

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

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

**JUNE 30, 2010**

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
TABLE OF CONTENTS  
JUNE 30, 2010**

	<b><u>PAGE</u></b>
Directory of Officials.....	1
Independent Auditors’ Report.....	2-3
Management’s Discussion and Analysis .....	4-10
 <b>Governmental-Wide Financial Statements:</b>	
Statement of Net Assets.....	11
Statement of Activities.....	12
 <b>Governmental Funds Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of Statement of Revenues, Expenditures Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Schedule of Revenues, Expenditures Budget (Modified Accrual Basis) and Actual on Budgetary Basis:	
General Fund .....	17
Other Programs Fund.....	18
 <b>Fiduciary Financial Statements:</b>	
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	19
Notes to the Financial Statements.....	20-35
 <b>Other Supplemental Financial Information:</b>	
Schedule of Changes in Assets and Liabilities – Agency Fund.....	36
Schedule of Pledged Collateral .....	37
 <b>Additional Independent Auditors’ Report:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Audit Standards</i> .....	38
Exit Conference and Financial Statement Preparation .....	39

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
DIRECTORY OF OFFICIALS  
JUNE 30, 2010**

***JUDGES***

Honorable Jerry H. Ritter, Jr.	Division I
Honorable James Waylon Counts	Chief Judge, Division II
Honorable Karen L. Parsons-Williams	Division III
Honorable David I. Rupp	Division IV

***ADMINISTRATIVE OFFICIALS***

Jan Perry	Court Executive Officer
Aurora Lopez	Budget Analyst
Araceli Lopez	Financial Specialist

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

Hector H. Balderas, State Auditor  
and  
Honorable James W. Counts, Presiding Judge  
State of New Mexico, Twelfth Judicial District Court  
Alamogordo, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the state of New Mexico, Twelfth Judicial District Court (Court), as of and for the year ended June 30, 2010, which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Twelfth Judicial District Court are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the state of New Mexico that is attributable to the transactions of the Twelfth 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, 2010, 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 Twelfth Judicial District Court, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the general fund and the major special revenue other programs fund referred to above present fairly, in all material respects, the budgetary comparison for each fund of the Court for the year ended June 30, 2010, 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 December 3, 2010, on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages four through ten is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The accompanying schedule of changes in assets and liabilities – agency fund, and schedule of pledged collateral listed as other supplemental financial information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and budgetary comparisons and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements and budgetary comparisons taken as a whole.



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

December 3, 2010

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

The following is an overview of the financial condition for the office of the Twelfth Judicial District Court (District Court) for the fiscal year ended June 30, 2010. This narrative highlights the major aspects of the District Court's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

**Financial Highlights**

The District Court is comprised of Otero and Lincoln Counties. Three district judges sit in Alamogordo (Otero County), and one district judge sits in Carrizozo (Lincoln County). There are approximately 58 miles separating the two courthouses. The Otero County area includes two U.S. Border Patrol checkpoints. The Alamogordo area is also unique due to the presence of Holloman AFB (with its German Air Force contingent), White Sands Missile Range and the Mescalero Apache Indian Reservation. The Lincoln County area includes the Ruidoso Downs Race Track.

This District Court is able to assist domestic violence victims due, in part, to a full-time Domestic Violence Commissioner. His staff is comprised of a full-time Administrative Assistant and a half time Court Clerk. This Commissioner also has a dual role as a Child Support Hearing Officer. He is authorized to hear Child Support Enforcement Division cases and claims for interim child support in domestic relations cases.

Divorce cases involving children are routinely ordered to mediation to attempt to work out a parenting plan. This district currently contracts with four trained mediators.

This District Court also has an active and capable Court Appointed Special Advocates (CASA) organization that is involved routinely in child abuse and neglect cases, and as needed in domestic relations cases. In divorce cases involving children, the parents are ordered to complete a parent education course to help reduce conflict between divorced parents and minimize the need for future court intervention in custody matters.

The District Court operates two Juvenile Drug Court programs. These programs serve both Otero and Lincoln Counties. The Otero and Lincoln programs serve approximately 20 clients and their families at any given time. These Drug Courts are funded through a combination of federal grants and state money. In addition to the Juvenile Drug Court programs, the District Court developed an Adult Drug Court program. The Adult Drug Court has served 50 clients since its inception in 2006.

**Overview of the Financial Statements**

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

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

In addition to the general fund, the District Court maintains one other individual governmental fund that is classified as a special revenue fund. Information for the general fund and the other program fund, both of which are considered to be major funds, is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The New Mexico Legislature makes annual appropriations for the District Court's general fund. Amendments to the budget require approval by the budget division of the Department of Finance and Administration (DFA).

