



KRIEGEL/GRAY/SHAW & CO., P.C.

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STATE OF NEW MEXICO

TWELFTH JUDICIAL DISTRICT COURT

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2012

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

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JUNE 30, 2012**

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

**OFFICIAL ROSTER
JUNE 30, 2012**

JUDGES

<i>Honorable Jerry H. Ritter, Jr.</i>	<i>Chief Judge, Division I</i>
<i>Honorable James Waylon Counts</i>	<i>Division II</i>
<i>Honorable Karen L. Parsons-Williams</i>	<i>Division III</i>
<i>Honorable William H. Brogan</i>	<i>Division IV</i>

ADMINISTRATIVE OFFICIALS

<i>Katina Watson</i>	<i>Court Executive Officer/CFO</i>
<i>Aurora Lopez</i>	<i>Court Financial Administrator</i>

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
Honorable Jerry H. Ritter, Jr., Chief 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 budgetary comparisons for the general fund and the major special revenue fund of the Twelfth Judicial District Court, as of and for the year ended June 30, 2012, which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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, the changes in financial position, and the respective budgetary comparisons of only that portion of the governmental activities and each major fund 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, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
Honorable Jerry H. Ritter, Jr., Chief Judge
State of New Mexico
Twelfth Judicial District Court
Alamogordo, New Mexico
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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Twelfth Judicial District Court, as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of the Twelfth Judicial District Court's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.

November 29, 2012

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The following is an overview of the financial condition for the office of the Twelfth Judicial District Court (District Court) for the fiscal year ending June 30, 2012. This narrative was prepared by management and highlights the major aspects of the District Court's financial status for this period. This should be considered in conjunction with the financial statements presented which follows this section.

OVERVIEW

The District Court is comprised of Otero and Lincoln Counties. Three district judges preside in Alamogordo (Otero County), and one district judge presides in Carrizozo (Lincoln County). There are approximately 58 miles separating the two courthouses. Otero County includes two U.S. Border Patrol checkpoints, Holloman AFB (with its German Air Force contingent), White Sands Missile Range, and the Mescalero Apache Indian Reservation. Lincoln County includes the Ruidoso Downs Race Track and Ski Apache. The District Court has a full-time Domestic Relations Hearing Officer that hears domestic violence and child support enforcement matters. The Hearing Officer travels weekly between Otero and Lincoln County District Courts.

The District Court has several programs. The mediation program is set up for matters involving children. These cases are routinely ordered to mediation to attempt to work out a parenting plan. The District Court has a Self-Help center which provides assistance to self-represented litigants that need assistance with forms and policies and procedures. The District Court also has two operating drug courts. The Otero County Adult Drug Court program serves up to 20 clients and the Lincoln County Juvenile Drug Court program serves up to twelve clients and their families. The drug courts are funded by State money.

The new and reopened caseload for the District Court for Fiscal Year 2012 was 5025, an increase from the previous fiscal year which had 4937 new and reopened filings. Although we had an increase in the number of filings, our operating budget was reduced by \$146,300.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District Court's basic financial statements. The District Court has no business-type activities, but rather solely supports governmental-type activities. These statements reflect basic financial statements and are comprised of two components: (1) government-wide financial statements which contain a broad overview of the Court's finances; and (2) fund financial statements, which provide more details of the court's financial operations. The Notes provide additional information that is essential to gain a full understanding of the government-wide and fund financial statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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.

Analysis of Government-Wide Financial Statements

Assets:		
Current and other assets	\$ 365,162	\$ 249,608
Capital assets, net of accumulated depreciation	<u>144,187</u>	<u>123,239</u>
Total assets	509,349	372,847
Liabilities:		
Current liabilities	248,214	228,477
Long-term liabilities	<u>106,205</u>	<u>21,893</u>
Total liabilities	<u>354,419</u>	<u>250,370</u>
Net Assets:		
Invested in capital assets	144,187	123,239
Restricted for program expenses	116,898	102,353
Unrestricted deficit	<u>(106,155)</u>	<u>(102,564)</u>
Total net assets	<u>\$ 154,930</u>	<u>\$ 123,028</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 \$154,930 at the close of the most recent fiscal year.

