

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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
WITH
INDEPENDENT AUDITORS' REPORT**

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

OFFICIAL ROSTER
JUNE 30, 2008

Honorable William C. Birdsall	Chief Judge / Division I Judge
Honorable Louis DePauli, Jr.	Division II Judge
Honorable Sandra A. Price	Division III Judge
Honorable John A. Dean	Division IV Judge
Honorable Grant L. Foutz	Division V Judge
Honorable Thomas J. Hynes	Division VI Judge
Honorable Robert A Aragon	Division VII Judge
Honorable Karen L. Townse	Division VIII Judge
Weldon Neff	Court Administrator
Tom Maxwell	Deputy Court Executive Officer
Fran Palochak	Deputy Court Executive Officer
Roberta Werito	Financial Administrator, CFO

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STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

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STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

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FINANCIAL SECTION

FISCAL YEAR 2008

JULY 1, 2007 THROUGH JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor, and
Honorable William C. Birdsall State of New Mexico of
Eleventh Judicial District Court

We have audited the accompanying financial statements of the governmental activities, each major fund, and the respective budgetary comparison for the general fund and each major special revenue fund thereof, and the aggregate remaining fund information of the State of New Mexico, Eleventh Judicial District Court (the District Court), as of and for the year ended June 30, 2008, which collectively comprise the District Court's basic financial statements as listed in the table of contents. We have also audited the financial statement of the District Court's non-major governmental funds and budgetary comparisons presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Eleventh Judicial District Court management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Eleventh Judicial District Court are intended to present the respective financial position, and the changes in respective financial position, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Eleventh Judicial District Court. They do not purport to and do not, present fairly the financial position of the State of New Mexico, as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Eleventh Judicial District Court as of June 30, 2008, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General Fund and Drug Court Grant Special Revenue Fund for the Eleventh Judicial District Court for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of each non-major governmental fund for the Eleventh Judicial District Court, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons of the non-major governmental funds of the District Court as of and for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

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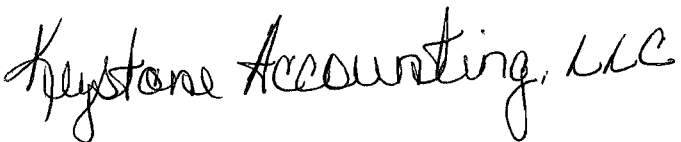
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Hector H. Balderas, State Auditor, and
Honorable William C. Birdsall State of New Mexico of
Eleventh Judicial District Court

In accordance with Government Auditing Standards, we have also issued a report dated December 10, 2008, on our consideration of the Eleventh Judicial District Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The District Court has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Eleventh Judicial District Court's basic financial statements, combining and individual fund financial statements and budgetary comparisons. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Eleventh Judicial District Court. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



December 10, 2008

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Investment in the state treasurer general fund investment pool	\$ 746,831
Intergovernmental receivable	31,785
Prepaid postage	55,283
Non-current:	
Depreciable capital assets, net	<u>807,236</u>
Total assets	<u>\$ 1,641,135</u>
 <u>LIABILITIES</u>	
Accounts payable	407,261
Accrued salaries and wages	247,700
Accrued compensated absences	158,360
Due to state - reversion	<u>24,879</u>
Total liabilities	<u>838,200</u>
 <u>NET ASSETS</u>	
Invested in capital assets	807,236
Unrestricted	<u>(4,301)</u>
Total net assets	<u>\$ 802,935</u>

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
Primary government: Governmental activities:		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Judicial government:					
Personnel services and benefits	\$ 5,405,495	\$ 123,662	\$ 199,784	\$ -	\$ (5,082,049)
Contractual services	428,094	2,204	-	-	(425,890)
Operating costs	534,460	2,752	-	-	(531,708)
Depreciation expense	<u>165,453</u>	<u>852</u>	<u>-</u>	<u>-</u>	<u>(164,601)</u>
Total governmental activities	<u>\$ 6,533,502</u>	<u>\$ 129,470</u>	<u>\$ 199,784</u>	<u>\$ -</u>	<u>(6,204,248)</u>
			General revenue:		
			State appropriations - regular	\$ 5,399,700	
			State appropriations - compensation	722,977	
			State appropriations - severance bonds	<u>8,103</u>	
			Total general revenues	<u>6,130,780</u>	
			Transfers - reversions	<u>(8,425)</u>	
			Change in net assets	(81,893)	
			Net assets - beginning	<u>884,828</u>	
			Net assets - ending	<u>\$ 802,935</u>	

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General Fund</u>	<u>Drug Court Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Current assets:				
Investment in the state treasurer general fund investment pool	\$ 350,644	\$ 98,570	\$ 297,617	\$ 746,831
Intergovernmental receivable	27,249	-	4,536	31,785
Prepaid	<u>55,283</u>	<u>-</u>	<u>-</u>	<u>55,283</u>
 Total assets	 <u>\$ 433,176</u>	 <u>\$ 98,570</u>	 <u>\$ 302,153</u>	 <u>\$ 833,899</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Current liabilities:				
Accounts payable	\$ 132,453	\$ 46,649	\$ 228,159	\$ 407,261
Accrued liabilities	221,339	26,361	-	247,700
Due to state - Reversion	<u>24,101</u>	<u>778</u>	<u>-</u>	<u>24,879</u>
 Total current liabilities	 <u>377,893</u>	 <u>73,788</u>	 <u>228,159</u>	 <u>679,840</u>
 Fund balance:				
Reserved:				
Prepays	55,283	-	-	55,283
Unreserved:				
Special revenue	-	24,782	59,226	84,008
Capital projects	<u>-</u>	<u>-</u>	<u>14,768</u>	<u>14,768</u>
 Total fund balance	 <u>55,283</u>	 <u>24,782</u>	 <u>73,994</u>	 <u>154,059</u>
 Total liabilities and fund balance	 <u>\$ 433,176</u>	 <u>\$ 98,570</u>	 <u>\$ 302,153</u>	 <u>\$ 833,899</u>

