

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

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS' REPORT THEREON
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

TABLE OF CONTENTS

JUNE 30, 2012

INTRODUCTORY SECTION:

Official Roster iii

FINANCIAL SECTION

Independent Auditors' Report 1 – 3
Management Discussion and Analysis 4 - 8

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Assets 9
Statement of Activities 10

Fund Financial Statements:

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

NOTES TO FINANCIAL STATEMENTS 17 - 31

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

TABLE OF CONTENTS (continued)

JUNE 30, 2012

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Schedule of Cash Accounts | 32 |
| Schedule of Changes in Assets and Liabilities – Agency Fund..... | 33 |
| Schedule of Operating Transfers..... | 34 |

Governmental Auditing Standards Report

| | |
|---|---------|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government</u> <u>Auditing Standards</u> | 35 – 36 |
|---|---------|

| | |
|---|----|
| Schedule of Audit Findings and Summary Schedule of Prior Year Audit Findings | 37 |
|---|----|

| | |
|------------------------------|-----------|
| EXIT CONFERENCE | 38 |
|------------------------------|-----------|

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

OFFICIAL ROSTER

JUNE 30, 2012

Judge

Honorable Albert J. Mitchell, Jr., Presiding Judge

Division I

Administrative Official

Diane Ulibarri

Court Executive Officer

Kubiak & Melton, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Honorable Albert J. Mitchell, Jr., Presiding Judge
Tenth Judicial District Court
Tucumcari, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons of the General Fund of the Tenth Judicial District Court (Court), as of and for the year ended June 30, 2012 which collectively comprises 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Court are intended to present the financial position and changes of financial position of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Court. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2012 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 of the Court as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the major governmental

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 October 17, 2012 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 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.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 3 through 7 be presented as a supplement to the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 other supplemental 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, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is presented fairly in all material respects in relation to the basic financial information taken as a whole.

Kubiak & Melton, LLC

Kubiak & Melton, LLC
Albuquerque, New Mexico
October 17, 2012

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

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, 2012. 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 parts (1) Management's Discussion and Analysis (MD&A), (2) the basic financial statements, (3) 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 Report, 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, 2012**

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 fund 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, 2012**

GOVERNMENT-WIDE HIGHLIGHTS

Condensed Financial Comparison for current and prior Fiscal Year:

| Assets: | <u>2012</u> | <u>2011</u> |
|-----------------------------------|------------------|------------------|
| Current Assets | \$ 54,861 | \$ 49,475 |
| Capital Assets | 91,519 | 89,731 |
| Total Assets | <u>146,380</u> | <u>139,206</u> |
| Liabilities: | | |
| Current Liabilities | 62,903 | 54,408 |
| Non-Current Liabilities | 5,612 | 5,726 |
| Total Liabilities | <u>68,515</u> | <u>60,134</u> |
| Net Assets: | | |
| Invested in Capital Assets | 91,519 | 89,731 |
| Restricted for Mediation | 18,083 | 21,428 |
| Unrestricted Net Assets (Deficit) | <u>(31,737)</u> | <u>(32,087)</u> |
| Total Net Assets | <u>\$ 77,865</u> | <u>\$ 79,072</u> |

Condensed Financial Comparison for current and prior Fiscal Year:

| | <u>2012</u> | <u>2011</u> |
|------------------------------------|------------------|------------------|
| Program Revenue | \$ 5,098 | \$ 5,888 |
| Transfer from Another State Agency | - | - |
| General Revenue | 718,600 | 731,900 |
| Total Revenue | <u>723,698</u> | <u>737,788</u> |
| Expenses – General Fund | 727,584 | 749,600 |
| Loss on Disposal of Assets | (4,390) | - |
| Reversions to State | 1,711 | 3,458 |
| Total Expenses | <u>724,905</u> | <u>753,058</u> |
| Change in Net Assets | (1,207) | (15,270) |
| Beginning Net Assets | <u>79,072</u> | <u>94,342</u> |
| Ending Net Assets | <u>\$ 77,865</u> | <u>\$ 79,072</u> |

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
JUNE 30, 2012**

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 decreased by \$1,207.