The District Court's activities during the fiscal year increased the District Court's net assets by \$31,902. The increase is attributed in large part to the increase in the recording of capital assets. Net assets are composed of investment in capital assets (e.g., furniture, equipment and vehicles) of \$144,187 netted with unrestricted deficit of \$106,155 and net assets restricted for program expense of \$116,898. 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 \$65,827 during the most recent fiscal year.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

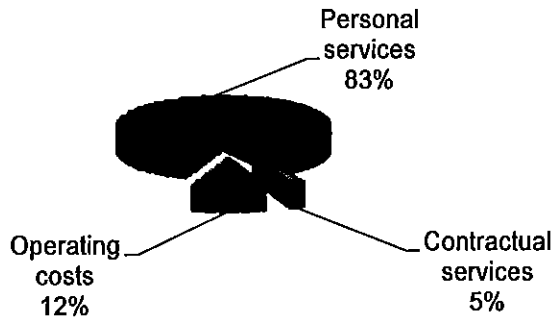
Current and other assets consist of cash and investments. The amount increased by \$115,554 due in large part to amounts held by the District Court at June 30, 2012 to satisfy third party liabilities from employee withholdings and accounts payable.

Current liabilities which consist of accounts payable, accrued salaries, and amounts due to the state general fund as of June 30, 2012 equaled \$248,214. At June 30, 2011, the District Court reported an amount equal to \$228,477. The current liability increased by \$19,737, due to increases in accrued salaries and accounts payable, offset by a decrease in current compensated absences.

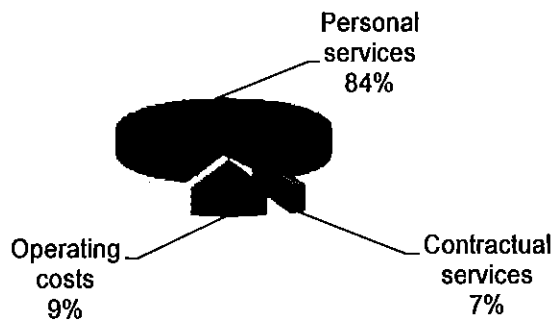
Revenues:		
Program revenues:		
Operating grants and contributions	\$ -	\$ 21,000
Charges for services	45,452	39,716
General revenues:		
State general fund appropriations	2,826,800	2,876,700
Other transfers, net	<u>(19,820)</u>	<u>97,187</u>
Total revenues	2,852,432	3,034,603
Expenses:		
Judicial	<u>2,820,530</u>	<u>3,063,476</u>
Change in net assets	<u>\$ 31,902</u>	<u>\$ (28,873)</u>

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Operating Expenses - FYE 6-30-12



Operating Expenses - FYE 6-30-11



The statement of activities shows decreases in both revenues and expenses for fiscal year 2012 from fiscal year 2011. Operating grants and contributions decreased by \$21,000 due to a decrease in ARRA federal grants from the Governors discretionary funds. Court filing fees and cost revenues increased by \$5,736, mainly from the agency's collections of fees from the drug court division's participants. State general fund appropriations decreased by \$49,900. The overall decrease in judicial expenses was \$242,946, which was largely attributed to decreases in salaries and benefits of \$192,616 and contractual services of \$86,280.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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).

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 17 and 18.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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.

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 at the end of each year.

The increase in net assets for the year is primarily due to the purchase of capital assets and court fees collected for Mediation and the Adult Drug Court programs. Mediation and Adult Drug Court fees exceeded expenses by \$14,595. However, depreciation expense was \$44,879.

Individual Fund Highlights

The District Court reverted \$26,669 of state appropriations for the general fund resulting in no change to the fund balance for the fiscal year ended June 30, 2012. The special revenues fund balance increased by \$14,595.

Analysis of Budget Results for the Governmental Funds

The District Court revised its original general fund budget three times to transfer funds to account for 1) the purchase of equipment for \$60,000; 2) for the purchase of a telephone system in Otero and Lincoln County for \$23,500; and 3) and courtroom technology upgrades of \$100,000. The unreserved fund balance from state appropriations remaining at the end of the fiscal year that reverts to the general fund of the state of New Mexico is \$26,669.