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Governmental Funds (continued)**

Over the course of the fiscal year, the District Court revised the general fund budget and the other programs fund budget, several times. Budgetary comparison statements for the general and special revenue major funds are located on pages seventeen and eighteen.

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

**Fiduciary Funds**

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

**Notes to the Financial Statements**

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

**Government-Wide Financial Analysis**

<b>Condensed Statement of Net Assets Governmental Activities</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Assets:		
Current and other assets	\$ 211,020	\$ 221,542
Capital assets, net of accumulated depreciation	<u>145,495</u>	<u>177,476</u>
Total assets	356,515	399,018
Liabilities:		
Current liabilities	185,124	210,942
Long-term liabilities	<u>19,490</u>	<u>22,972</u>
Total liabilities	<u>204,614</u>	<u>233,914</u>
Net Assets:		
Invested in capital assets	145,495	177,476
Restricted for program expenses	115,673	99,546
Unrestricted deficit	<u>(109,267)</u>	<u>(111,918)</u>
Total net assets	<u>\$ 151,901</u>	<u>\$ 165,104</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District Court's primary government, assets exceeded liabilities by \$151,901 at the close of the most recent fiscal year.



**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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

The District Court's activities during the fiscal year decreased the District Court's net assets by \$13,203. The decrease is attributed, in large part, to the increase in the recording of depreciation of capital assets. Net assets are composed of investment in capital assets (e.g., furniture, equipment and vehicles) of \$145,495 netted with unrestricted deficit of \$109,267, and net assets restricted for program expense of \$115,673. The deficit amount is representative of the current and long-term portions of compensated absences that are accrued in the government-wide statements. The District Court uses its capital assets to provide services to the citizens; consequently, these assets are not available for future spending. The District Court made purchases of additional capital assets of \$10,500 during the most recent fiscal year.

Current and other assets consist of petty cash and investments. The amount decreased by \$10,522 due in large part to amounts held by the District Court at June 30, 2009 to satisfy third party liabilities from employee withholdings, and additional capital assets purchased during the most recent fiscal year.

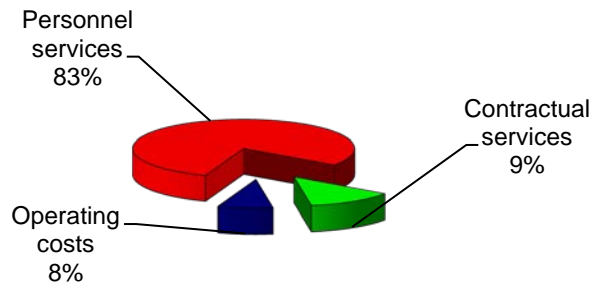
Current liabilities which consist of accounts payable, accrued salaries, current amounts of compensated absences, and amounts due to the state general fund as of June 30, 2010, equaled \$185,124. At June 30, 2009, the District Court reported an amount equal to \$210,942. The current liability decreased by \$25,818, due to decreases in accounts payable and amounts due to the state general fund.

<b>Condensed Statement of Activities Governmental Activities</b>	June 30, 2010	June 30, 2009
	<u>                    </u>	<u>                    </u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 42,804	\$ 102,270
Charges for services	41,375	40,368
Gain on disposal of equipment	1,546	500
General revenues:		
State general fund appropriations	<u>3,165,299</u>	<u>3,352,900</u>
Total revenues	3,251,024	3,496,038
Expenses:		
Judicial	<u>3,264,227</u>	<u>3,503,375</u>
Change in net assets	<u>\$ (13,203)</u>	<u>\$ (7,337)</u>

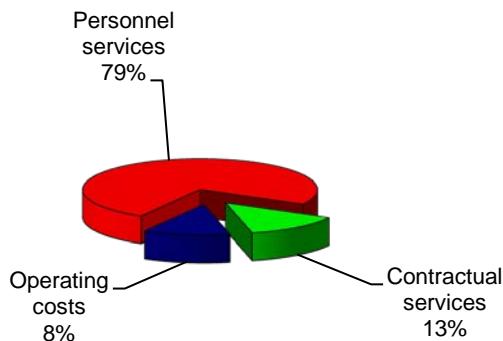
**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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

**Operating Expenses - FYE 6-30-10**



**Operating Expenses - FYE 06-30-09**



The statement of activities shows decreases in both revenues and expenses for fiscal year 2010, from fiscal year 2009. Operating grants and contributions decreased by \$59,466. Court filing fees and cost revenues increased by \$1,007. State general fund appropriations decreased by \$187,601. The overall decrease in judicial expenses was \$239,148, which was largely attributed to budget cuts mandated by the legislature, and a reduction in federal funding.

