

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

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

**For the Fiscal Year Ended June 30, 2008**

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

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**June 30, 2008**

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

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

**OFFICIAL ROSTER**

**June 30, 2008**

**Judge**

Honorable Donald C. Schutte, Presiding Judge

Division I

**Administrative Official**

Diane Ulibarri

Court Executive Officer

# Zlotnick, Laws & Sandoval, P.C.

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## **INDEPENDENT AUDITOR'S REPORT**

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

Honorable Donald C. Schutte, Presiding Judge  
Tenth Judicial District Court  
Tucumcari, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the Tenth Judicial District Court (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. These financial statements are the responsibility of the Court's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the financial statements of the State of New Mexico Tenth Judicial District Court are intended to present the financial position and changes of financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the Court as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2008 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 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 Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

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



Zlotnick, Laws & Sandoval, P.C.

December 15, 2008

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
June 30, 2008**

Management's Discussion and Analysis offers readers of the Tenth Judicial District Court's financial statements this narrative overview and analysis of the financial activities of the Court for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Court's financial statements, which follow this narrative.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of four sections (1) Management's Discussion and Analysis (MD&A) (2) the basic financial statements (3) required supplementary information and (4) other reports.

- (1) Management's Discussion and Analysis (this section) is designed to assist the reader in focusing on significant financial issues and to provide an overview of the Court's financial activity.
- (2) The basic financial statements include two kinds of statements: Government-Wide financial statements and Fund financial statements. Government - wide financial statements provide both long - term and short - term information about the Court's overall financial status. Fund financial statements focus on individual parts of the Court. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending. The financial statements also include notes intended to explain selected information in the financial statements and provide additional, detailed information.
- (3) The required supplementary information section provides schedules which further explain and support the information in the financial statements.
- (4) The other reports section provides additional supporting information including the Governmental Auditing Standards Reports, Schedule of Findings and Responses, Status of Prior Year Findings, and the memo on the Exit Conference.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
June 30, 2008**

**Government-Wide Statements**

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report all financial and capital resources of the Court as a whole, excluding the fiduciary funds of the Court (see Fund Financial Statements below). The Statement of Net Assets displays the assets, liabilities, and net assets of the Court in the “assets less liabilities equal net assets” format. The Statement of Activities presents governmental activities by function, at the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting.

The court has only one activity – Judicial Services – which is a governmental activity. The court does not have any business-type activities or any component units.

**Fund Financial Statements**

The fund financial statements provide detailed information about the Court’s significant governmental funds. Funds are accounting devices the Court uses to keep track of the sources of funding and spending for specific purposes. The government-wide financial statements were prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

This Court has two types of funds:

- General Appropriation Fund – All of the Court’s main operations are reflected in the general appropriation fund. The general fund financial statements provide information to help the user to assess the level of current financial resources available to the Court. The general fund is a reverting fund. All money remaining at the end of the fiscal year reverts to the state’s general fund.
- Mediation Fund – The mediation fund accounts for fees collected as part of the docket fee and held by the Court to establish a domestic mediation program. It is a non-reverting fund. The fund will continue to accumulate money until such time as the mediation program has been developed and implemented.



**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
June 30, 2008**

**GOVERNMENT-WIDE HIGHLIGHTS**

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets:		
Current Assets	\$ 81,935	\$ 105,457
Capital Assets	140,831	122,739
Total Assets	<u>222,767</u>	<u>228,196</u>
Liabilities:		
Current Liabilities	92,315	117,027
Non-Current Liabilities	4,294	3,237
Total Liabilities	<u>96,609</u>	<u>120,264</u>
Net Assets:		
Invested in Capital Assets	140,831	122,739
Restricted for Mediation	15,415	13,165
Unrestricted Net Assets (Deficit)	<u>(30,088)</u>	<u>(27,972)</u>
Total Net Assets	<u>\$ 126,158</u>	<u>\$ 107,932</u>