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

RECONCILIATION OF THE BALANCE SHEET - ALL
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2008

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

Net assets - total governmental funds	\$ 154,059
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	807,236
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(158,360)</u>
Net assets of governmental activities	<u>\$ 802,935</u>

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General <u>Fund</u>	Drug Court Grant <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Federal grants	\$ 199,784	\$ -	\$ -	\$ 199,784
Fees	-	-	74,432	74,432
Other revenue	<u>33,639</u>	<u>21,399</u>	<u>-</u>	<u>55,038</u>
 Total revenues	 <u>233,423</u>	 <u>21,399</u>	 <u>74,432</u>	 <u>329,254</u>
 Expenditures:				
Current:				
Judicial government:				
Personnel services and benefits	4,851,239	597,563	-	5,448,802
Contractual services	172,829	195,365	59,900	428,094
Operating costs	439,886	67,846	26,728	534,460
Capital outlay	<u>28,111</u>	<u>16,413</u>	<u>217,739</u>	<u>262,263</u>
 Total expenditures	 <u>5,492,065</u>	 <u>877,187</u>	 <u>304,367</u>	 <u>6,673,619</u>
 Excess (deficiency) of revenues over expenditures	 <u>(5,258,642)</u>	 <u>(855,788)</u>	 <u>(229,935)</u>	 <u>(6,344,365)</u>
 Other financing sources and uses:				
State appropriations - regular	4,565,725	833,975	-	5,399,700
State appropriations - compensation	684,697	38,280	-	722,977
State appropriations - severance bonds	-	-	8,103	8,103
Reversions - fiscal year	<u>(8,425)</u>	<u>-</u>	<u>-</u>	<u>(8,425)</u>
 Total other financing sources and uses	 <u>5,241,997</u>	 <u>872,255</u>	 <u>8,103</u>	 <u>6,122,355</u>
 Net change in fund balance	 (16,645)	 16,467	 (221,832)	 (222,010)
 Fund balance at beginning of the year	 <u>71,928</u>	 <u>8,315</u>	 <u>295,826</u>	 <u>376,069</u>
 Fund balance at end of the year	 <u>\$ 55,283</u>	 <u>\$ 24,782</u>	 <u>\$ 73,994</u>	 <u>\$ 154,059</u>

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

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

Net change in fund balance - total governmental funds	\$ (222,010)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year	96,810
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>43,307</u>
Change in net assets of governmental activities	<u><u>\$ (81,893)</u></u>

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal grants	\$ -	\$ 199,784	\$ 199,784	\$ -
Other revenue	<u>34,100</u>	<u>34,100</u>	<u>32,407</u>	<u>(1,693)</u>
Total revenues	<u>34,100</u>	<u>233,884</u>	<u>232,191</u>	<u>(1,693)</u>
Expenditures:				
Current:				
Judicial government:				
Personnel services and benefits	4,623,125	4,859,925	4,854,881	5,044
Contractual services	169,200	173,148	172,829	319
Operating costs	461,775	423,113	415,958	7,155
Capital outlay:				
Equipment	<u>-</u>	<u>28,111</u>	<u>28,111</u>	<u>-</u>
Total expenditures	<u>5,254,100</u>	<u>5,484,297</u>	<u>5,471,779</u>	<u>12,518</u>
Excess (deficiency) of revenues over expenditures	<u>(5,220,000)</u>	<u>(5,250,413)</u>	<u>(5,239,588)</u>	<u>10,825</u>
Other financing sources:				
State appropriations - regular	4,565,725	4,565,725	4,565,725	-
State appropriations - compensation	<u>654,275</u>	<u>684,688</u>	<u>684,697</u>	<u>9</u>
Total other financing sources	<u>5,220,000</u>	<u>5,250,413</u>	<u>5,250,422</u>	<u>9</u>
Excess of revenues and and other financing sources over expenditures	-	-	10,834	10,834
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>71,928</u>	<u>71,928</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	82,762	<u>\$ 82,762</u>
RECONCILIATION TO GAAP BASIS:				
Change in prepaid			(20,286)	
Change in grant receivable			1,232	
Change in modified accrual and budget basis			-	
Change in reversions			<u>(8,425)</u>	
			<u>\$ 55,283</u>	

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

DRUG COURT GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Other revenue	\$ 26,000	\$ 26,000	\$ 21,399	\$ (4,601)
Expenditures:				
Current:				
Judicial government:				
Personnel services and benefits	576,575	599,675	601,415	(1,740)
Contractual services	270,860	213,060	195,365	17,695
Operating costs	50,825	69,112	63,996	5,116
Capital outlay:				
Equipment	-	16,413	16,413	-
Total expenditures	<u>898,260</u>	<u>898,260</u>	<u>877,189</u>	<u>21,071</u>
Excess (deficiency) of revenues over expenditures	<u>(872,260)</u>	<u>(872,260)</u>	<u>(855,790)</u>	<u>16,470</u>
Other financing sources:				
State appropriations - regular	833,975	833,975	833,975	-
State appropriations - compensation	<u>38,285</u>	<u>38,285</u>	<u>38,280</u>	<u>(5)</u>
Total other financing sources	<u>872,260</u>	<u>872,260</u>	<u>872,255</u>	<u>(5)</u>
Excess of revenues and and other financing sources over expenditures	-	-	16,465	16,465
Fund balance at beginning of the year	-	-	<u>8,315</u>	<u>8,315</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	24,780	<u>\$ 24,780</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			2	
Change in modified accrual and budget basis			<u>-</u>	
			<u>\$ 24,782</u>	