**Analysis of Individual Governmental Funds**

The overall financial position of the District Court is virtually unchanged. The District Court receives a state appropriation to pay operating costs, and any unused balance is reverted to the state general fund at the end of each year. The District Court recorded an increase of \$16,077 in net assets for the fiscal year between the two funds.

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Analysis of Individual Governmental Funds (continued)**

The increase in net assets for the year is primarily due to court fees collected for Mediation and the Adult Drug Court programs.

**Individual Fund Highlights**

For the year ended June 30, 2010, the general fund has \$28,797 reserved for the purchase of chairs for jury deliberation rooms granted through a special multi-year appropriation that extends through the fiscal year 2011.

At the beginning of a budget cycle, it is difficult to project or even anticipate events that will impact the appropriated budget. As a result of the 2010 Legislative Special Session, the General Fund appropriation for our Juvenile Drug Court program was reduced by \$63,000. In this fiscal year, the Juvenile Drug Court was appropriated one FTE and four Temp positions were converted to Perm positions. Funds for these positions were transferred from contractual services in the Juvenile Drug Court program.

During the last year, the Adult Drug Court program received two Congressionally Mandated Awards through the Office of Justice Programs; reimbursed through the Administrative Office of the Courts in the amount of \$42,804 to assist with program costs.

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

The District Court revised its original general fund budget three times to account for 1) an increase of \$1,546 in general fund from the sale of a vehicle and equipment; 2) an increase of \$23,000 in other costs funded by a decrease in contractual services; and 3) an increase of \$10,000 in contractual services, and an increase of \$46,500 in other costs funded by a decrease of \$56,500 in personnel and benefits. The unreserved fund balance from state appropriations remaining at June 30, 2010 that reverts to the general fund of the state of New Mexico is \$9,554. In addition, the District Court received a retirement refund that reverts to the general fund of the state of New Mexico in the amount of \$491.

The District Court revised its original Other Programs fund budget four times to account for: 1) the Juvenile Drug Court had an increase of \$35,000 in other costs funded by a decrease in contractual services; 2) the Adult Drug Court had an increase of \$44,000 in personnel and benefits funded by a decrease in contractual services; 3) a decrease of \$42,756 for the CASA program mandated by the Legislature; and 4) additional expenses in other costs category for the Juvenile Drug Court funded by a decrease in the contractual services category. The unreserved fund balance from special state appropriations recorded in this fund and remaining at the end of the fiscal year that reverts to the general fund of the state of New Mexico is \$7,081. The balances of the unreserved fund balance in this fund does not revert to the general fund of the state of New Mexico as its source is mediation and adult drug court fees.

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Capital Assets**

The District Court's investment in net assets as of June 30, 2010 amounted to \$145,495 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

<b>Twelfth Judicial District Court Capital Assets (Net of Accumulated Depreciation)</b>	June 30, 2010	June 30, 2009
Equipment	\$ 46,629	\$ 63,436
Vehicles	83,853	105,012
Furniture and fixtures	5,257	8,842
Data processing	9,756	186
	<b>\$ 145,495</b>	<b>\$ 177,476</b>

The District Court purchased \$10,500 of capital additions for the fiscal year ended June 30, 2010. Depreciation expense for the year was \$42,481. The District Court disposed of obsolete equipment through an auction that netted \$1,546. The District Court does not own any infrastructure assets. Additional information on the District Court's capital assets can be found in note four on page twenty-nine of this report.

**Currently Known Facts, Decisions, or Conditions**

Despite current economic conditions the Twelfth Judicial District Court strives to process cases fairly and in a timely manner, and continues to provide adequate resources and retain qualified staff. As a concession to budget reductions, we have scaled back on costs for items such as supplies, subscriptions and travel. Predictably, there is a finite limit for the sustainability of such reductions. Studies have shown that when the economy is sluggish, crime increases, contracts are breached, loan defaults and foreclosures increase, and domestic relations cases increase. The need for access to the courts and legal services increases; it does not decrease. This results in an additional burden on the court to continue its operations as efficiently and effectively with limited resources. We are projecting that until the economy rebounds, the declining appropriations incurred in our current fiscal year will translate into next fiscal year. We foresee that further budget cuts will severely impact our drug court programs and the level of services provided by the court.