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Program Revenue	\$ 7,984	\$ 6,742
Transfer from another State Agency	11,780	-
General Revenue	<u>745,092</u>	<u>707,288</u>
Total Revenue	<u>764,856</u>	<u>714,030</u>
Expenses – General Fund	741,678	711,388
Loss on Disposal of Assets	427	-
Reversions to State	<u>4,525</u>	<u>5,037</u>
Total Expenses	<u>746,630</u>	<u>716,425</u>
Change in Net Assets	18,226	(2,395)
Beginning Net Assets	<u>107,932</u>	<u>110,327</u>
Ending Net Assets	<u>\$ 126,158</u>	<u>\$ 107,932</u>

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
June 30, 2008**

**OVERALL FINANCIAL POSITION:**

The overall financial position of the Court is virtually unchanged. The Court receives state funded appropriations to pay for operating costs. Any unused portion of the appropriation is reverted to the general fund at the end of the fiscal year. During the year the net assets of the Court increased by \$18,226. This was partially due to an increase in capital assets of \$18,092 which includes a donated vehicle of \$11,780.

**INDIVIDUAL FUND HIGHLIGHTS:**

The General Fund showed a zero (0) in fund balance during the year. The total State appropriation for the year was \$745,092 compared to \$707,788 in the prior year. Last year the court transferred \$15,000 of its appropriation to the 9<sup>th</sup> Judicial District Court under a joint powers agreement. This year the joint powers agreement was not in place. The Mediation Fund showed an increase in fund balance of \$2,250 equal to the amount of fees collected during the year. The Court has not yet implemented a mediation program.

**BUDGETARY HIGHLIGHTS:**

The operating budget from fiscal year 2007 to fiscal year 2008 increased by \$37,312 which was a 5% overall increase. The budget adjustments done in FY08 moved money from personal services and contract services to the other category to purchase video equipment, a vehicle and court furnishings. There were also substantial funds paid for a Judge Pro-Tem. Savings were realized in personal services because the Judge Pro-Tem was a contractor and not an employee.

**CAPITAL ASSETS AND LONG TERM DEBT:**

The Court's capital assets consist of personal property net of accumulated depreciation. The ending book value of capital assets is \$140,831 which is \$18,092 more than fiscal year 2007. The Court purchased \$36,767 of property during the year, which includes a vehicle, video equipment and FTR equipment. The Court does not own any infrastructure assets.

The long-term debt consists of compensated absences that are due to employees for sick and annual leave accrued. In fiscal year 2008, the ending debt for compensated absences was \$4,294; an increase of \$1,057 from the prior year.

**OTHER FINANCIAL HIGHLIGHTS:**

The Tenth Judicial District Court operates on General Fund Money appropriated by the New Mexico Legislature. Funds are collected by this agency by statute for collections of fines, fees and docket fees. Pursuant to state statute this court holds three bank accounts. The bank accounts are accounted for and maintained by the Court. The administrative trust checking and savings accounts are held for the purpose of litigant funds. The State Treasurer has established a bank account that is designated for all deposits collected by the Court that are not considered trust money.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
June 30, 2008**

This Court will continue to operate under the same financial procedures and policies as it has in the past. There are no pending financial matters that could have significant impact on this Court.

**AGENCY HIGHLIGHTS:**

The Tenth Judicial District is the only District within the State of New Mexico that is a single Judge District. The District is comprised of Quay, DeBaca and Harding Counties. It is one of the largest geographical districts in the State. When traveling to DeBaca and Harding Counties, the Judge and staff must travel at least 3.0 hours round trip. The Tenth Judicial District continues to be the smallest District within the State.

The current caseload of the Tenth Judicial District has remained consistent with previous years. The caseload has increased to 1000 cases per year. This warrants a full time Judge to hear and dispose of those cases. Based on the caseload management reports, this District consistently shows the need for additional employees, but maintains the workload with current staffing.