Individual Fund Highlights

The General Fund showed a zero (0) in fund balance during the year. The total State appropriation for the year was \$ 718,600 compared to \$756,400 in the prior year. The Mediation Fund showed a decrease in Fund balance of \$3,344 during the year. The Court has not yet implemented a mediation program.

Budgetary Highlights

The operating budget from fiscal year 2011 to fiscal year 2012 decreased by \$37,800, a 5% overall decrease. The budget adjustment done in FY 2012 moved money from the personal services category to contract Services and other costs. During the 2012 fiscal year the District Court received a budget increase of \$4,500 in General Fund revenue.

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 \$ 91,519 which is \$1,788 more than fiscal year 2011. The Court purchased \$42,043 of equipment during the year, which consisted of a vehicle and renovations to the courtroom. 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 2012, the ending liability for compensated absences was \$31,737, a decrease of \$350 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, 2012**

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 three hours round trip. The Tenth Judicial District continues to be the least expensive District within the State. The District Judge travels out of District on cases designated by the Supreme Court approximately thirty (30) days per year.

The current annual caseload of the Tenth Judicial District has remained consistent with previous years, at about 1,000 cases. 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. With budget reductions in FY12 the court has staffing shortfalls at 22%. Positions have not been filled in order to cover the reductions.

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's 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. 3RD STREET, P O BOX 1067
TUCUMCARI, NEW MEXICO 88401
575-461-2764
575-461-4498 fax**

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

| | <u>Governmental Activities</u> |
|--|---|
| ASSETS | |
| Current Assets | |
| Investment in State General Fund Investment Pool | \$ 54,861 |
| Total Current Assets | <u>54,861</u> |
| Capital Assets, Net | <u>91,519</u> |
| Total Assets | <u><u>\$ 146,380</u></u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | \$ 9,533 |
| Accrued Payroll | 25,534 |
| Due to State General Fund | 1,711 |
| Accrued Compensated Absences | <u>26,125</u> |
| Total Current Liabilities | <u>62,903</u> |
| Noncurrent Liabilities | |
| Accrued Compensated Absences | <u>5,612</u> |
| Total Liabilities | <u>68,515</u> |
| NET ASSETS | |
| Invested in Capital Assets | 91,519 |
| Assigned to Mediations | 18,083 |
| Unassigned | <u>(31,737)</u> |
| Total Net Assets | <u>77,865</u> |
| Total Liabilities and Net Assets | <u><u>\$ 146,380</u></u> |

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | Governmental Activities |
|---|------------------------------------|
| Program Expenses | |
| Administrative Services | \$ 704,103 |
| Depreciation Expense | 23,481 |
| Total Program Expenses | 727,584 |
| Program Revenues | |
| Charge for Services | 3,063 |
| Court Fees | 2,035 |
| Total Program Revenues | 5,098 |
| Net Program Expense | 722,486 |
| General Revenues and Transfers | |
| State General Fund Appropriations | 718,600 |
| Reversion to State General Fund FY 2012 | (1,711) |
| Gain on Disposal of Capital Assets | 4,390 |
| Total Revenues and Transfers | 721,279 |
| Change in Net Assets | (1,207) |
| Net Assets - Beginning of Year | 79,072 |
| Net Assets - End of Year | \$ 77,865 |

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | <u>General Fund 150</u> | <u>Mediation Fund 525</u> | <u>Total Governmental Funds</u> |
|--|-----------------------------|-------------------------------|---|
| ASSETS | | | |
| Current Assets | | | |
| Investment in State General Fund Investment Pool | \$ 31,399 | \$ 23,463 | \$ 54,862 |
| Total Assets | <u>\$ 31,399</u> | <u>\$ 23,463</u> | <u>\$ 54,862</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts Payable | \$ 4,154 | \$ 5,380 | \$ 9,534 |
| Accrued Payroll | 25,534 | - | 25,534 |
| Due to the State General Fund | <u>1,711</u> | <u>-</u> | <u>1,711</u> |
| Total Liabilities | <u>31,399</u> | <u>5,380</u> | <u>36,779</u> |
| FUND BALANCES | | | |
| Assigned to | | | |
| Mediation | - | 18,083 | 18,083 |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u>-</u> | <u>18,083</u> | <u>18,083</u> |
| Total Liabilities and Fund Balances | <u>\$ 31,399</u> | <u>\$ 23,463</u> | <u>\$ 54,862</u> |