The District Court revised its original Other Programs fund budget three times to account for: 1) the receipt of the Juvenile Drug Court Congressional Earmark funds of \$3,605; 2) additional funding of \$20,300 received from DWI Grant funds through the Administrative Office of the Courts; 3) and a category transfer for the purchase of supplies and drug testing equipment.

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 \$17,056. 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, 2012**

Capital Assets

The District Court's investment in net assets as of June 30, 2012 amounted to \$144,187 (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:

Twelfth Judicial District Court Capital Assets (Net of Accumulated Depreciation)	June 30, 2012	June 30, 2011
Equipment	\$ 77,635	\$ 49,610
Vehicles	63,689	63,149
Furniture and fixtures	2,157	2,410
Data processing	706	8,070
	\$ 144,187	\$ 123,239

The District Court purchased \$65,827 of capital additions for the fiscal year ended June 30, 2012. Depreciation expense for the year was \$44,879. There were no disposals of capital assets in this fiscal year. 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 30 of this report.

Currently Known Facts

To the best of our knowledge, the Court will continue to operate without any significant changes.

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.

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

ASSETS

Current Assets:

Investment in the State Treasurer General Fund Investment Pool	\$365,112
Petty cash	50
<i>Total current assets</i>	365,162

Noncurrent Assets:

Capital assets	509,324
Less: accumulated depreciation	(365,137)
<i>Total capital assets, net of depreciation</i>	144,187

<i>Total assets</i>	509,349
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LIABILITIES

Current Liabilities:

Accounts payable	118,537
Accrued payroll and payroll liabilities	85,952
Due to State general fund	43,725
<i>Total current liabilities</i>	248,214

Long-Term Liabilities:

Compensated absences - long term	106,205
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<i>Total liabilities</i>	354,419
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NET ASSETS

Invested in capital assets	144,187
Restricted for mandates per state statute	116,898
Unrestricted	(106,155)

<i>Total net assets</i>	\$154,930
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STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
STATEMENT OF ACTIVITIES
JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Judiciary	\$2,775,651	\$45,452	\$0	\$0	(\$2,730,199)
Depreciation expense - unallocated	44,879	0	0	0	(44,879)
<i>Total governmental activities</i>	2,820,530	45,452	0	0	(2,775,078)
Business-type activities:	0	0	0	0	0
<i>Total primary government</i>	\$2,820,530	\$45,452	\$0	\$0	(\$2,775,078)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in Net Assets:			
Net (expense) revenue	(\$2,775,078)	\$0	(\$2,775,078)
General Revenues and Transfers:			
State general fund appropriations	2,826,800	0	2,826,800
Transfers, net	23,905	0	23,905
Reversions to State General Fund - 2012	(43,725)	0	(43,725)
<i>Total revenues and transfers</i>	2,806,980	0	2,806,980
<i>Change in net assets</i>	31,902	0	31,902
Net assets - June 30, 2011, as previously stated	123,028	0	123,028
<i>Net assets - June 30, 2012</i>	\$154,930	\$0	\$154,930

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	Major Funds		Total
	General Fund	Other Programs	
ASSETS			
Investment in the State Treasurer General Fund Investment Pool	\$213,570	\$151,542	\$365,112
Petty cash	50	0	50
<i>Total assets</i>	\$213,620	\$151,542	\$365,162
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$106,455	\$12,082	\$118,537
Accrued payroll and payroll liabilities	80,446	5,506	85,952
Due to State general fund	26,669	17,056	43,725
<i>Total liabilities</i>	213,570	34,644	248,214
FUND BALANCES			
Assigned	50	0	50
Restricted for mandates per state statute	0	116,898	116,898
<i>Total fund balances</i>	50	116,898	116,948
<i>Total liabilities and fund balances</i>	\$213,620	\$151,542	\$365,162

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

FUND BALANCE of Governmental Funds	\$116,948
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	144,187
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(106,205)
<hr/>	
<i>Net assets of governmental activities</i>	<i>\$154,930</i>
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The Notes to Financial Statements are an integral part of these statements.