**CONTACTING THE COURT'S FINANCIAL MANAGEMENT:**

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

***TENTH JUDICIAL DISTRICT COURT  
300 S. 3<sup>RD</sup> STREET, P O BOX 1067  
TUCUMCARI, NEW MEXICO 88401  
505-461-2764  
505-461-4498 fax***

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
STATEMENT OF NET ASSETS  
June 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 81,243
Prepaid expenditures	693
Capital assets, net	<u>140,831</u>
<b>Total Assets</b>	<u><u>\$ 222,767</u></u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 33,477
Accrued payroll	28,338
Due to State General Fund	4,706
Accrued compensated absences	<u>25,794</u>
<b>Total liabilities</b>	<u>92,315</u>
 <b>Noncurrent liabilities:</b>	
Accrued compensated absences	<u>4,294</u>
<b>Total Liabilities</b>	<u>96,609</u>
 <b>NET ASSETS</b>	
Invested in capital assets	140,831
Restricted for mediations	15,415
Unrestricted	<u>(30,088)</u>
<b>Total net assets</b>	<u>126,158</u>
 <b>Total liabilities and net assets</b>	<u><u>\$ 222,767</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
STATEMENT OF ACTIVITIES  
June 30, 2008**

	<u>Governmental Activities</u>
Expenses:	
Administrative services	\$ 711,650
Depreciation expense	<u>30,028</u>
 Total program expenses	 <u>741,678</u>
 Program Revenues	
Charge for services	5,734
Court fees	<u>2,250</u>
<b>Net program expense</b>	733,694
 General revenues and transfers	
State General Fund appropriations	715,300
Other financing sources – compensation package	29,792
Transfer from 10th Judicial District Attorney's Office	11,780
Reversion to State General Fund FY08	(4,525)
Loss on disposal of assets	<u>(427)</u>
<b>Total Revenues</b>	<u>751,920</u>
 Change in net assets	 18,226
 <b>Net assets - Beginning of year</b>	 <u>107,932</u>
 <b>Net assets - End of year</b>	 <u><u>\$ 126,158</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008**

	<u>General Fund 150</u>	<u>Mediation Fund 525</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Current Assets			
Investment in State General Fund			
Investment Pool	\$ 65,828	\$ 15,415	\$ 81,243
Prepaid expenses	<u>693</u>	<u>-</u>	<u>693</u>
<b>Total assets</b>	<u>\$ 66,521</u>	<u>\$ 15,415</u>	<u>\$ 81,936</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 33,477	\$ -	\$ 33,477
Accrued payroll	28,338		28,338
Due to the State General Fund	<u>4,706</u>	<u>-</u>	<u>4,706</u>
<b>Total liabilities</b>	<u>66,521</u>	<u>-</u>	<u>66,521</u>
<b>FUND BALANCES</b>			
<b>Reserved for:</b>			
Mediation	<u>-</u>	<u>15,415</u>	<u>15,415</u>
<b>Total fund balances</b>	<u>-</u>	<u>15,415</u>	<u>15,415</u>
<b>Total liabilities and fund balances</b>	<u>\$ 66,521</u>	<u>\$ 15,415</u>	<u>\$ 81,936</u>

The accompanying notes are an integral part of these financial statements

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

Total fund balances for governmental funds	\$	15,415
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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

Capital assets, net		140,831
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Some liabilities are not due and payable in the current period and  
therefore are not reported in the funds. Those liabilities consist of:

Compensated absences		<u>(30,088)</u>
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<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u><u>126,158</u></u></b>
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The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
June 30, 2008**

	General Fund 150	Court Mediation 525	Total Governmental Funds
	<u>150</u>	<u>525</u>	<u>Funds</u>
<b>REVENUES</b>			
Court Fees	\$ -	\$ 2,250	\$ 2,250
Charges for Services	5,734	-	5,734
<b>Total revenues</b>	<u>5,734</u>	<u>2,250</u>	<u>7,984</u>
<b>EXPENDITURES</b>			
Administrative Services:			
Personal services & Benefits	568,526	-	568,526
Contract Services	19,368	-	19,368
Other Costs	121,640	-	121,640
Capital Outlay:	<u>36,767</u>	<u>-</u>	<u>36,767</u>
 Total expenditures	 <u>746,301</u>	 <u>-</u>	 <u>746,301</u>
 Excess (deficiency) of revenues over expenditures	 <u>(740,567)</u>	 <u>2,250</u>	 <u>(738,317)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
<b>Transfers in:</b>			
General fund appropriations	715,300	-	715,300
Compensation Package	29,792	-	29,792
Reversion to the State General Fund - FY08	<u>(4,525)</u>	<u>-</u>	<u>(4,525)</u>
 Total other financing sources and (uses)	 <u>740,567</u>	 <u>-</u>	 <u>740,567</u>
 <b>Net change in fund balances</b>	 <b>-</b>	 <b>2,250</b>	 <b>2,250</b>
 Fund balances, beginning	 <u>-</u>	 <u>13,165</u>	 <u>13,165</u>
 <b>Fund balances, ending</b>	 <b><u>\$ -</u></b>	 <b><u>\$ 15,415</u></b>	 <b><u>\$ 15,415</u></b>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
RECONCILIATION OF THE CHANGE IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
June 30, 2008**