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS

June 30, 2008

ASSETS

Pooled cash and investments \$ 490,084

LIABILITIES

Deposits held for others \$ 490,084

See accompanying notes.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of New Mexico, Eleventh Judicial District Court (the District Court) operates under Section 34-6-1 through 34-6-3, and 34-6-17 through 34-6-47, NMSA, 1978 Compilation. The Judicial District covers McKinley and San Juan Counties. The District Court is comprised of seven divisions as authorized in the above statutes. The District Court is the state court of general jurisdiction and is authorized to hear and determine all civil and criminal cases not specifically exempted from its jurisdiction. Financing of the court is by state appropriation.

During the 76th fiscal year the district established a domestic relations mediation program pursuant to Section 5 [40-12-5, NMSA 1978 Compilation] of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made through the imposition of a sliding fee scale pursuant to Section 5 [40-12-5, NMSA, 1978 Compilation] of the Domestic Relations Mediation Act and the collection of the surcharge provided for in the Section 6 [40-12-6, NMSA, 1978 Compilation] of that act.

The Eleventh Judicial District Court is a part of the Judicial branch of the State of New Mexico and these financial statements include all funds and activities over which the District Court has oversight responsibility.

The District Court's financial statements include all entities over which the District Court exercises oversight responsibility. Oversight responsibility includes such aspects as designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

The accounting policies of the District Court conform to generally accepted accounting principles (GAAP) as applicable to governments.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the district court. For the most part, the effect of interfund activity has been removed from these statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges for litigation or filing fees of the court, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations and other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Appropriations are recorded as amounts are received from the State of New Mexico. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All other revenue items are considered to be measurable and available only when the cash is received by the District Court.

Government Funds

The District Court reports the following major governmental funds:

General Fund – The General Fund is the District Court’s primary operating fund. It accounts for all financial resources of the District Court, except those required to be accounted for in another fund.

Drug Court – The Drug Court is a court-managed intensive treatment program for adults and juveniles non-violent drug and alcohol users. The program is funded by appropriations, grants and fees. The appropriations are reverting, and the grants and fees are non-reverting according to NMSA 1978 Section 34-6-45.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the building improvement renovations and the purchase of equipment.

FIDUCIARY FUNDS

Fiduciary Funds – Fiduciary Funds are used to account for financial resources collected by the District Court pending the resolution of litigation matters assigned to the District Court.

Similar to private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include 1) charges to litigants or filing fees of the District Court, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Equity

1. Cash and cash equivalents

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

2. Intergovernmental receivable

Intergovernmental receivable consists of amounts due from various New Mexico State Agencies.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Equity (continued)

3. Capital assets

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

Capital assets of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Asset category</u>	<u>Years</u>
Building Improvements	20
Furniture and Fixtures	10
Equipment and Machinery	5
Automotive	7
Information Technology Equipment and Software	3

The District Court views the law libraries for San Juan County and McKinley County as historical collections. This determination is based on the following criteria:

- a. The libraries are held for the use by the public for education and research purposes.
- b. The investments in the libraries are for public service rather than financial gain.
- c. The libraries are preserved, maintained, and protected at San Juan Community College and the McKinley County Courthouse.
- d. Any proceeds that result from the sale of books from the collection will be used to purchase other books for the law library.

The District Court expenses the cost related to the law libraries because they are considered to be a historical collection.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Equity (continued)

4. Compensated absences

It is the District Court's policy to permit certain employees to accumulate earned but unused vacation and sick pay benefits. These benefits are accrued when incurred in the government-wide financial statements. Earned sick pay benefits are computed in accordance with State Statutes. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 hours up to 120 hours on July 1, and January 1 of each year. However, the sick leave will be paid at fifty percent (50%) payment for up to 120 hours, for the hours over 600 hours of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at the end of the fiscal year over 600 hours.

5. Reversions to the State of New Mexico

General Fund: Unused state appropriation and revenue accounts revert to the State of New Mexico General Fund at the end of each fiscal year.

Drug Court Special Revenue Fund: Unused State appropriations revert to the State of New Mexico General fund at the end of each fiscal year. Drug Court fees do not revert to the State of New Mexico General Fund and are available for expenditure from year to year.

VOCA/Mediation Special Revenue Fund: Unused funds do not revert to the State of New Mexico General fund and are available for expenditure from year to year.

Capital Project Fund: Upon completion of the projects for a multi-year plan, unexpended money will revert to the State of New Mexico General fund.

6. Cost of operations not included in statements

San Juan and McKinley counties provide the cost of building space and related expense.