See Independent Auditors' Report and Notes to 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, 2012**

Total Fund Balances for Governmental Funds \$ 18,083

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

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 91,519

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

Compensated Absences (31,737)

Net Assets of Governmental Activities **\$ 77,865**

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>General Fund 150</u> | <u>Mediation Fund 525</u> | <u>Total Governmental Funds</u> |
|---|-----------------------------|-------------------------------|---|
| REVENUES | | | |
| Charges for Services | \$ 3,063 | \$ - | \$ 3,063 |
| Court Fees | <u>-</u> | <u>2,035</u> | <u>2,035</u> |
| Total Revenues | <u>3,063</u> | <u>2,035</u> | <u>5,098</u> |
| EXPENDITURES | | | |
| Administrative Services | | | |
| Personal Services & Benefits | 634,835 | - | 634,835 |
| Contract Services | 16,472 | - | 16,472 |
| Other Costs | 53,145 | - | 53,145 |
| Capital Outlay | <u>15,500</u> | <u>5,379</u> | <u>20,879</u> |
| Total Expenditures | <u>719,952</u> | <u>5,379</u> | <u>725,331</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(716,889)</u> | <u>(3,344)</u> | <u>(720,233)</u> |
| OTHER FINANCING SOURCES AND (USES) | | | |
| Transfers In | | | |
| General Fund Appropriations | 718,600 | - | 718,600 |
| Transfers Out | | | |
| Reversion to the State General Fund - FY10 | <u>(1,711)</u> | <u>-</u> | <u>(1,711)</u> |
| Total Other Financing Sources and (Uses) | <u>716,889</u> | <u>-</u> | <u>716,889</u> |
| Net Change in Fund Balances | - | (3,344) | (3,344) |
| Fund Balances, Beginning | <u>-</u> | <u>21,427</u> | <u>21,427</u> |
| Fund Balances, Ending | <u>\$ -</u> | <u>\$ 18,083</u> | <u>\$ 18,083</u> |

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds **\$ (3,344)**

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

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

| | | |
|--|-----------------|---------|
| Capital Outlay | 20,879 | |
| Depreciation Expense | <u>(23,481)</u> | |
| Excess of capital outlay over depreciation expense | | (2,602) |

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

| | | |
|---|--|------------|
| Gain on Disposal of Capital Assets | | 4,390 |
| Change in compensated absences (increase) | | <u>349</u> |

Change in Net Assets of Governmental Activities **\$ (1,207)**

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS) -
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | General - Fund 150 | | | Variance Favorable (Unfavorable) |
|-----------------------------------|-----------------------------------|---|--------------------------|---|
| | <u>Original Budget</u> | <u>Approved Revised Budget</u> | <u>Actual</u> | |
| Revenues | | | | |
| State General Fund Appropriations | \$ 718,600 | \$ 718,600 | \$ 718,600 | \$ - |
| Other Financing Sources | - | 4,500 | - | (4,500) |
| Miscellaneous Revenues | <u>6,000</u> | <u>6,000</u> | <u>3,063</u> | <u>(2,937)</u> |
| Reversions | - | - | - | - |
| Total Revenues | <u>\$ 724,600</u> | <u>\$ 729,100</u> | <u>\$ 721,663</u> | <u>\$ (7,437)</u> |

Expenditures - All Organizations

| | | | | |
|---------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Personal Services | \$ 638,300 | \$ 635,800 | \$ 634,835 | \$ 965 |
| Contractual Services | 12,000 | 16,500 | 16,472 | 28 |
| Other Costs | 74,300 | 76,800 | 68,645 | 8,155 |
| Other Financing Uses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>\$ 724,600</u> | <u>\$ 729,100</u> | <u>\$ 719,952</u> | <u>\$ 9,148</u> |