Net change in fund balances - total governmental funds \$ 2,250

Amounts reported for governmental activities in the  
Statement of Activities are different because of

Capital outlays are reported as expenditures in governmental funds. However in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	\$	36,767	
Depreciation expense		<u>(30,028)</u>	
Excess of capital outlay over depreciation expense			6,739

Revenues recognized in the Statement of Activities, not reported in governmental funds:

Donation of Automobile used as Trade-in 11,780

Expenses recognized in the Statement of Activities, not reported in governmental funds

Loss of Disposition of Assets		(427)	
Increase in compensated absences		<u>(2,116)</u>	
			<u>(2,543)</u>

Change in Net Assets of Governmental Activities 18,226

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS  
June 30, 2008**

	General Fund-150			Variance Favorable (Unfavorable)
	Original	Approved	Actual	
	Budget	Revised Budget		
<b>Revenues</b>				
State General Fund appropriations	\$ 715,300	\$ 715,300	\$ 715,300	\$ -
Other financing sources	29,800	29,800	29,792	(8)
Miscellaneous Revenues	3,200	5,200	5,734	534
Reversions	-	-	-	-
<b>Total revenues</b>	<b>\$ 748,300</b>	<b>\$ 750,300</b>	<b>\$ 750,826</b>	<b>\$ 526</b>
<b>Expenditures - All Organizations</b>				
Personal services	\$ 657,100	\$ 569,500	\$ 568,526	\$ 974
Contractual services	16,000	19,500	19,368	132
Other costs	60,200	161,300	158,407	2,893
Other financing uses	15,000	-	-	-
<b>Total expenditures</b>	<b>\$ 748,300</b>	<b>\$ 750,300</b>	<b>\$ 746,301</b>	<b>\$ 3,999</b>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
MAJOR GOVERNMENTAL FUNDS (continued)  
June 30, 2008**

	Mediation Fund - 525			Variance Favorable (Unfavorable)
	Original	Approved Revised	Actual	
	Budget	Budget		
<b>REVENUES</b>				
Court Fees	\$ 1,900	\$ 1,900	\$ 2,250	\$ 350
Fund Balance	12,000	12,000		
<b>Total revenues</b>	<b>\$ 13,900</b>	<b>\$ 13,900</b>	<b>\$ 2,250</b>	<b>\$ 350</b>
<b>Expenditures</b>				
Administrative services:	\$ -	\$ -	\$ -	\$ -
Contractual services:	13,900	13,900	-	13,900
Other costs	-	-	-	-
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<b>\$ 13,900</b>	<b>\$ 13,900</b>	<b>\$ -</b>	<b>\$ 13,900</b>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITES  
AGENCY FUND  
June 30, 2008**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>350,797</u>
<b>Total assets</b>	\$ <u><u>350,797</u></u>
<b>LIABILITIES</b>	
Due to litigants	\$ 350,797
Due to other Agencies	-
Due to the state general fund	<u>-</u>
<b>Total liabilities</b>	\$ <u><u>350,797</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

Financial Reporting Entity

The Tenth Judicial District Court operates under Section 34-6-1 through 34-6-3, 34-6-13 and 34-6-17 through 34-6-46, NMSA 1978 Compilation. The Tenth Judicial District Court covers Quay, Harding and De Baca Counties. The Court is comprised of one division as authorized in the above statutes. The Court is the State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases, which are not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

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

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

**A. Basis of Accounting- GASB Statement No. 34**

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

**B. Basis of Presentation - Fund Accounting**

Government-Wide Financial Statements

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

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

**B. Basis of Presentation - Fund Accounting (continued)**

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

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

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

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

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

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

**B. Basis of Presentation - Fund Accounting (continued)**

*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 unexpended balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The SHARE fund number and description of the General Fund of the Court is #15000 - Court Regular.