7. Estimates

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Equity (continued)

8. Equity

Government-Wide Financial Statements classifications:

1. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt. The District Court has no outstanding debt relating to capital assets.
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 – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

In the fund financial statements, governmental funds report reservations for fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change

9. Encumbrances

The portion of an encumbrance representing goods and services received by the last day of the fiscal year are reclassified as accounts payable. If the legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of the \$807,236 difference are as follows:

Capital assets	\$	1,509,480
Accumulated depreciation		<u>(702,244)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u>807,236</u>

The final adjustment in the reconciliation indicates that “long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.” The \$158,360 difference is detailed as follows:

Accrued compensated absences	\$	<u>(158,360)</u>
------------------------------	----	------------------

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$96,810 difference are as follows:

Capital outlay	\$	262,263
Depreciation expense		<u>(165,453)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>96,810</u>

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

The final element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$43,307 difference are as follows:

Compensated balances:	
June 30, 2008	\$ (158,360)
June 30, 2007	<u>201,667</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 43,307</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

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

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

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgets and Budgetary Accounting (continued)

5. The Eleventh District Court submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA – Budget Division reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the JBO and the director of the DFA – Budget Division. The budget was amended in a legal manner for the current year.
6. Legal budget control for expenditure and encumbrances is by category.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.
8. The budget for the General and Special Revenue Funds is adopted on a modified accrual basis of accounting except for payables accrued at the end of the fiscal year that do not get paid by statutory deadlines that must be paid out of the next year’s budget.
9. With the exception of the mediation fund, drug court fees, and those amounts encumbered, appropriations lapse at the end of the fiscal year.

The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline, that must be paid out of the next year’s budget.

The Eleventh Judicial District Court over expended the approved budget in violation of State Law as follows:



STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and temporary investments

At June 30, 2008, the District Court maintained separate cash accounts for its various funds. These funds are deposited in checking and savings accounts with federally insured banks in San Juan and McKinley Counties. The District Court also maintains an investment account with the New Mexico State Treasurer’s Office, in the State Treasurer General Fund Investment Pool. The bank balances of these accounts are as follows:

	Wells Fargo Bank	Gallup Federal Savings Bank	Total	Investment in the State Treasurer General Fund Investment Pool
Checking	\$ 269,035	\$ 179,096	\$ 448,131	\$ 746,831
Savings	41,953	-	41,953	-
	\$ 310,988	\$ 179,096	\$ 490,084	\$ 746,831

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District Court’s deposit may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping account receipt be issued, to the State of New Mexico for at least one half of the amount on deposit with the institution. The collateralization of the District Court’s accounts is monitored by the State Treasures Office. The State Treasure issues separate financial statements that disclose the collateral pledged to secure deposits.

B. Intergovernmental receivable

Intergovernmental receivables as of the year end for the government’s individual major funds and non-major funds in the aggregate, include the following:

	General	Capital Project	Total
Due from other governments	\$ 27,249	\$ 4,536	\$ 31,785

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

A summary of changes in capital assets is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets:	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Furniture	\$ 305,629	\$ 11,000	\$ -	\$ 316,629
Equipment	369,120	-	-	369,120
Computers	67,013	213,834	-	280,847
Improvements	258,223	3,905	-	262,128
Automobiles	<u>247,232</u>	<u>33,524</u>	<u>-</u>	<u>280,756</u>
Total Capital Assets	<u>1,247,217</u>	<u>262,263</u>	<u>-</u>	<u>1,509,480</u>
 Accumulated Depreciation:				
Furniture	(105,817)	(29,014)	-	(134,831)
Equipment	(237,785)	(52,150)	-	(289,935)
Computers	(40,005)	(45,027)	-	(85,032)
Improvements	(33,386)	(13,009)	-	(46,395)
Automobiles	<u>(119,798)</u>	<u>(26,253)</u>	<u>-</u>	<u>(146,051)</u>
Total Accumulated Depreciation	<u>(536,791)</u>	<u>(165,453)</u>	<u>-</u>	<u>(702,244)</u>
Net Capital Assets	<u>\$ 710,426</u>	<u>\$ 96,810</u>	<u>\$ -</u>	<u>\$ 807,236</u>

The Schedule of Capital Assets Used by Source is from the capital outlay appropriation, and the Schedule of Changes in Capital Assets by Function and Activity would be in the operating activity.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

V. DETAILED NOTES ON ALL FUNDS (continued)

D. Changes in long-term debt

During the year ended June 30, 2008, the following changes occurred in compensated absences:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>	Current <u>Portion</u>
Compensated Absences:					
Annual Leave	\$ 201,667	\$ 94,565	\$ (137,872)	\$ 158,360	\$ 158,360

The District considers the entire amount of annual leave due within one year from the statement date (current). Compensated absences are generally liquidated by the general fund and the Drug Court Fund.

VI. OTHER INFORMATION

E. Contingencies and Commitments

Risk Management

The District Court is exposed to various risk of loss related to torts, thefts of, destruction of property, errors and omissions, natural disasters, workmen's compensation and unemployment compensation. The District Court Participates in the Risk Management Division of the General Services Department, which is accounted for as an external service fund of the State of New Mexico.

The District Court is not liable for more than the premiums paid. The Risk Management Division response to suits against the State of New Mexico. The Risk Management Division has not provided information on an entity basis that would allow for a reconciliation of charges in the aggregate liabilities for the current and prior fiscal years.

Grants

The District Court receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to proving such funds. District Court administration believes that liability, if any, for reimbursement that may arise as the results of audits, would not be material to the financial position of operations of the District Court.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

V. OTHER INFORMATION (continued)

F. Retirement Plan – Judges

Plan Description

Substantially all of the District Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employee Retirement Board (PERA) is the administrator of the plan. The plan provides for retirement, 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, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credited service times a percentage of the final average monthly salary, the thirty-six consecutive months of credited service producing the largest average, is as follows:

- Any age with 25 or more years of credited service; or age 60 or older with 20 or more years of credit service, or
- Age 50 or older with 18 or more years of credited service or
- Age 60 or older with 15 or more years of credited service or
- Age 64 or older with 5 or more years of credited service.