Mediation - Fund 525

| | Mediation - Fund 525 | | | Variance Favorable (Unfavorable) |
|----------------------------------|-----------------------------------|---|------------------------|---|
| | <u>Original Budget</u> | <u>Approved Revised Budget</u> | <u>Actual</u> | |
| Revenues | | | | |
| Court Fees | \$ 5,400 | \$ 3,665 | \$ 2,035 | \$ (1,630) |
| Fund Balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues | <u>\$ 5,400</u> | <u>\$ 3,665</u> | <u>\$ 2,035</u> | <u>\$ (1,630)</u> |
| Expenditures | | | | |
| Contractual Services | \$ 19,300 | \$ 14,800 | \$ - | \$ 14,800 |
| Capital Outlay | <u>5,400</u> | <u>5,400</u> | <u>5,379</u> | <u>21</u> |
| Total Expenditures | <u>24,700</u> | <u>20,200</u> | <u>\$ 5,379</u> | <u>\$ 14,821</u> |
| Prior Year Cash Balance Budgeted | <u>\$ 19,300</u> | <u>\$ 16,535</u> | | |

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
JUNE 30, 2012**

| | <u>Agency Fund</u> |
|---------------------------|---------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 642,446 |
| Total Assets | <u>\$ 642,446</u> |
| | |
| LIABILITIES | |
| Due to Litigants | \$ 642,446 |
| Total Liabilities | <u>\$ 642,446</u> |

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(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-

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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 conforms to the budget or 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 fund) 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, 2012**

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 #150 - 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 525.

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. The SHARE number of the Agency Fund is 10480.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Court is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Court. These amounts cannot be used for any other purpose unless the Court removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Court's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Court or through the Court delegating this responsibility to the Court Executive Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

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.

C. Assets, Liabilities and Equity

Cash and Investments

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

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 with a value exceeding \$5,000 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 shown 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:

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

| | |
|-------------------------|-------------|
| 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.

Government-Wide Statements

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

1. *Invested in capital assets, net of related debt*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The 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.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 (DFA) 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.
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 analysis 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.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

9. Appropriations lapse at the end of the fiscal year unless specifically reappropriated 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.

Qualified employees accumulate annual leave as follows:

| <u>Years of Service</u> | <u>Hours Earned Per Month</u> |
|--------------------------------|--|
| 1 Month - 3 Years | 10 |
| Over 3 - 7 Years | 12 |
| Over 7 - 14 Years | 14 |
| Over 14 Years | 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

(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 (SHARE Fund 150) | \$ 31,399 | \$ 31,399 |
| Investment Pool (SHARE Fund 525) | 23,463 | 23,463 |
| | \$ 54,862 | \$ 54,862 |
| Agency Funds | | |
| Cash in Bank: | | |
| Wells Fargo | \$ 642,446 | \$ 642,446 |
| Total Cash-Agency Fund | \$ 642,446 | \$ 642,446 |
| Less: FDIC Insurance | (250,000) | |
| Total Uninsured Public Funds | \$ 392,446 | |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012, none of the Court's agency fund bank balance totaling \$642,446 was exposed to custodial credit risk. Since all of the bank accounts are considered to be under the State Treasurer's control, the bank accounts are overcollateralized.