*Special Revenue Funds*

The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the special revenue fund for operations of the Court.

Court Mediation - The Court has established a Domestic Relations Mediation Fund pursuant to Sections (40-12-4, NMSA 1978 Comp.) of the Domestic Relations Mediations Act. The Court collects a fee from general docket cases as required by statute to finance a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The Court has not yet established the mediation program. The Mediation Fund is non-reverting. The SHARE fund number of the Mediation Fund is #52500.

*Fiduciary Funds*

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

The Court collects fines, fees and bonds from litigants. The fines and fees are deposited in the agency fund and then transferred to the State Treasurer for distribution to the benefiting agencies. The bonds are held until the case is disposed and the bond is returned to the litigant.

**C. Assets, Liabilities and Equity**

*Cash and Investments*

The Court's cash and cash equivalents are demand deposits and savings accounts.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

**C. Assets, Liabilities and Equity (continued)**

*Capital Assets*

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated.

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment items costing more than \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated

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:

Building Improvements	10-20 years
Furniture and Fixtures	7-10 years
Equipment and Machinery	6-10 years
Automotive	5 years
Data Processing	6-7 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.

*Long-Term Liabilities*

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

*Equity*

**Government-Wide Statements**

Equity is classified as net assets and displayed in three components:



**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

**C. Assets, Liabilities and Equity (continued)**

1. *Invested in capital assets, net of related debt*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Court has no outstanding debt relating to capital assets.
2. *Restricted net assets*, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* are all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

**D. Budgets and Budgetary Accounting**

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

1. No later than September 1, the Tenth Judicial District Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC) and the Department of Finance and Administration an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the 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 Tenth District.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

**D. Budgets and Budgetary Accounting (continued)**

4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Tenth Judicial District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the JBO and the director of the DFA - Budget Division. The current year budget was revised in a legal manner.
6. Legal budget control for expenditures is by category.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
8. The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.
9. Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the Legislature. Unexpended amounts within the General Fund revert to the State General Fund.

**E. Compensated Absences Payable**

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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

**E. Compensated Absences Payable (continued)**

Qualified employees accumulate annual leave as follows:

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

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

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

**F. Use of Estimates**

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

**G. Interfund Activity**

Interfund transactions are treated as transfers and Interfund payables and receivables at year end. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**H. Program Revenues**

The Court collects fees from general docket cases to finance a mediation alternative to legal resolution of domestic disputes. Fees are deposited to the Mediation Fund. The Court also collects from clients who want copies of court transcripts either by paper or tape.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**(2) COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS**

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

**(3) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at year end are classified as follows:

	Bank Balance	Book Balance
Governmental Funds:		
Investment in State General Fund		
Investment Pool	\$ 81,243	\$ 81,243
Agency Funds:		
Cash in Bank:		
Wells Fargo	\$ 317,971	\$ 317,971
Citizens Bank of Clovis	25,696	25,696
Community Bank	7,130	7,130
Total cash- agency fund	350,797	\$ 350,797
Less: FDIC Insurance	(132,826)	
Total uninsured public funds	\$ 217,971	

Detail of this collateral pledged by Wells Fargo Bank is not available because the bank commingles pledged collateral for all of the funds it holds for the State of New Mexico. The collateralization of these accounts is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

