility.
- e. The AOC is the fiscal agent.
- f. The Court reports all revenues and expenditures.

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*

To the Honorable Teddy L. Hartley, Chief Judge
Ninth Judicial District Court
And
Hector Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico, Ninth Judicial District Court (Court), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2012-01 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as item 2012-02 in the accompanying schedule of findings and responses to be a significant deficiency.

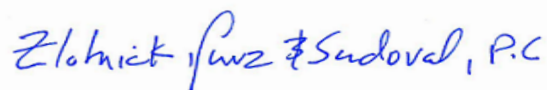
Compliance and Other Matters

As part of obtaining reasonable assurance about whether *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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-01 and 2012-02.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6- 5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2012-01 and 2012-02.

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

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



Zlotnick, Laws & Sandoval, PC

November 14, 2012

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012

Status of Prior Year's Findings

<u>Finding</u>	<u>Status</u>
FS 11-01 – Internal Controls Payroll –Significant Deficiency	Resolved

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

2012-01 – Failure to Receipt and Deposit Money – Material Weakness

Condition: During FY 2012 the Court discovered a number of checks that had been mailed to the Portales office of the Ninth Judicial District Court that had not been receipted and deposited. They discovered that the situation had existed for a number of years. Cashier's checks and money orders were found in a number of locations within the Portales Court which had never been processed. The large majority of the items discovered had been collected by the Probation and Parole Office in Socorro and forwarded to the Portales District Court. The Court has made a thorough search for all unprocessed funds. They have been able to receipt and deposit many of the cashier's check and money orders that were found. However, there are many that are stale dated and cannot be claimed. In addition, there is a gap of around 2 years in which no money has been found within the Portales Court. The amount of lost fees and fines for this gap in time is unknown. The Court is working with the Probation and Parole Office in to compare records and identify amounts collected by Probation and Parole that have not been found at the Portales Court. After, following all available leads there is no evidence that any amounts were stolen. None of the money from Probation and Parole would have been in the form of cash.

Criteria: 34-6-7 NM Statutes 1978 state that all fines, fees, cost and other money received by the Court Clerk shall be deposited to the account opened by the Court in the name of the State Treasurer not later than two working days after receipt by the clerk

Effect: The court and the state of New Mexico lost revenues that had been collected. The Court will have to determine if and how the missing revenue is to be replaced.

Cause: The supervisor of the Portales clerk's office retired during the fiscal year. This individual was also the criminal court clerk in Portales. The responsibility for receipting fines paid in criminal cases belonged to this individual and other clerks in the office were not allowed to handle criminal cases. Once the individual retired others in the office began to discover these unprocessed funds.

Auditors' Recommendation: We have discussed with the Chief Judge and the Court Executive Officer a procedure that will help prevent a reoccurrence of this situation. The Court has also taken appropriate steps to close the break down in internal control that led to this situation. They have procedures in place to monitor the activity of the Court Clerk offices in the future. We have reviewed the Court's response to the above situation and agree that it will strengthen controls in the future.

Management's Response: The District's Chief Judge and Court Executive Officer made Court Clerk Manager Shelly Burger, the Clerk of the Court of both the Clovis and Portales court clerk's offices. Ms. Burger has standardized the processes and procedures of the court clerks' offices district wide and is working closely with the Chief Financial Officer to maintain appropriate internal controls. We discussed and incorporated suggestions of the auditor to further enhance internal controls. There is no evidence of theft, many money orders are stale, and there is a two year gap making it impossible for the court to determine the amount of lost revenue. The court will continue to diligently monitor its internal controls in the future.

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

2012-02 – Handling of Litigant Deposits – Significant Deficiency

Condition: Each of the 2 locations within the Ninth District Court (Clovis and Portales) has established bank accounts to hold litigant deposits. Each location has maintained an interest bearing account and a non-interest bearing account. However, the money deposited in the Portales location has not been in compliance with Rule 1-102. First: Money that should have been accruing interest was deposited in the non-interest bearing account. Second: Interest earned for the benefit of the New Mexico State General Fund has not been remitted to the State and Third: The Portales Court did not have a complete list of litigants who had money on deposit that matched the amount of money available in the 2 litigant accounts.

Criteria: The Rules of Civil Procedure for District Courts outlines the process to follow for litigant funds deposited with the District Court. Rule 1-102 describes when a deposit should be made to an interest bearing account and whether interest earned should be paid to the litigant who deposited the money or to the State of New Mexico General Fund.

Effect: The court is not in compliance with Rule 1-102 and will have to correct the situation. The Court owes interest income to some litigants and the State of New Mexico General Fund.

Cause: The supervising Court Clerk in Portales is responsible for complying with the above directive. This individual did not perform all of the functions of the job.

Auditors' Recommendation: The amount of interest due is quite small in most cases. The court is in the process of retroactively calculating balances due and will make payments out of the Court general fund budget. They have already identified, within a small amount, all litigants for whom money is held. We recommend that the process be completed and that accurate records should be maintained in the future.

Management's Response: The District's Chief Judge and Court Executive Officer made Court Clerk Manager Shelly Burger, the Clerk of the Court of both the Clovis and Portales court clerk's offices. Ms. Burger has standardized the processes and procedures of the court clerks' offices district wide and is working closely with the Chief Financial Officer to maintain appropriate internal controls. We discussed and incorporated suggestions of the auditor to further enhance internal controls. Individual litigants are entitled to receive the interest due on their accounts. The court is in the process of retroactively calculating the balances due and will make payments out of the Court's FY 2013 general fund budget. The process will be completed and paid by the end of FY 2013. The court will keep better records and will continue to diligently monitor its internal controls in the future.

OTHER DISCLOSURES

June 30, 2012

Auditor Prepared Financials

Zlotnick, Laws & Sandoval, PC assisted in the preparation of the financial statements presented in this report. The Court's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on November 14, 2012. The following individuals were in attendance:

Ninth Judicial District Court

Honorable Teddy L. Hartley, Chief District Judge, Division III

Louis C. Moore, Court Executive Officer

Jo Ann M. Tootikian, Chief Financial Officer

Zlotnick, Laws & Sandoval, PC

Asa Laws, CPA

Brian Laws, CPA