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Major Funds		Total
	General Fund	Other Programs	
REVENUES			
Court fees	\$0	\$4,579	\$4,579
Miscellaneous revenue	24,163	16,710	40,873
<i>Total revenues</i>	24,163	21,289	45,452
EXPENDITURES			
Current:			
Personal services	2,223,581	137,045	2,360,626
Contractual services	30,394	108,757	139,151
Other costs	298,519	39,541	338,060
<i>Total expenditures</i>	2,552,494	285,343	2,837,837
OTHER FINANCING SOURCES (USES)			
State general fund appropriations	2,555,000	271,800	2,826,800
Transfers from (to) other state agencies	0	23,905	23,905
Transfers - reversion to State General Fund 2012	(26,669)	(17,056)	(43,725)
<i>Total other financing sources (uses)</i>	2,528,331	278,649	2,806,980
<i>Net change in fund balance</i>	0	14,595	14,595
Fund balance, beginning of year, as previously stated	50	102,303	102,353
<i>Fund balance, end of year - 6/30/2012</i>	\$50	\$116,898	\$116,948

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
RECONCILIATION OF THE CHANGE IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Governmental Funds	\$14,595
<p>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. Capital outlays and depreciation in the current period are:</p>	
Depreciation expense	(44,879)
Capital outlay	65,827
<p>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.</p>	
<u>Change in compensated absences</u>	<u>(3,641)</u>
<u>Change in net assets of governmental activities</u>	<u>\$31,902</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
State general fund appropriations	\$2,555,000	\$2,555,000	\$2,555,000	\$0
Miscellaneous revenue	23,000	23,000	24,163	1,163
<i>Total revenues</i>	<u>2,578,000</u>	<u>2,578,000</u>	<u>2,579,163</u>	<u>1,163</u>
EXPENDITURES				
Personal services	2,408,100	2,248,100	2,223,581	24,519
Contractual services	53,900	30,400	30,394	6
Other costs	116,000	299,500	298,519	981
<i>Total expenditures</i>	<u>2,578,000</u>	<u>2,578,000</u>	<u>2,552,494</u>	<u>25,506</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$0</u>	<u>\$0</u>	<u>\$26,669</u>	<u>\$26,669</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$26,669
Adjustments for current year reversions	(26,669)
Adjustment for unrealized gains - investments	0
Net change in fund balance	<u><u>\$0</u></u>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
OTHER PROGRAMS FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES				
Court costs	\$20,000	\$20,000	\$16,710	(\$3,290)
Miscellaneous revenues	4,500	4,500	4,579	79
General fund appropriation	271,800	275,405	271,800	(3,605)
Other financing sources	83,000	103,300	23,905	(79,395)
<i>Total revenues</i>	<u>379,300</u>	<u>403,205</u>	<u>316,994</u>	<u>(86,211)</u>
EXPENDITURES				
Current:				
Personal services	148,300	144,905	137,045	7,860
Contractual services	205,000	225,300	108,757	116,543
Other costs	36,000	43,000	39,541	3,459
<i>Total expenditures</i>	<u>389,300</u>	<u>413,205</u>	<u>285,343</u>	<u>127,862</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(10,000)	(10,000)	31,651	41,651
Budgeted fund balance	10,000	10,000	0	0
	\$0	\$0	\$31,651	\$41,651

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$31,651
Adjustments for current year reversions	(17,056)
Adjustment for unrealized gains - investments	0
Net change in fund balance	\$14,595

The Notes to Financial Statements are an integral part of these statements.

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

	<u>Agency Fund</u>
ASSETS	
Cash	\$817,030
<i>Total assets</i>	<i>\$817,030</i>
LIABILITIES	
Deposits held in custody for others	\$812,946
Due to other agencies	4,084
<i>Total liabilities</i>	<i>\$817,030</i>

The Notes to Financial Statements are an integral part of these statements.

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

NOTE 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 (GAS B) 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.

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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 sixty 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:

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 40-12-4, and as such, the fund balance will not revert to the state of New Mexico's general fund. However, because the Court co-mingles 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.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

1. Prior to September 15th, the District Court submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1st. 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 1st 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 1st. 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.
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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Liabilities and Net Assets or Equity

Cash

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

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.

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.