Funding Policy

Judges contribute 5% of their salaries to the plan. The District Court remits \$38 for each filing fee paid plus 10.5% of the gross salary into the Judges Retirement Fund. The contribution requirements of the plan members and the District Court are established in Chapter 10, Article 12B NMSA 1978. The requirements may be amended by acts of the legislature. The District Court's contributions to the Judges retirement plan for the years ending June 30, 2008, 2007 and 2006 were \$246,047, \$227,962, and \$192,622, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

V. OTHER INFORMATION (continued)

G. Retirement Plan – Employees Other Than Judges

Substantially all of the District Court's full-time employees participate in a public employee retirement system authorized under the Public Employee Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employee Retirement Board (PERA) is the administrator of the plan. The plan provides for retirement, 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, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credit service times 3.0% of their final average monthly salary, the thirty-six consecutive months of credited service producing the largest average, is as follows:

Any age with 25 or more years of credited service; or age 60 or older with 20 or more years of credit service; or

Age 61 or older with 17 or more years of credited service or
Age 62 or older with 14 or more years of credited service or
Age 63 or older with 11 or more years of credited service or
Age 64 or older with 8 or more years of credited service or
Age 65 or older with 5 or more years of credited service.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The District Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the District Court are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District Court's contributions to PERA for the years ended June 30, 2008, 2007, and 2006 were \$481,615, \$435,526 and \$373,750, respectively. Which equal the amount of the required contribution for each fiscal year.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

V. OTHER INFORMATION (continued)

H. Postretirement health care benefits – State Retiree Health Care Plan

Plan Description: The District Court contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit 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 supplemental 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) authorized 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.stae.nm.us.

The Retiree Health Care Act (Section 10-7C-15) is the statutory authority that establishes the required contributions of participating employers and their employee. The statute requires each participating employer to contribute 1.3 percent of each participating employee's annual salary, each participating employee is required to contribute .65 percent of the employee's salary.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

V. OTHER INFORMATION (continued)

H. Postretirement health care benefits – State Retiree Health Care Plan(continued)

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.

For District Court’s contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$48,785, \$43,296 and \$37,529, respectively, which equal the required contributions for each year.

I. Cash reconciliations

	General	Drug Court	Voca/ Mediation	Capital Projects
Cash balance	\$ 472,173	\$ 104,419	\$ 59,226	\$ 238,391
Adjustments to cash	(1,078)	6,299	-	-
Unreconciled liabilities	<u>(120,451)</u>	<u>(12,148)</u>	<u>-</u>	<u>-</u>
	<u>\$ 350,644</u>	<u>\$ 98,570</u>	<u>\$ 59,226</u>	<u>\$ 238,391</u>

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

V. OTHER INFORMATION (continued)

J. Detail of appropriations

The Office of the state Auditor requires the following information on special and severance bond tax appropriations:

<u>Description</u>	<u>Appropriation Period</u>	<u>Original Appropriation</u>	<u>Expenditures to Date</u>	<u>Unencumbered Balance</u>
McKinley County Courthouse wire, equipment and furnishings	7/1/04 to 6/30/09	\$ 350,000	\$ 344,523	\$ 5,477
Eleventh Judicial District Court House Furnishings	7/1/06 to 6/30/10	\$ 70,000	\$ 70,000	\$ -
Eleventh Judicial District equipment and information technology	7/1/06 to 6/30/09	\$ 175,000	\$ 168,834	\$ 6,166
Eleventh Judicial District equipment and information technology	7/1/06 to 6/30/10	\$ 30,000	\$ 10,568	\$ 19,432
Gallup AOC Courtroom equipment	7/1/05to 6/30/08	\$ 45,000	\$ 45,000	\$ -

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

Notes to the Financial Statements
June 30, 2008

V. OTHER INFORMATION (continued)

K. Inter-agency transfers

The following is a list of inter-agency transfers for the year ended June 30, 2008:

<u>Agency Number</u>	Share Fund Number	Discription	In	Out
24100	151000	General Fund Appropriation	\$ 4,565,725	\$ -
24100	151000	Compensation Appropriation	684,697	-
24100	151000	Reversion State General Fund	-	8,425
24100	335000	General Fund Appropriation	833,975	-
24100	335000	Compensation Appropriation	38,280	-
24100	526000	Capital Projects	8,103	-
			<u>\$ 6,130,780</u>	<u>\$ 8,425</u>

L. Reversions

The following is a list of reversions for the year ended June 30, 2008:

Reversions for	General	Drug Court	Total
June 30, 2007	\$ 15,687	\$ 767	\$ 16,454
June 30, 2008	<u>8,425</u>	<u>-</u>	<u>8,425</u>
	<u>\$ 24,112</u>	<u>\$ 767</u>	<u>\$ 24,879</u>

NON-MAJOR GOVERNEMNTAL FUNDS

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

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008**

	Special Revenue	Capital Projects	
	Voca/Mediation Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Current assets:			
Investment in the state treasurer general fund investment pool	\$ 59,226	\$ 238,391	\$ 297,617
Intergovernmental receivable	-	4,536	4,536
Total assets	59,226	242,927	302,153
<u>LIABILITIES AND FUND BALANCE</u>			
Current liabilities:			
Accounts payable	\$ -	\$ 228,159	\$ 228,159
Fund balance:			
Unreserved:			
Special revenue	59,226	-	59,226
Capital projects	-	14,768	14,768
Total fund balance	59,226	14,768	73,994
Total liabilities and fund balance	\$ 59,226	\$ 242,927	\$ 302,153