**Custodial Credit Risk-Deposit**

Custodial Credit Risk is the risk that in the event of a bank failure, the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. As of June 30, 2008, \$217,971 of the Court's agency fund bank balance totaling \$350,797 was exposed to custodial credit risk.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**(4) CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Building Improvements	\$ 68,062	\$ 19,767	\$ -	\$ 87,829
Furniture & Fixtures	47,598	-	1,068	46,530
Equipment & Machinery	112,886	-	3,366	109,520
Automotive	40,874	28,780	-	69,654
Data Processing	14,670	-	-	14,670
Total	<u>284,090</u>	<u>48,547</u>	<u>(4,434)</u>	<u>328,203</u>
Less Accumulated Depreciation for:				
Building & Improvements	(31,376)	(6,576)	-	(37,952)
Furniture & Fixtures	(33,781)	(3,911)	982	(36,710)
Equipment & Machinery	(70,893)	(9,143)	3,025	(77,011)
Automotive	(17,980)	(8,517)	-	(26,497)
Data Processing	(7,321)	(1,881)	-	(9,202)
Total	<u>(161,351)</u>	<u>(30,028)</u>	<u>4,007</u>	<u>(187,372)</u>
Net Capital Assets	<u>\$ 122,739</u>	<u>\$ 18,519</u>	<u>\$ (427)</u>	<u>\$ 140,831</u>

Current year depreciation expense is \$30,028

**(5) DUE TO STATE GENERAL FUND**

The Due to State General Fund in the Statement of Net Assets includes \$4,525 in 2008 reversion and \$181 in EAP reimbursements to the Court that will be remitted to the state general fund for fiscal year ending June 30, 2008.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**(6) COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Annual Leave	\$ 27,170	\$ 27,912	\$ 25,856	\$ 29,226	\$ 24,932
Sick Leave	802	863	803	862	862
Total	<u>\$ 27,972</u>	<u>\$ 28,775</u>	<u>\$ 26,659</u>	<u>\$ 30,088</u>	<u>\$ 25,794</u>

Court General Fund resources have been used to liquidate accrued compensated absences in the past. The Court had no other debt activity during the year.

**(7) OPERATING LEASES**

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

A lease for a Xerox copier was entered into on May 1, 2005 which required 60 monthly payments of \$252.54.

A lease for a Xerox copier was entered into on July 1, 2007 which required 60 monthly payments of \$133.34.

A lease for a Xerox copier was entered into on July 1, 2007 which required 60 monthly payments of \$92.69.

A lease for a Xerox copier was entered into on July 1, 2007 which required 60 monthly payments of \$149.07.

A lease for a Pitney Bowes Mail Machine was entered into on October 9, 2006 which required 18 quarterly payments of \$152.37.

A lease for a Pitney Bowes Mail Machine was entered into on October 13, 2006 which required 18 quarterly payments of \$59.85.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**(7) OPERATING LEASES (continued)**

Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2008, for each of the next five years and in the aggregate are:

June 30, 2009	\$ 8,381
June 30, 2010	8,381
June 30, 2011	7,875
June 30, 2012	4,784
June 30, 2013	<u>4,501</u>
Total	<u>\$ 33,922</u>

Rental expense for the fiscal year ended June 30, 2008 was \$9,017.

**(8) PERA RETIREMENT PLAN**

Plan Description

Substantially all of the Tenth Judicial 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 Tenth Judicial District Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Tenth Judicial District Court are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Court's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$51,981, \$50,016, and \$43,622, respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**(9) JRA RETIREMENT PLAN**

All of the Tenth 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](http://www.pera.state.nm.us)

Funding Policy

Plan members are required to contribute 7.5% of their gross salary. The Tenth Judicial District Court is required to contribute 12% of the gross covered salary. The Tenth Judicial District Court's contributions to JRA for the years ending June 30, 2008, 2007 and 2006 were \$ 9,443, \$ 12,240 and \$ 10,329, 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 \$ 11,210, \$ 13,756, \$ 11,090 in filing fees for the years ending June 30, 2008, 2007 and 2006, respectively.

**(10) DEFERRED COMPENSATION**

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

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



**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**(10) POST-EMPLOYEMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

Plan Description

The Tenth 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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy

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

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**(10) POST-EMPLOYEMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(continued)**

Funding Policy (continued)

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 1.3% 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 Tenth Judicial District Court's contributions for the years ended June 30, 2008, 2007 and 2006 were \$5,092, \$5,257 and \$5,555, respectively, which equal the required contributions for each year.