**Request for Information**

The District Court financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of the agency and to demonstrate the agency's accountability for the funds it receives. If there are any questions about this report or if additional information is needed contact: Court Executive Officer, Twelfth Judicial District Court, 1000 New York Avenue, Room 209, Alamogordo, New Mexico 88310.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 50
Investments	210,970
Capital assets, net of accumulated depreciation	145,495
Total assets	356,515
 <b>LIABILITIES</b>	
Accounts payable	12,964
Accrued salaries	60,432
Accrued employee withholdings and benefits	4,825
Due to state general fund	17,126
Long-term liabilities:	
Due in one year	89,777
Due in more than one year	19,490
Total liabilities	204,614
 <b>NET ASSETS</b>	
Invested in capital assets	145,495
Restricted for program expenses	115,673
Unrestricted	(109,267)
Total net assets	\$ 151,901

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

**STATE OF NEW MEXICO  
 TWELFTH JUDICIAL DISTRICT COURT  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2010**

	Governmental Activities
Program Expenses:	
Judicial administration	\$ 2,486,940
Juvenile Drug Court	553,428
Adult Drug Court	118,096
Court Appointed Special Advocates	85,499
Mediation	3,629
Total program expenses	3,247,592
Program Revenues:	
Program-specific operating grants	42,804
Charges for services	41,375
Gain on disposal of equipment	1,546
Total program revenues	85,725
Net program expenses	(3,161,867)
Transfers:	
State general fund appropriations	3,079,800
Other state appropriations	85,499
Reversions to state general fund - FY10	(16,635)
Total net transfers	3,148,664
Change in net assets	(13,203)
Net assets, beginning of year	165,104
Net assets, end of year	\$ 151,901

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

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	Major Funds		
	General Fund	Other Programs Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 50	\$ -	\$ 50
Investments	94,915	116,055	210,970
Total assets	\$ 94,965	\$ 116,055	\$ 211,020
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 2,647	\$ 10,317	\$ 12,964
Accrued salaries	50,374	10,058	60,432
Accrued employee withholdings and benefits	3,052	1,773	4,825
Due to state general fund	10,045	7,081	17,126
Total liabilities	66,118	29,229	95,347
Fund Balances:			
Unreserved	50	-	50
Reserved for multi-year appropriation	28,797	-	28,797
Reserved for other program expenditures	-	86,826	86,826
Total fund balances	28,847	86,826	115,673
Total liabilities and fund balances	\$ 94,965	\$ 116,055	\$ 211,020

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

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

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

Total fund balance governmental funds (page thirteen)	\$ 115,673
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	145,495
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(109,267)</u>
Net assets of government activities (page eleven)	<u><u>\$ 151,901</u></u>

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

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Major Funds</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Other Programs Fund</u>	
Revenues:			
Federal grants	\$ -	\$ 42,804	\$ 42,804
Court fees	21,668	19,707	41,375
Total revenues	21,668	62,511	84,179
Expenditures:			
Current:			
Personnel services and employees benefits	2,221,836	434,916	2,656,752
Contractual services	35,641	256,148	291,789
Other operating costs	200,183	69,588	269,771
Total expenditures	2,457,660	760,652	3,218,312
(Deficiency) of revenues over expenditures	(2,435,992)	(698,141)	(3,134,133)
Other Financing Sources (Uses):			
State general fund appropriations	2,444,000	635,800	3,079,800
Other state appropriations	-	85,499	85,499
Gain on sale of equipment	1,546	-	1,546
Reversions to state general fund - FY10	(9,554)	(7,081)	(16,635)
Total other financing sources (uses)	2,435,992	714,218	3,150,210
Net change in fund balances	-	16,077	16,077
Fund balances, beginning of year	28,847	70,749	99,596
Fund balances, end of year	<u>\$ 28,847</u>	<u>\$ 86,826</u>	<u>\$ 115,673</u>

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

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

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

Net change in fund balances total government funds (page fifteen)	\$ 16,077
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay (\$10,500) exceeded depreciation (\$42,481) in the current period.	(31,981)
Compensated absences reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	<u>2,701</u>
Change in net assets of governmental activities (page twelve)	<u><u>\$ (13,203)</u></u>