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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

1. *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.
2. *Restricted* - This category reflects the portion of net assets that have third party limitations on their use.
3. *Unrestricted* - This category reflects net assets of the District Court, not restricted for any project or other purpose.

Fund Equity Reservation and Designations

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Court - the entity's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Court Executive Officer removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the District Court's "intent" to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Court or through the Court delegating this responsibility to the Court Executive Officer through the budgetary process. Assigned fund balances include a" remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District Court's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

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 Treasurers 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.

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

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

As of June 30, 2012, 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:

	Type of Account	Per Financial Institution	Reconciling Items	Per Financial Statements
General Fund:				
Cash on hand		\$0	\$50	\$50
Agency Funds:				
<u>Otero County Trust Accounts:</u>				
First National Bank 414 10 th Street Alamogordo, New Mexico	Checking	589	0	589
First National Bank 414 10 th Street Alamogordo, New Mexico	Checking	185,346	0	185,346
Bank 34 414 10 th Street Alamogordo, New Mexico	Checking	2,766	0	2,766
First National Bank 414 10 th Street Alamogordo, New Mexico	Checking	140,919	0	140,919
First National Bank 414 10 th Street Alamogordo, New Mexico	Checking	119,390	0	119,390
Bank 34 500 10 th Street Alamogordo, New Mexico	Checking	158,030	0	158,030
<u>Lincoln County Trust Accounts:</u>				
Wells Fargo Bank, N.A. 200 Lomas Blvd. NW Albuquerque, New Mexico	Checking	205,918	0	205,918
Wells Fargo Bank, N.A. 200 Lomas Blvd. NW Albuquerque, New Mexico	Checking	2,754	0	2,754
Wells Fargo Bank, N.A. 200 Lomas Blvd. NW Albuquerque, New Mexico	Checking	1,318	0	1,318
		\$817,030	\$50	\$817,080

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

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of net assets	\$50
Statement of fiduciary net assets	817,030
	\$817,080

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 (interest bearing)	\$446,244	\$209,989	\$160,797
FDIC coverage	(250,000)	(209,989)	(160,797)
Total uninsured public funds	\$196,244	\$0	\$0
Pledged securities	\$444,323		
Collateral requirements (50% of uninsured public funds)	98,122		
Over (under) collateralization	\$346,201		

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. All noninterest bearing demand deposits are fully insured, in addition to the \$250,000 insurance coverage on demand deposits, through the Temporary Liquidity Guarantee Program.

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, 2012, \$196,244 of the District Court's agency fund demand deposits of \$817,030 was exposed to custodial credit risk as follows:

	First National Bank	Wells Fargo Bank	Bank 34	Total
Uninsured and collateral held by agent, not in the District Court's name.	\$196,244	\$0	\$0	\$196,244

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

NOTE 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, 2012, the balance is as follows:

	Share Fund	Fund	Maturities	Fair Value
State General Fund Investment Pool	15200	General	1 day to 3 years	\$213,570
State General fund Investment Pool	92900	Other Programs	1 day to 3 years	\$151,542

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, 2012.

General Fund Investment Pool Not Reconciled

In June 2012 an independent diagnostic report revealed that the State of New Mexico's General Fund Investment Pool has not been reconciled since the implementation of the Statewide Human resources, Accounting, and management REporting system (SHARE) in July of 2006. The Department of Finance and Administration (DFA) is the agency responsible for the reconciliation pursuant to state law. The Department of Finance and Administration has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert. The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. These changes should allow reconciliation on a *point-forward basis only*. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

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

NOTE 3. INVESTMENTS (CONTINUED)

The Court's general operating bank account is under the oversight of the State Treasurer's Office. Since SHARE was implemented, the Court has performed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are, in fact, transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are addressed with the Financial Control Division at DFA and corrected. Monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of deposits, expenditures, all general entries, operating transfers, and payroll expenditures/liabilities by fund. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition the Court reconciles other assets and liability accounts on the Balance Sheet of each fund. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