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	Voca/Mediation Grant <u>Fund</u>	Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:			
Fees	\$ 74,432	\$ -	\$ 74,432
Expenditures:			
Current:			
Judicial government:			
Contractual services	59,900	-	59,900
Operating costs	794	25,934	26,728
Capital outlay	-	217,739	217,739
Total expenditures	<u>60,694</u>	<u>243,673</u>	<u>304,367</u>
Excess (deficiency) of revenues over expenditures	13,738	(243,673)	(229,935)
Other financing sources and uses:			
State appropriations - severance bonds	-	8,103	8,103
Excess (deficiency) of revenues and other financing sources over expenditures	13,738	(235,570)	(221,832)
Fund balance at beginning of the year	<u>45,488</u>	<u>250,338</u>	<u>295,826</u>
Fund balance at end of the year	<u>\$ 59,226</u>	<u>\$ 14,768</u>	<u>\$ 73,994</u>

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BUDGETARY PRESENTATION

NON-MAJOR SPECIAL REVENUE FUND

CAPITAL PROJECTS FUND

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

VOCA/MEDIATION GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Fees	\$ 49,900	\$ 49,900	\$ 74,432	\$ 24,532
Expenditures:				
Current:				
Judicial government:				
Contractual services	49,900	59,900	59,900	-
Operating costs	<u>12,100</u>	<u>2,100</u>	<u>794</u>	<u>1,306</u>
Total expenditures	<u>62,000</u>	<u>62,000</u>	<u>60,694</u>	<u>1,306</u>
Excess (deficiency) of revenues over expenditures	(12,100)	(12,100)	13,738	25,838
Fund balance at beginning of the year	<u>12,100</u>	<u>12,100</u>	<u>45,488</u>	<u>33,388</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,226</u>	<u>\$ 59,226</u>

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

CAPITAL PROJECTS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenue	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Judicial government:				
Operating costs	34,288	34,288	25,934	8,354
Capital outlay:				
Equipment	<u>240,460</u>	<u>240,460</u>	<u>217,739</u>	<u>22,721</u>
Total expenditures	<u>274,748</u>	<u>274,748</u>	<u>243,673</u>	<u>31,075</u>
Excess (deficiency) of revenues over expenditures	(274,748)	(274,748)	(243,673)	31,075
Other financing sources:				
State appropriations - severance bonds	<u>-</u>	<u>-</u>	<u>8,103</u>	<u>8,103</u>
Excess (deficiency) of revenues and and other financing sources over expenditures	(274,748)	(274,748)	(235,570)	39,178
Fund balance (deficit) at beginning of the year	<u>274,748</u>	<u>274,748</u>	<u>250,338</u>	<u>(24,410)</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,768</u>	<u>\$ 14,768</u>

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SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
Year Ended June 30, 2008

<u>ASSETS</u>	Account Type	Balance <u>June 30, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2008</u>
<u>Wells Fargo Bank</u>					
District Court Trust Fund	Checking	\$ 696,875	\$ 661,453	\$ 1,092,361	\$ 265,967
First Bank vs Joe Solar	Savings	421	1	1	421
Countywide Funding vs Mohan	Savings	255	-	-	255
D C Tower vs Bolack Minerals	Savings	27,273	13	27,286	-
First Nationwide vs Estate of Navel	Savings	11,564	15	-	11,579
Chase Mortgage vs Gary Wilson	Savings	2,357	3	-	2,360
WMC Mtg. vs Lou Horvat	Savings	9,625	13	-	9,638
Midfirst Bank vs Tony Williams	Savings	3,632	9	-	3,641
Mellon Mtg vs James Anderson	Savings	10,186	14	-	10,200
Chase Mortgage vs Reinhart	Savings	3,854	5	-	3,859
State Treasurer, District Court	Checking	23,569	476,154	496,655	3,068
		<u>789,611</u>	<u>1,137,680</u>	<u>1,616,303</u>	<u>310,988</u>
<u>Gallup Federal Savings Bank</u>					
District Court Trust Fund	Checking	354,505	164,337	\$ 378,222	140,620
State Treasurer, District Court	Checking	12,135	151,195	124,854	38,476
		<u>366,640</u>	<u>315,532</u>	<u>503,076</u>	<u>179,096</u>
Pooled cash and investments		<u>\$ 1,156,251</u>	<u>\$ 1,453,212</u>	<u>\$ 2,119,379</u>	<u>\$ 490,084</u>
<u>LIABILITIES</u>					
Due to State Treasurer		\$ 35,704	\$ 627,349	\$ 621,509	\$ 41,544
Due to Litigants		<u>1,120,547</u>	<u>825,863</u>	<u>1,497,870</u>	<u>448,540</u>
Deposits held for others		<u>\$ 1,156,251</u>	<u>\$ 1,453,212</u>	<u>\$ 2,119,379</u>	<u>\$ 490,084</u>