**(12) RISKS OF LOSS**

The Court obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. This coverage is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2007 through June 30, 2008.

**(13) TRANSFER OF A CAPITAL ASSET FROM THE 10<sup>th</sup> JUDICIAL DISTRICT ATTORNEY**

During the year the 10th Judicial District Attorney's Office transferred title to a vehicle to the Court. The court used the vehicle as a trade-in to purchase a new vehicle for court use. The transfer was valued at the amount of the trade-in allowance given toward the purchase of the new vehicle.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF CASH ACCOUNTS  
(Supplementary Information)  
June 30, 2008**

		<u>Account Number</u>	<u>Bank Balance</u>	<u>Financial Statement Balance</u>
<b>General Fund</b>				
New Mexico State Treasurer	Checking	240-150		<u>\$ 65,828</u>
<b>Special Revenue Fund</b>				
New Mexico State Treasurer	Checking	240-525		<u>\$ 15,415</u>
<b>Agency Fund</b>				
Wells Fargo Bank of New Mexico N.A.				
<b>Quay County:</b>				
Administrative Trust	Checking	240-4855413	\$ 66,725	\$ 66,725
Savings Trust	Checking	540-4855427	251,246	251,246
State Treasurer Account	Checking	240-4988713	-	-
<b>Harding County:</b>				
State Treasurer Account	Checking	2600367101	-	-
Total Wells Fargo Bank			<u>317,971</u>	<u>317,971</u>
1st Community Bank	Checking	1183869.00	7,130	7,130
Total 1st Community Bank			<u>7,130</u>	<u>7,130</u>
Citizens Bank of Clovis				
<b>De Baca County:</b>				
Administrative Trust	Checking	290086906	534	534
Savings Trust	Checking	290131820	25,162	25,162
State Treasurer Account	Checking	296605306	-	-
Total Citizens Bank of Clovis			<u>25,696</u>	<u>25,696</u>
Total Agency Funds			<u>\$ 350,797</u>	<u>\$ 350,797</u>

See Auditor's Report

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
(Supplementary Information)  
June 30, 2008**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
<b>ASSETS</b>				
Cash in Bank:				
State Treasurer Account	\$ 2,826	\$ 53,754	\$ 56,580	\$ -
Trust Accounts	<u>138,948</u>	<u>355,976</u>	<u>144,127</u>	<u>350,797</u>
	<u>\$ 141,774</u>	<u>\$ 409,730</u>	<u>\$ 200,707</u>	<u>\$ 350,797</u>
<b>LIABILITIES</b>				
Due to Litigants	\$ 138,948	\$ 355,976	\$ 144,127	\$ 350,797
Due to other agencies	2,176	37,362	39,538	-
Due to State General Fund	514	8,408	8,922	-
Due to Court General Fund	46	5,734	5,780	-
Due to Mediation Fund	<u>90</u>	<u>2,250</u>	<u>2,340</u>	<u>-</u>
	<u>\$ 141,774</u>	<u>\$ 409,730</u>	<u>\$ 200,707</u>	<u>\$ 350,797</u>

See Auditor's Report

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF OPERATING TRANSFERS  
(Supplementary Information)  
June 30, 2008**

	SHARE FUND	TITLE	TRANSFER	
			In	Out
(1)	61700	Department of Finance & Administration	\$ 715,300	
(2)	34100	Department of Finance & Administration	\$ 29,792	

(1) State General Fund Appropriation as per Laws 2007, Chapter 28

(2) Compensation Package (transfer from DFA) as per Laws 2007, Chapter 28, Section 8

See Auditor's Report

# Zlotnick, Laws & Sandoval, P.C.

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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  
New Mexico State Auditor  
Santa Fe, New Mexico

Honorable Donald C. Schutte, Presiding Judge  
Tenth Judicial District Court  
Tucumcari, New Mexico

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tenth Judicial District Court (Court), as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements and have issued our report thereon dated December 15, 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 Tenth Judicial District Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entities financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 08-1 and 08-2 to be a significant deficiencies in internal control over financial reporting.