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

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Court fees	\$ 23,000	\$ 23,000	\$ 21,668	\$ (1,332)
Expenditures:				
Current:				
Personnel services and employee benefits	2,285,800	2,229,300	2,221,836	7,464
Contractual services	48,700	35,700	35,641	59
Other operating costs	132,500	203,546	200,183	3,363
Total expenditures	<u>2,467,000</u>	<u>2,468,546</u>	<u>2,457,660</u>	<u>10,886</u>
(Deficiency) of revenues over expenditures	(2,444,000)	(2,445,546)	(2,435,992)	9,554
Other Financing Sources (Uses):				
State general fund appropriations	2,444,000	2,444,000	2,444,000	-
Gain on disposal of equipment	-	1,546	1,546	-
Reversions to state general fund - FY10	-	-	(9,554)	(9,554)
Total other financing sources (uses)	<u>2,444,000</u>	<u>2,445,546</u>	<u>2,435,992</u>	<u>(9,554)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**OTHER PROGRAMS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Federal grants	\$ 25,200	\$ 42,970	\$ 42,804	\$ (166)
Court fees	<u>20,000</u>	<u>20,000</u>	<u>19,707</u>	<u>(293)</u>
Total revenues	45,200	62,970	62,511	(459)
<b>Expenditures:</b>				
Current:				
Personnel services and employee benefits	450,100	437,200	434,916	2,284
Contractual services	372,300	287,214	256,148	31,066
Other operating costs	<u>21,600</u>	<u>71,600</u>	<u>69,588</u>	<u>2,012</u>
Total expenditures	<u>844,000</u>	<u>796,014</u>	<u>760,652</u>	<u>35,362</u>
(Deficiency) of revenues over expenditures	(798,800)	(733,044)	(698,141)	34,903
<b>Other Financing Sources (Uses):</b>				
State general fund appropriations	698,800	635,800	635,800	-
Other state appropriations	90,000	87,244	85,499	(1,745)
Reversions to state general fund - FY10	<u>-</u>	<u>-</u>	<u>(7,081)</u>	<u>(7,081)</u>
Total other financing sources (uses)	<u>788,800</u>	<u>723,044</u>	<u>714,218</u>	<u>(8,826)</u>
Net change in fund balance	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ 16,077</u>	<u>\$ 26,077</u>
Beginning fund balance available to balance budget	<u>\$ 10,000</u>	<u>\$ 10,000</u>		

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

## **FIDUCIARY FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2010

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	<u>\$ 1,186,235</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 1,183,961
Due to other agencies	<u>2,274</u>
Total liabilities	<u>\$ 1,186,235</u>

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



**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District Court is given its authority under Section 13 of the New Mexico State Constitution and Sections 34-6-1, 34-6-2, 34-6-12 and 36-5-17 through 34-6-47 of the New Mexico State Statutes Annotated, 1978 Compilation, and is a component unit of the state of New Mexico. The agency code assigned by the Department of Finance and Administration for the District Court is 24200. The District Court judges are elected to their position in a partisan election prior to being eligible for a nonpartisan retention election. Thereafter, each judge is subject to retention or rejection on a nonpartisan ballot every sixth year. The Twelfth Judicial District Court is the state court of general jurisdiction and is authorized to hear and determine all civil and criminal cases which are not specifically exempted from its jurisdiction. Financing of the District Court is by state appropriations.

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

The financial reporting entity consists of the primary government, and another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

The District Court's Office has no component units.

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District Court does not have any business-type activities.

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the District Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditure is recorded as liabilities when they are incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and unrestricted resources are available for use, it is the Court's policy to use restricted resources first, and then unrestricted resources as they are recorded.

The District Court reports the following major governmental funds:

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

Measurement Focus, Basis of Accounting,  
C. and Financial Statement Presentation (continued)

**General Fund**

The *general fund* is the general operating fund of the District Court. It is used to account for all financial resources except those required to be accounted for in another fund. Any unreserved fund balance from state appropriations remaining at the end of the fiscal year reverts to the general fund of the state of New Mexico. The SHARE fund number and description for the general fund of the District Court is 15200 – Twelfth Judicial District Court.

**Other Programs Fund**

The Court receives special appropriations and federal grants to operate certain special programs including the CASA program, Juvenile Drug Court and Adult Drug Court. In addition, the Court provides for a fee to finance a mediation alternative to legal resolution of domestic disputes such as consideration of divorce, child custody and visitation issues. The authority for the creation and maintenance of the fund is given under New Mexico State Statutes 34-6-47, and 40-12-5, and as such, the fund balance will not revert to the state of New Mexico's general fund. However, because the Court commingles non-reverting funds with reverting appropriations, it is the Court's policy to account for and record direct expenses of each program separately so as to facilitate the calculation of reversions. The District Court has determined that the *Other Programs fund* is a major fund whose SHARE fund number is 92900.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fiduciary Funds

**Agency Funds**

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

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

Measurement Focus, Basis of Accounting,  
C. and Financial Statement Presentation (continued)

Fiduciary Funds (continued)

**Agency Funds (continued)**

The District Court has two agency funds:

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

D. Budgets

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

1. Prior to September 15<sup>th</sup>, the District Court submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1<sup>st</sup>. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The governor of the state of New Mexico within the legally prescribed time limit signs the Act into law.
4. The District Court submits, no later than May 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA – Budget Division reviews and approves the operating budget, which becomes effective on July 1<sup>st</sup>. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal budget control for expenditures is by expenditure category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**D. Budgets (continued)**

7. The General Appropriation Act, Laws of 2008, Section 3, Subsection F establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the state of New Mexico. So long as the appropriation period has not lapsed, and a budget has been approved by the DFA, an encumbrance can be charged against that budget. However, when the appropriation period lapses, so does the authority for the budget. The result is the encumbrance can no longer be charged to that budget. If the Legislature has provided a new appropriation, the encumbrance is carried forward to a new appropriation period to be charged against the new budget. If the Legislature has not, the encumbrance is no longer authorized and the amount of the encumbrance must be restored to unreserved fund balance. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of the appropriation period.
8. There is one statutory exception to the modified accrual basis for budget. That exception address accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.
9. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year, the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

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

**1. Cash**

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

**2. Receivables and Payables**

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

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

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

**3. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Prior to June 17, 2005, the District Court defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with Section 12-6-10 NMSA 1978, the District Court changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the District Court remain on the financial and accounting records of the District Court.

Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation. Costs other than personnel expenses for computer software developed internally are capitalized and depreciated over its useful life. Purchased computer software is recorded at historical cost.

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

Furniture and fixtures	7 years
Equipment and machinery	7 years
Automotive	7 years
Data processing	5 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.

**4. Compensated Absences**

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

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

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

**5. Net Assets**

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

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

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

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

**6. Use of Estimates**

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

**2. CASH AND DEPOSITS**

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the District Court. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments. Cash includes cash on hand and cash deposits in two financial institutions. The District Court's deposits are carried at cost.

As of June 30, 2010, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

*Cash (continued)*

	<u>Type of Account</u>	<u>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
<i>General Fund</i>				
Cash on hand		\$ -	\$ 50	\$ 50
<i>Agency Funds</i>				
Otero County Trust Accounts:				
First National Bank 414 10th Street Alamogordo, New Mexico	Checking	1,503	-	1,503
First National Bank 414 10th Street Alamogordo, New Mexico	Checking	648,669	-	648,669
First National Bank 414 10th Street Alamogordo, New Mexico	Checking	151,405	-	151,405
First National Bank 414 10th Street Alamogordo, New Mexico	Checking	49,176	-	49,176
Bank 34 500 10th Street Alamogordo, New Mexico	Checking	165,575	-	165,575
Lincoln County Trust Accounts:				
Wells Fargo Bank, N.A. 200 Lomas Blvd NW Albuquerque, New Mexico	Checking	166,385	-	166,385
Wells Fargo Bank, N.A. 200 Lomas Blvd NW Albuquerque, New Mexico	Checking	2,751	-	2,751
Wells Fargo Bank, N.A. 200 Lomas Blvd NW Albuquerque, New Mexico	Checking	771	-	771
Total		<u>\$ 1,186,235</u>	<u>\$ 50</u>	<u>\$ 1,186,285</u>

Statement of Net Assets	\$ 50
Statement of Fiduciary Net Assets	<u>1,186,235</u>
Total cash reported on financial statements	<u><u>\$ 1,186,285</u></u>



**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

*Cash (continued)*

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

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

	First National Bank	Wells Fargo Bank	Bank 34
Demand deposits	\$ 850,753	\$ 169,907	\$ 165,575
FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 600,753</u>	<u>\$ -</u>	<u>\$ -</u>
Pledged securities	675,000	-	-
Collateral requirements (50% of uninsured public funds)	<u>300,376</u>	-	-
Over (under) collateralization	<u>\$ 374,624</u>	<u>\$ -</u>	<u>\$ -</u>

A detail listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District Court does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$600,753 of the District Court's agency fund demand deposits of \$1,186,235 was exposed to custodial credit risk as follows:

	First National Bank
Uninsured and collateral held by pledging banks' trust department or agent, not in the District Court's name	<u>\$ 600,753</u>

**3. INVESTMENTS**

New Mexico State statutes require that the New Mexico State Treasurer holds all operating funds on behalf of the District Court. Such funds are held in the State's General Fund Investment Pool. Those funds are reflected as investments on the District Court's statement of financial position. At June 30, 2010, the balance is as follows:

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**3. INVESTMENTS (continued)**

	Share Fund	Fund	Maturities	Fair Value
<i>State General Fund Investment Pool</i>	15200	General	1 day to 3 years	\$ 94,915
<i>State General Fund Investment Pool</i>	92900	Other Programs	1 day to 3 years	\$ 116,055