NOTE 4. CAPITAL ASSETS

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

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, being depreciated:				
Furniture and fixtures	\$46,085	\$0	\$0	\$46,085
Equipment	208,553	44,327	0	252,880
Data processing	23,291	0	0	23,291
Vehicles	165,568	21,500	0	187,068
<i>Total capital assets, being depreciated</i>	443,497	65,827	0	509,324
Less accumulated depreciation for:				
Furniture and fixtures	(43,675)	(253)	0	(43,928)
Equipment	(151,614)	(23,631)	0	(175,245)
Data processing	(22,550)	(35)	0	(22,585)
Vehicles	(102,419)	(20,960)	0	(123,379)
<i>Total accumulated depreciated</i>	(320,258)	(44,879)	0	(365,137)
Total capital assets, net	\$123,239	\$20,948	\$0	\$144,187

The District Court recorded a depreciation expense of \$44,879 for the year ended June 30, 2012. 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, 2012**

NOTE 5. DUE TO STATE OF NEW MEXICO GENERAL FUND

For the year ending June 30, 2012, the amounts due to the State of New Mexico general fund is as follows:

	General Fund	Other Programs Fund	Total
Fiscal year 2012 reversions	\$26,669	\$17,056	\$43,725

NOTE 6. COMPENSATED ABSENCES

Accrued Annual Leave

Qualified employees accumulate annual leave at a rate of:

Year 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, 2012, 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 \$0.

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

NOTE 6. COMPENSATED ABSENCES (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:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Accrued annual leave	\$96,248	\$52,124	(\$45,244)	\$103,128	\$0
Accrued sick leave	6,316	27,899	(31,138)	3,077	0
<i>Total</i>	\$102,564	\$80,023	(\$76,382)	\$106,205	\$0

In the prior years, approximately eighty-five percent has been paid by the general fund and fifteen percent by the other programs fund.

NOTE 7. FUND BALANCE - GENERAL FUND

The District Court maintains \$50 in cash, which is intended to be used for the Court clerk's change drawer.

NOTE 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, 2012, and for the next two years and in the aggregate are:

Period Ending	Amounts
June 30, 2013	\$3,794
June 30, 2014	0
	\$3,794

The District Court recorded rental of equipment expense of \$6,336 for the year ending June 30, 2012.

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

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 10.67% (ranges from 3.83% to 16.65% depending upon the plan i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Twelfth Judicial District Court is required to contribute 13.34% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Twelfth Judicial District Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Twelfth Judicial District Court's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$155,635, \$203,050, and \$211,453, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. PENSION PLAN – 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, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy – Plan members are required to contribute 9.0% 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, 2012, 2011, and 2010 were \$28,328, \$40,764, and \$47,192, respectively, which equal to the amount of the required contributions for each fiscal year.

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

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

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

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

(2) 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]), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Twelfth Judicial District Court’s contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$28,684, \$30,281 and \$23,964, 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 OPES 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.

NOTE 12. 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.

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.

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

NOTE 13. UNRESTRICTED 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 \$106,155. The deficit is created by compensated absence liabilities which are expected to be paid from subsequent years state general fund appropriations.

NOTE 14. STATEMENT OF INTER-AGENCY TRANSFERS

	From/To Fund No.	Transfer In	Transfer Out
General Fund – 15200			
Department of Finance and Administration			
State General Fund Appropriation			
Laws of 2010, 2nd SS, Chap 6, Sec. 14			
	85300	\$2,555,000	
Department of Finance and Administration			
Fiscal year 2012 reversion			
	85300		\$26,669
		\$2,555,000	\$26,669
Other Programs Fund – 92900			
Department of Finance and Administration			
State General Fund Appropriation			
Laws of 2010, 2nd SS, Chap 6, Sec. 14			
	85300	\$271,800	
Administration Office of the Courts			
Congressional Earmark Funds, Laws of 2010			
	13900	3,605	
Administration Office of the Courts			
DWI – DFA Funding			
	13900	20,300	
Department of Finance and Administration			
Fiscal year 2012 reversion			
	13900		\$17,056
		\$295,705	\$17,056