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 by the agency's internal control.

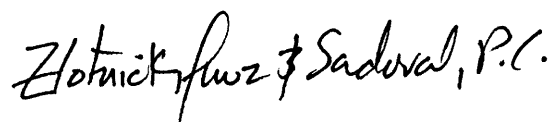
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described as item 08-2, should be considered to be a material weakness.

#### Compliance

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

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

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



Zlotnick, Laws & Sandoval, P.C.

December 15, 2008

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES**

**For the Year Ended 2008**

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**08-01**

**RECORDING OF CAPITAL ASSETS ON THE GOVERNMENT WIDE FINANCIAL STATEMENTS**

Condition

The court failed to capitalize material amounts that had been coded to a capital outlay object code on the government wide financial statements.

Criteria

The Audit Act (12-6-10 NMSA 1978) requires agencies to capitalize chattels and equipment whose cost is over \$5,000. Vouchers coded to a capital outlay object code need to also be recorded as assets on the capital assets detail schedule.

Cause

The detail listing of capital assets is maintained outside of the state's SHARE system. The controls over the recording of additions to the capital assets detail schedule did not detect error.

Effect

Capital assets and the accompanying depreciation expense may not be recorded on the government wide financial statements.

Recommendation

The general ledger capital outlay accounts should be periodically reconciled to the capital assets detail schedule.

Agency Response

Due to recent changes in Staff the error was due, in part to inexperience. The personnel involved in recording fixed assets have received additional training and are now better aware of the issue



**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES**

**For the Year Ended 2008**

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**CONTROLS OVER FINANCIAL REPORTING**

**08-02**

**Condition:**

The Court did not have proper controls in place to adequately prepare the financial statements and footnotes that are materially correct in accordance with generally accepted accounting standards. The auditors made material adjustments to the content of the financial statements.

**Criteria:**

SAS 112 requires that the Court have proper controls over the preparation of the financial statements and footnote disclosures, which would prevent or detect a misstatement.

**Cause:**

The Court did not fill out note disclosure checklists or a financial statement review checklist that would detect and prevent departures from GAAP in the financial statement preparation. The Court relied on the auditors to review the financial statements and notes in order to add or update required note disclosures.

**Effect:**

The financial statement as prepared by the court were not fairly presented in accordance with GAAP and were not suitable for submission to the New Mexico State Auditor's review process.

**Recommendation:**

The Court must develop proper internal control procedures over financial statement preparation by filling out checklists in order to become aware of new GAAP standards and how they affect financial statement presentation and footnote disclosures.

**Agency Response:**

This agency did complete the Financial Statements. The MDA, Notes and financial data were all included. The auditor did make some changes to the financial statements and added the updated footnotes. The financial data was strong and balanced back to all supporting documents. It seems that small agencies will not ever be able to comply with the SAS rules unless they have a CPA independent to the CPA that performs the audit. I do not agree with the finding, based on the fact that footnotes seem to be a minimal part of the statements.

**TENTH JUDICIAL DISTRICT COURT  
STATUS OF PRIOR YEAR FINDINGS**

**June 30, 2008**

<u>Condition</u>	<u>Current year status</u>
04-1 Segregation of Duties	Resolved
07-1 Timely Deposit of Funds	Resolved
07-2 No reconciliation of Accounts	Resolved
07-3 Auditor prepared the Financial Statements	Revised and Repeated

The financial statements were prepared by the auditors, Zlotnick, Laws & Sandoval, P.C.

**STATE OF NEW MEXICO  
TENTH JUDICIAL DISTRICT COURT  
EXIT CONFERENCE**

**June 30, 2008**

The contents of this report were discussed at an exit conference held November 21, 2008. Asa Laws represented Zlotnick, Laws & Sandoval, P.C. The Tenth Judicial District court was represented by Diane Ulibarri, Court Executive Officer. The District Court Judge was defeated in the November election and has left office. The newly elected Judge will not take office until January. Therefore, a judge was not available for the exit conference.