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

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

For additional GASB 40 disclosure information related to the State’s General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer for the fiscal year ended June 30, 2010.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Capital assets, being depreciated:				
Furniture and fixtures	\$ 57,835	\$ -	\$ -	\$ 57,835
Equipment	208,775	-	-	208,775
Data processing	24,292	10,500	(3,172)	31,620
Vehicles	183,468	-	(17,900)	165,568
Total capital assets, being depreciated	474,370	10,500	(21,072)	463,798
Less accumulated depreciation for:				
Furniture and fixtures	(48,993)	(3,585)	-	(52,578)
Equipment	(145,339)	(16,807)	-	(162,146)
Data processing	(24,106)	(930)	3,172	(21,864)
Vehicles	(78,456)	(21,159)	17,900	(81,715)
Total accumulated depreciation	(296,894)	(42,481)	21,072	(318,303)
Total capital assets, net	\$ 177,476	\$ (31,981)	\$ -	\$ 145,495

The District Court recorded a depreciation expense of \$42,481 for the year ended June 30, 2010. The depreciation expense is a direct expense of the judicial administration function. The District Court does not have any debt related to capital assets.

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

For the year ending June 30, 2010, the amounts due to the state of New Mexico general fund is as follows:

	General Fund	Other Programs Fund	Total
Fiscal year 2010 reversion	\$ 9,554	\$ 7,081	\$ 16,635
Retirement refund	491	-	491
	<u>\$ 10,045</u>	<u>\$ 7,081</u>	<u>\$ 17,126</u>

**6. COMPENSATED ABSENCES**

**Accrued Annual Leave**

Qualified employees accumulate annual leave as a rate of:

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

A maximum of 240 hours of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums.

**Accrued Sick Leave**

Chapter 150, Laws of 1983 provided for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on the payday following the first full pay period or the paydays following the first full pay period in January of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. A maximum of 120 hours of sick leave can be paid in one fiscal year. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave.

Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2010, over 600 hours. Expenditures for accumulated sick leave pay for less than 600 hours will be recognized as employees take such absences. The current period adjustment recorded as a charge to the general government function for compensated absences is \$2,701.

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**6. COMPENSATED ABSENCES (continued)**

**Accrued Sick Leave (continued)**

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

	<u>Balance 06/30/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/10</u>	<u>Amounts Due Within One Year</u>
Accrued annual leave	\$ 105,462	\$ 115,450	\$ 117,378	\$ 103,534	\$ 84,044
Accrued sick leave	6,506	3,838	4,611	5,733	5,733
Total	<u>\$ 111,968</u>	<u>\$ 119,288</u>	<u>\$ 121,989</u>	<u>\$ 109,267</u>	<u>\$ 89,777</u>

In the prior years, compensated absences have been paid by the general fund.

**7. FUND BALANCE – GENERAL FUND**

In fiscal year ending June 30, 2007, the District Court was appropriated and received \$30,000 from the general fund of the state of New Mexico to purchase and install chairs in the courtrooms in Lincoln and Otero counties. The special multi-year appropriation, under Laws 2007, Section 12, SB 710, was for fiscal years 2007 through 2011 expenditures. The balance of this appropriation as of June 30, 2010 is \$28,797.

**8. OPERATING LEASES**

The District Court has the operating leases for two mailing machines, two copiers, and the phone system. The leases have terms that vary from three to four years and are payable on a monthly or quarterly basis. Each individual lease can be terminated due to lack of funding from the legislature with no penalty to the District Court. Minimum future rental payments under operating leases having terms in excess of one year as of June 30, 2010, and for the next three years and in the aggregate are:

<u>Period Ending</u>	<u>Amounts</u>
June 30, 2011	\$ 10,196
June 30, 2012	6,343
June 30, 2013	3,794
	<u>\$ 20,333</u>

The District Court recorded rental of equipment expense of \$11,812 for the year ending June 30, 2010.

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**9. PENSION PLANS**

Public Employees Retirement Association (PERA)

*Plan Description.* Substantially all of the Twelfth Judicial District Court's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 8.9% of their gross salary. The District Court is required to contribute 15.08% of the gross covered salary. The contribution requirements of plan members and the District Court are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District Court contributions to PERA for the years ending June 30, 2010, 2009, and 2008, were \$211,453, \$233,454, and \$210,236 respectively, which equal to the amount of the required contributions for each fiscal year.

Judicial Retirement Act (JRA)

*Plan Description.* Substantially, all of the Twelfth Judicial District Court's Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act (10-12B-1 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 7.5% of their gross salary. The District Court is required to contribute 10.5% of the gross covered salary. The District Court's contributions to JRA for the years ending June 30, 2010, 2009, and 2008 were \$47,192, \$54,007, and \$52,448 respectively, which equal to the amount of the required contributions for each fiscal year.