(4) CAPITAL ASSETS

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

| | Beginning | | | Ending |
|------------------------------------|------------------|------------------|--------------------|------------------|
| | Balance | Additions | Deletions | Balance |
| Building Improvements | \$ 78,277 | \$ 17,879 | \$ - | \$ 96,156 |
| Furniture & Fixtures | 39,346 | - | - | 39,346 |
| Equipment & Machinery | 74,376 | - | - | 74,376 |
| Automotive | 93,850 | 24,164 | (70,227) | 47,787 |
| Data Processing | 1,672 | - | - | 1,672 |
| Total | <u>287,521</u> | <u>42,043</u> | <u>(70,227)</u> | <u>259,337</u> |
| Less Accumulated Depreciation for: | | | | |
| Building & Improvements | (49,970) | (6,446) | - | (56,416) |
| Furniture & Fixtures | (37,888) | (1,205) | - | (39,093) |
| Equipment & Machinery | (52,090) | (6,872) | - | (58,962) |
| Automotive | (56,170) | (8,958) | 53,453 | (11,675) |
| Data Processing | (1,672) | - | - | (1,672) |
| Total | <u>(197,790)</u> | <u>(23,481)</u> | <u>53,453</u> | <u>(167,818)</u> |
| Net Capital Assets | <u>\$ 89,731</u> | <u>\$ 18,562</u> | <u>\$ (16,774)</u> | <u>\$ 91,519</u> |

Current year depreciation expense is \$ 23,481 .

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

(5) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets consists of a \$ 1,711 reversion that will be remitted to the state general fund for fiscal year ending June 30, 2012.

(6) COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

| | Beginning | | | Ending | Amounts |
|--------------|------------------|------------------|------------------|------------------|------------------|
| | Balance | Additions | Deletions | Balance | Due |
| | | | | | Within |
| | | | | | One Year |
| Annual Leave | \$ 32,087 | \$ 31,737 | \$ 32,087 | \$ 31,737 | \$ 26,124 |
| Sick Leave | - | - | - | - | - |
| Total | \$ 32,087 | \$ 31,737 | \$ 32,087 | \$ 31,737 | \$ 26,124 |

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 February 1, 2012 which requires 60 monthly payments of \$297.

A lease for a Xerox copier was entered into on July 1, 2007 which requires 60 monthly payments of \$93.

A lease for a Xerox printer was entered into on June 9, 2011 which requires 48 monthly payments of \$321.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2012, for each of the next five years and in the aggregate are:

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

| | | |
|---------------|-----------|----------------------|
| June 30, 2013 | \$ | 7,023 |
| June 30, 2014 | | 7,023 |
| June 30, 2015 | | 5,437 |
| June 30, 2016 | | - |
| June 30, 2017 | | - |
| Total | \$ | <u>19,483</u> |

Rental expense for the fiscal year ended June 30, 2012 was \$ 11,536 .

(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.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Tenth Judicial District Court is required to contribute 15.09% 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, 2012, 2011, and 2010 were \$54,107, \$61,705, and \$74,723, respectively, equal to the amount of the required contributions for each year.

(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

See Independent Auditors’ Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 10.5% of their gross salary. The Tenth Judicial District Court is required to contribute 9% of the gross covered salary. The Tenth Judicial District Court's contributions to JRA for the years ending June 30, 2012, 2011 and 2010 were \$10,016, \$10,210 and \$11,214, 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 \$10,209, \$ 11,912, and \$12,003 in filing fees for the years ending June 30, 2012, 2011 and 2010, 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 is available to all State employees and those local government and school district employees whose employers have elected to participate in the plan and 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 has been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

(11) POST-EMPLOYMENT 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

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

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 1.6% of each participating employee's annual salary; each participating employee is required to contribute .83% of their salary.

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Employers joining the program after January 1, 1998 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.

During the fiscal year ended June 30, 2012, the Tenth Judicial District Court remitted \$ 8,637 in employer contributions and \$ 4,319 in employee contributions to the Retiree Health Care Authority.

(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, 2011 through June 30, 2012.

(12) STATEWIDE CASH RECONCILIATION

In June 2012 an independent diagnostic report revealed that the State's cash balances have not been reconciled since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all New Mexico state agencies for financial statements issued for the fiscal year ended June 30, 2012.

In conjunction with this directive, the Court has provided copies of the required reports to the Independent Auditors. In addition, the Court has explained to the Independent Auditors the policies and procedures the Court has in place to ensure that the Court's cash balances in SHARE are correct.