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2008

	Wells Fargo Bank	Gallup Federal Savings Bank	Total Bank
Checking accounts	\$ 269,035	\$ 179,096	\$ 448,131
Savings Accounts	41,953	-	41,953
Cash on deposit at June 30, 2008	\$ 310,988	\$ 179,096	\$ 490,084
 Reconciliation to financial statements:			
Total per banks	\$ 310,988	\$ 179,096	\$ 490,084
Reconciling items	-	-	-
Total per books	\$ 310,988	\$ 179,096	490,084
Cash with NM State Treasurer			746,831
Total			\$ 1,236,915
Total per statement of net assets			\$ 746,831
Total per statement of fiduciary net assets - agency funds			490,084
			\$ 1,236,915

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF CASH ACCOUNTS
June 30, 2008

<u>New Mexico State Treasurer</u>		Balance <u>June 30, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2008</u>
Eleventh Judicial District Court	151	\$ 212,986	\$ 5,629,723	\$ 5,492,065	\$ 350,644
Drug Court and Federal Funds	335	49,963	925,794	877,187	98,570
Capital Projects Account	526	46,363	73,557	60,694	59,226
VOCA and Mediation Account	928	<u>250,000</u>	<u>232,064</u>	<u>243,673</u>	<u>238,391</u>
		<u>\$ 559,312</u>	<u>\$ 6,861,138</u>	<u>\$ 6,673,619</u>	<u>\$ 746,831</u>

**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**

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

Hector H. Balderas, State Auditor, and the
Honorable William C. Birdsall State of New Mexico of
Eleventh Judicial District Court

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds and budgetary comparisons presented as supplemental information of the Eleventh Judicial District Court, as of and for the year ended June 30, 2008, which collectively comprise the Eleventh Judicial District Court's basic financial statements and have issued our report thereon dated December 10, 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 Eleventh 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 Eleventh Judicial District Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eleventh Judicial District Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 Eleventh Judicial District Court'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 Eleventh Judicial District Court's financial statements that is more than inconsequential will not be prevented or detected by the Eleventh Judicial District Court's internal control. We consider the deficiencies described in finding 2008-3 and 2008-4 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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Hector H. Balderas, State Auditor, and
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Eleventh Judicial District Court

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

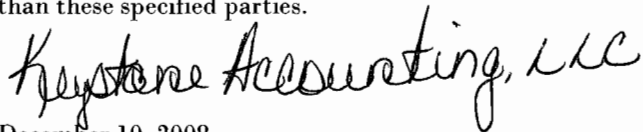
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eleventh 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2008-1 and 2008-2.

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

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



December 10, 2008

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

A. PRIOR YEAR AUDIT FINDINGS

2007 – 1 CELL PHONES USED FOR PERSONAL USE

Condition: The court cell phones are used for personal use, and the plans are expanded so that there are no extra charges.

Recommendation: The District Court should implement guidelines preventing the personal use of cell phones, and obtain the best rates in accordance with competitive bids. Employees using personal cell phones should be reimbursed in accordance with the New Mexico State Department of Finance and Administration (DFA) Guidelines.

Current status: Resolved – Not repeated in the current year.

2007 – 2 REVERSION NOT COMPLETED TIMELY

Condition: The District Court is required to make reversions of unexpended funds by September 30 following year end, to the state general fund. This reversion was not made by the required due date since information was not available from the New Mexico SHARE Accounting System to determine the reversion amount. When information was available the reversion was made. The reversion amount was \$16,454.

Recommendation: The State of New Mexico SHARE System needs to provide timely information to the District Court to make reversions on or before September 30, 2007.

Current status: Not resolved – Repeated in the current year as 2008 – 1.

2007 – 3 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Condition: Expenditures exceeded the final approved budget violating NMSA 1978 Section 22-8-11B as follows:

General Fund	Operating costs	\$	97,887
Drug Court	Personnel services	\$	40,950
VOCA/Mediation	Contractual services	\$	7,954

These over expenditures occurred because of the failure of the Share System to provide timely expenditure and budgetary information.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Judicial Budget Office (JBO) and Department of Finance and Administration (DFA) to receive approval to make necessary changes to the records prior to being presented for audit.

Current status: Not resolved – Repeated in the current year as 2008 – 2.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

A. PRIOR YEAR AUDIT FINDINGS (continued)

2007 – 4 FAILURE TO FILE AUDIT REPORT BY REQUIRED DUE DATE

Condition: The filing date of the completed annual audit is subsequent to the required due date. The report was submitted to the State Auditors Office on February 22, 2008.

Recommendation: The accounting department at the District Court needs to be better trained in the ability to get information from the SHARE program on a timely basis.

Current status: Resolved – Not repeated in the current year.

2007 – 5 RECONCILIATION OF GENERAL LEDGER BALANCE SHEET ACCOUNTS

Condition: The following general ledger balance sheet accounts were unreconciled at June 30, 2007:

- a. Cash on deposit with the Investment in the State Treasurer General Fund Investment Pool
- b. Warrants outstanding accounts
- c. Warrants payable clearing accounts
- d. Payroll taxes payable
- e. Other liabilities
- f. Due to State General Fund

Recommendation: The accounting department at the District Court needs information and a General Ledger from the SHARE system to perform appropriate balance sheet account reconciliations.

Current status: Not resolved – Repeated in the current year as 2008 - 3.

2007 – 6 DISBURSEMENTS MADE WITHOUT PURCHASE ORDER

Condition: Seven purchases totaling \$4,185 out of twenty-five tested were made prior to the date of purchase orders being completed. Purchase orders are used to control cash and to authorize the purchase.

Recommendation: The importance of cash controls and adequate planning need to be made clear to all personnel that will be making purchases for the District Court.