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$80,747.

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless the person retires before the employer's RHCA effective date, in which event the time period 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 post employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Albuquerque, NM 87107.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is a statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

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

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

*Funding Policy (continued)*

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3,4 and 5; municipal fire member coverage plan 3,4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978] ) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The District Court's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$23,964, \$24,102, and \$22,125 respectively, which equal the required contributions for each year.

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

**11. RISK OF LOSS**

The District Court's Office is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the state of New Mexico.

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

In general, Risk Management Division responds to suits against the state and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workman's compensation, general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Court is not liable for more than the premiums paid.

**12. UNRETRICTED DEFICIT NET ASSETS**

GASB 34 requires recording of capitalized assets, net of accumulated depreciation and long term liabilities, which results in an unrestricted net asset deficit of \$109,267. The deficit is created by compensated absence liabilities which are expected to be paid from subsequent years state general fund appropriations.

**13. STATEMENT OF INTER-AGENCY TRANSFERS**

	<u>From/To Fund No.</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<b>General Fund - 15200</b>			
Department of Finance and Administration State General Fund Appropriation Laws of 2009, Chapter 6	85300	\$ 2,444,000	\$ -
Department of Finance and Administration Fiscal year 2010 reversion	85300	-	9,554
Department of Finance and Administration Retirement refund	85300	-	491
		<u>\$ 2,444,000</u>	<u>\$ 10,045</u>
<b>Other Programs Fund - 92900</b>			
Department of Finance and Administration State General Fund Appropriation Laws of 2009, Chapter 126	85300	\$ 635,800	\$ -
Administrative Office of the Courts CASA Appropriation, Laws of 2008	13900	85,499	-
Department of Finance and Administration Fiscal year 2010 reversion	85300	-	7,081
		<u>\$ 721,299</u>	<u>\$ 7,081</u>



**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO**  
**TWELFTH JUDICIAL DISTRICT COURT**  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/10</u>
<b>ASSETS</b>				
Cash - Litigant accounts	\$ 1,289,973	\$ 1,296,383	\$ (1,402,395)	\$ 1,183,961
Cash - Court clerk account	1,170	341,822	(340,718)	2,274
Total assets	<u>\$ 1,291,143</u>	<u>\$ 1,638,205</u>	<u>\$ (1,743,113)</u>	<u>\$ 1,186,235</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ 1,289,973	\$ 1,296,383	\$ (1,402,395)	\$ 1,183,961
Due to other agencies	1,170	341,822	(340,718)	2,274
Total liabilities	<u>\$ 1,291,143</u>	<u>\$ 1,638,205</u>	<u>\$ (1,743,113)</u>	<u>\$ 1,186,235</u>

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

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2010**

The collateral pledged by First National Bank of Alamogordo is as follows:

<u>Security</u>	<u>CUSIP#</u>	<u>Maturity</u>	<u>Par Value</u>
Alamogordo NM Mun School District	011464DD3	8/1/2010	<u>\$ 675,000</u>

The pledged collateral is held at Federal Home Loan Bank Dallas, P.O. Box 619026, Dallas/Fort Worth, Texas 75261-9026.

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

**ADDITIONAL INDEPENDENT AUDITORS' REPORTS**

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.com

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

Hector H. Balderas, State Auditor  
and  
Honorable James W. Counts, Presiding Judge  
State of New Mexico, Twelfth Judicial District Court  
Alamogordo, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, of the state of New Mexico's Twelfth Judicial District Court (District Court) as of and for the year ended June 30, 2010, and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended, and have issued our report thereon dated December 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A *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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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, as defined above.

**Compliance and Other Matters**

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

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



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

December 3, 2010

**STATE OF NEW MEXICO  
TWELFTH JUDICIAL DISTRICT COURT  
EXIT CONFERENCE  
JUNE 30, 2010**

**Exit Conference**

This report was discussed during the exit conference held in Alamogordo, New Mexico on December 9, 2010. Present for the Twelfth Judicial District Court was Honorable Judge Jerry H. Ritter, Jr.; Jan Perry, court executive officer; and Aurora Lopez, budget analyst. Present for the auditing firm was Rose Fierro, CPA.

**Financial Statement Preparation**

The auditing firm of Fierro & Fierro, Certified Public Accountants, assisted with the preparation of the financial statements of the Twelfth Judicial District Court as of June 30, 2010. The District Court's management has reviewed and approved the financial statements and related notes, and they believe that the District Court's books and records adequately support them.