The Tenth Judicial District Court monitors cash receipts and cash deposits regularly. The Court verifies and reconciles to the Trial Balance on a monthly basis with SHARE generated reports.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

The Independent Auditors confirm that the Court has performed these procedures with respect to cash reconciliations. Therefore, it is determined that there is little risk of misstatement of the Court's cash accounts due to the issue raised here regarding statewide cash reconciliations to the SHARE system.

Our work and the client's response to these issues regarding cash reconciliations cause us to conclude that there is little risk of material misstatement with regards to cash.

See Independent Auditors' Report

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
SCHEDULE OF CASH ACCOUNTS
June 30, 2012**

| | <u>Type</u> | <u>Bank Balance</u> | <u>Financial Statement Balance</u> |
|-------------------------------------|-------------|-------------------------|--|
| General Fund | | | |
| New Mexico State Treasurer | Checking | \$ <u>31,399</u> | \$ <u>31,399</u> |
| Special Revenue Fund | | | |
| New Mexico State Treasurer | Checking | \$ <u>23,463</u> | \$ <u>23,463</u> |
| Agency Fund | | | |
| Wells Fargo Bank of New Mexico N.A. | | | |
| Quay County | | | |
| Administrative Trust | Checking | \$ 36,605 | \$ 36,605 |
| Savings Trust | Savings | <u>605,841</u> | <u>605,841</u> |
| Total Wells Fargo Bank | | <u>\$ 642,446</u> | <u>\$ 642,446</u> |
| Total Agency Funds | | <u>\$ 642,446</u> | <u>\$ 642,446</u> |

See Independent Auditors' Report

STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND
JUNE 30, 2012

| | Beginning Balance | Debits | Credits | Ending Balance |
|--------------------------|------------------------------|-------------------|-------------------|---------------------------|
| ASSETS | | | | |
| Cash in Bank: | | | | |
| Trust Accounts | \$ 102,066 | \$ 540,400 | \$ - | \$ 642,466 |
| Total Assets | \$ 102,066 | \$ 540,400 | \$ - | \$ 642,466 |
| LIABILITIES | | | | |
| Due to Litigants | \$ 102,066 | \$ - | \$ 540,400 | \$ 642,466 |
| Total Liabilities | \$ 102,066 | \$ - | \$ 540,400 | \$ 642,466 |

See Independent Auditors' Report

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
SCHEDULE OF OPERATING TRANSFERS
June 30, 2012**

| | <u>SHARE FUND</u> | <u>TITLE</u> | <u>TRANSFER</u> | |
|-----|-----------------------|--|-----------------|------------|
| | | | <u>In</u> | <u>Out</u> |
| (1) | 617 | Department of Finance & Administration | \$ 718,600 | \$ (1,711) |

(1) State General Fund Appropriation as per Laws 2011, Chapter 179.

See Independent Auditors' Report

Kubiak & Melton, LLC

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and
Honorable Albert J. Mitchell, Jr., Presiding Judge
Tenth Judicial District Court
Tucumcari, New Mexico

We have audited the financial statements of the governmental activities, each major fund and the budgetary comparisons of the General Fund of the Tenth Judicial District Court (Court), as of and for the year ended June 30, 2012, which collectively comprise the Court's basic financial statements and have issued our report thereon dated October 17, 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Court's financial statements will not be prevented, or detected and corrected on a timely basis.

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

internal control over financial reporting that we consider to be material weaknesses or significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Compliance and other matters

As part of obtaining reasonable assurance about whether the 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.

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.

Kubiak & Melton, LLC

Kubiak & Melton, LLC
Albuquerque, New Mexico
October 17, 2012

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES AND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

There are no audit findings for the current year.

There were no audit findings for prior years.

**STATE OF NEW MEXICO
TENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
JUNE 30, 2012**

The contents of this report were discussed at an exit conference held October 17, 2012. The firm of Kubiak & Melton, LLC was represented by Daniel O. Trujillo, CPA, CFE and Don Wittman, CPA. The Tenth Judicial District was represented by the Honorable Albert J. Mitchell, Jr. Presiding Judge and Diane Ulibarri, Court Executive Officer.