Current status: Resolved – Not repeated in the current year.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

A. PRIOR YEAR AUDIT FINDINGS (continued)

2007 – 7 GENERAL LEDGER JOURNAL ENTRIES MADE BY DISTRICT COURT PERSONNEL
WERE NOT POSTED TO THE GENERAL LEDGER

Condition: Journal entries proposed by the District Court Personnel to correct account balances were not posted to the SHARE system by the Department of Finance and Administration (DFA).

Recommendation: The SHARE system administrators should review and post journal entries proposed by the District Court on a monthly basis.

Current status: Not resolved – Repeated in the current year as 2008 - 4.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

B. CURRENT YEAR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT

2008 – 1 REVERSION NOT COMPLETED TIMELY

Condition: The District Court is required to make reversions of unexpended funds by September 30 following year end, to the state general fund. This reversion was not made by the required due date since information was not available from the New Mexico SHARE Accounting System to determine the reversion amount. The prior year and current year reversions were not made to the State of New Mexico General Fund in the amount \$16,454 and \$8,425, respectively.

Criteria: According to New Mexico State Statute Section 6-5-10 NMSA 1978 and Department of Finance and Administration require that the funds in the general fund be reverted by September 30th following year end.

Effect of condition: Information was not available for the New Mexico State Legislative Finance Committee to make required decisions about future appropriations.

Cause: The SHARE program was not reconciled, and the books were not closed so that the reversion could be calculated.

Recommendation: The State of New Mexico SHARE System needs to provide timely information to the District Court to make reversions on or before September 30, of each year. The District Court should make reversions when all information is available to determine the appropriate amount.

Management's response: The reversion for the district court was due on September 30, 2008, and the financial administrator was unable to get the information needed to calculate the reversion through the SHARE system because of the lack of timeliness of getting journal entries, payments, and etc. posted so the fiscal year could be closed and more accurate information could be pulled for the reversion calculation.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

B. CURRENT YEAR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2008 – 2 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Condition: Expenditures exceeded the final approved budget violating NMSA 1978 Section 22-8-11B as follows:

Drug Court	Personnel services	\$	1,740
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These over expenditures occurred because of the failure of the Share System to provide timely expenditure and budgetary information.

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Effect of Condition: Information to determine status of budgets and make financial decisions concerning court financial operations was unavailable on a timely basis.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Judicial Budget Office (JBO) and Department of Finance and Administration (DFA) to receive approval to make necessary changes to the records prior to being presented for audit.

Management Response: There were no monthly closings of the SHARE system to allow for numbers that were accurate and not continuously changing. Also, the SHARE team did not fully implement the reporting capabilities of SHARE. During FY 2008, the SHARE team has implemented a closing schedule of the SHARE system; the SHARE team has also made many reports accessible to the agencies so that financial information can be reviewed. The timely monitoring of budget line items was not done in FY2008 because we did not have the tools to do so. The finance department will more closely monitor the budget line items with the new tools from SHARE.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

B. CURRENT YEAR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2008 – 3 RECONCILIATION OF GENERAL LEDGER BALANCE SHEET ACCOUNTS

Condition: The following general ledger balance sheet accounts were unreconciled at June 30, 2008:

- g. Cash on deposit with the Investment in the State Treasurer General Fund Investment Pool
- h. Warrants outstanding accounts
- i. Warrants payable clearing accounts
- j. Payroll taxes payable
- k. Other liabilities
- l. Due to State General Fund

Criteria: All general ledger balance sheet accounts should be reconciled at least monthly, to insure accuracy of accounting records.

Effect of condition: Information to determine status of budgets and make financial decisions concerning court financial operations were unavailable on a timely basis.

Cause: No General Ledger was provided so that the accounting department could perform appropriate reconciliation of the SHARE system.

Recommendation: The accounting department at the District Court needs information and a General Ledger from the SHARE system to perform appropriate balance sheet account reconciliations.

Management's Response: Cash Reconciliation's were not provided by the SHARE system in a timely manner. The finance department will continue to pursue information from the SHARE system so that accounts are reconciled.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

B. CURRENT YEAR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2008 – 4 GENERAL LEDGER JOURNAL ENTRIES MADE BY DISTRICT COURT PERSONNEL
WERE NOT POSTED TO THE GENERAL LEDGER

Condition: Journal entries proposed by the District Court Personnel to correct account balances were not posted to the SHARE system by the Department of Finance and Administration (DFA).

Criteria: Good accounting requires that journal entries be posted to the general ledger on a monthly basis.

Effect of the Condition: Information to determine the status of budgets and determine financial decisions concerning court operations were not available on a timely basis.

Cause: The SHARE system administered by DFA did not review and post required journal entries and provide monthly general ledgers.

Recommendation: The SHARE system administrators should review and post journal entries proposed by the District Court on a monthly basis.

Management's Response: The finance department of the District court will continue to review and reconcile information from the SHARE system to determine that the accounts are properly posted.

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REQUIRED DISCLOSURE

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STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT COURT

REQUIRED DISCLOSURE
JUNE 30, 2008

The financial statements were prepared by Keystone Accounting, LLC.

EXIT CONFERENCE

An exit conference was held on December 10, 2008, and the following were in attendance:

State of New Mexico, Eleventh Judicial District Court

Present for the Court

William C. Birdsall, Chief District Judge
Weldon J. Neff, Court Executive Officer
Roberta Werito – Financial Administrator

Present for Keystone Accounting, LLC

Terry Ogle, CPA
Phil Rasband, CPA