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
AGENCY FUND

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2012

	June 30, 2011	Additions	Deletions	June 30, 2012
LITIGANTS FUND:				
ASSETS				
Cash - Litigant Accounts	\$1,579,088	\$1,509,841	(\$2,275,983)	\$812,946
Cash - Court Clerk Accounts	7,922	302,933	(306,771)	4,084
<i>Total assets</i>	\$1,587,010	\$1,812,774	(\$2,582,754)	\$817,030
LIABILITIES				
Deposits held in custody of others	\$1,579,088	\$1,509,841	(\$2,275,983)	\$812,946
Due to other agencies	7,922	302,933	(306,771)	4,084
<i>Total liabilities</i>	\$1,587,010	\$1,812,774	(\$2,582,754)	\$817,030

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT COURT
SCHEDULE OF CASH / INVESTMENT ACCOUNTS
JUNE 30, 2012

	Type of Account	Per Bank Balance June 30, 2012	Reconciling Items	Reconciled Balance June 30, 2012
<u>Investment in the State Treasurer General Fund</u>				
<u>Investment Pool:</u>				
GENERAL FUND				
New Mexico State Treasurer	Checking	\$213,570	\$0	\$213,570
OTHER FUNDS				
New Mexico State Treasurer	Checking	151,542	0	151,542
New Mexico State Treasurer	Checking	0	0	0
<i>Total</i>		\$365,112	\$0	365,112
Petty Cash				50
<i>Balance per statement of net assets</i>				\$365,162
AGENCY FUNDS				
Litigant's Fund:				
New Mexico State Treasurer	LGIP	\$0	\$0	\$0
New Mexico State Treasurer-Reserve Contingency Fund	LGIP	0	0	0
First National Bank	Savings	185,346	0	185,346
Bank 34	Checking	158,030	0	158,030
Wells Fargo Bank	Checking	205,918	0	205,918
First National Bank	Checking	119,390	0	119,390
First National Bank	Checking	140,919	0	140,919
Wells Fargo Bank	Fiscal Service	2,753	0	2,753
First National Bank	Savings	589	0	589
Bank 34	Checking	2,767	0	2,767
Wells Fargo Bank	Checking	1,318	0	1,318
<i>Total Litigant's Fund</i>		\$817,030	\$0	\$817,030

The Notes to Financial Statements are an integral part of these statements.

**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***

Mr. Hector H. Balderas, State Auditor and
Honorable Jerry H. Ritter, Jr., Chief 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 and the budgetary comparison for the general fund, and the major special revenue fund of the Twelfth Judicial District Court as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2012-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Mr. Hector H. Balderas, State Auditor and
Honorable Jerry H. Ritter, Jr., Chief Judge
State of New Mexico
Twelfth Judicial District Court
Alamogordo, New Mexico
Page Two

Compliance and Other Matters

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

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

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

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.

November 29, 2012

TWELFTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2012-01 Lack of Segregation of Duties over Receipts – Significant Deficiency

Statement of Condition – Although no exceptions in the control procedures performed were noted, through observation of internal controls and client inquiry, the financial specialist technician has too much control over receipt transactions (drawer reconciliation, prepares deposit slip and takes deposit to bank, and records to accounting records).

Criteria – Good internal control require adequate segregation of duties.

Cause – Unaware that routine procedures did not adequately separate processes.

Effect – Lack of segregation of duties or management approval could increase the risk of fraud or allow misstatements to go undetected for an extended period of time.

Recommendation – Internal control should be revised to segregate the recording, depositing and reconciling functions.

Management Response – The Court agrees with this finding. With the implementation of Odyssey, the Court's new case management system, certain duties will mandatorily be segregated. The Court has adopted written policies and procedures that will be effective with the implementation of the new case management system.

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:

None.

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

EXIT CONFERENCE:

The exit conference was held November 29, 2012 and was attended by the following:

From Twelfth Judicial District Court:

Honorable Jerry H. Ritter, Jr., Chief Judge
Katina Watson, Court Executive Officer/CFO
Aurora Lopez, Court Financial Administrator

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Thomas Baker, Staff Auditor
Mary Salameh, Staff Auditor

FINANCIAL STATEMENT PREPARATION

The auditing firm of Kriegel/Gray/Shaw & Co., P.C., with the aid of responsible Twelfth Judicial District Court personnel, prepared the financial statements of the Twelfth Judicial District Court as of and for the year ended June 30, 2012.