

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

**INDEPENDENT AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

**HINKLE & LANDERS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**



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THIRTEEN JUDICIAL DISTRICT COURT**

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

**Official Roster
As of June 30, 2008**

Judges

Honorable John W. Pope	Division I
Honorable George P. Eichwald	Division II
Honorable William A. Sanchez	Division III
Honorable Camille M. Olguin	Division IV
Honorable Louis P. McDonald	Division V
Honorable Violet C. Otero	Division VI
Honorable John F. Davis	Division VII

Administrative Officials

Gregory Ireland	Court Administrator
Myra Lucero	Court Accountant
Stacey Tiller	Budget Analyst

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Louis P. McDonald, Presiding Judge
State of New Mexico Thirteenth Judicial District Court
and
Mr. Hector H. Balderas, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information and the respective budgetary comparisons of each major fund of the Thirteenth Judicial District Court of the State of New Mexico (Court) as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Court's management. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

The Court has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 Court, as of June 30, 2008, and the respective changes in financial position and respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and is 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, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, PC
December 15, 2008

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As Of June 30, 2008**

ASSETS	Governmental Activities
Current Assets	
Investments at the State Treasurer's Office	
State General Fund Investment Pool	\$ 1,645,329
Due from other governments	86,747
	1,732,076
Total current assets	1,732,076
Capital assets, net	504,855
Total assets	\$ 2,236,931
LIABILITIES	
Current liabilities	
Accounts payable	\$ 130,942
Due to other state agencies	925,000
Due to the state general fund	75,077
Accrued salaries and employee benefits	297,620
Compensated absences payable - expected to be paid within one year	200,000
	1,628,639
Total current liabilities	1,628,639
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	49,075
	49,075
Total liabilities	1,677,714
NET ASSETS (DEFICIT)	
Investment in capital assets	504,855
Unrestricted	(96,563)
Total unrestricted net assets	408,292
Restricted for:	
Alternative Dispute Resolution	116,208
Domestic Relations Mediation	34,717
Total restricted net assets	150,925
Total net assets	559,217
Total liabilities and net assets	\$ 2,236,931

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2008**

EXPENSES	Governmental Activities
General government	
Administrative services	\$ 6,719,426
Depreciation expense	125,299
Total program expenses	<u>6,844,725</u>
Less: Program revenues	
Court fees	96,785
Charges for services	1,171
Operating grants and contracts	301,922
Total program revenues	<u>399,878</u>
Net program (expenses)/revenue	<u>(6,444,847)</u>
 REVENUES	
General revenues	
Transfer - state general fund appropriation FY 08	6,020,300
Less transfer - FY 08 reversions to the State General Fund	(26,370)
Transfer - other financial sources	437,522
Total net general revenue and other financial sources (uses)	<u>6,431,452</u>
Change in net assets	(13,395)
Net assets, beginning	572,612
Restatement	-
Net assets, beginning, as restated	<u>572,612</u>
Net assets, ending	<u>\$ 559,217</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
As Of June 30, 2008**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	Total Govern- mental Funds
ASSETS				
Investments at the State Treasurer's Office				
State General Fund Investment Pool	\$ 1,494,260	116,208	34,861	1,645,329
Due from other governments	86,747	-	-	86,747
Total assets	<u>\$ 1,581,007</u>	<u>116,208</u>	<u>34,861</u>	<u>1,732,076</u>
LIABILITIES				
Accounts payable	\$ 130,798	-	144	130,942
Accrued salaries and employee benefits	297,620	-	-	297,620
Due to other local governments	925,000	-	-	925,000
Due to state general fund (reversion FY 06)	6,947	-	-	6,947
Due to state general fund (reversion FY 07)	13,607	-	-	13,607
Due to state general fund (reversion FY 08)	26,370	-	-	26,370
Due to state general fund - other	28,153	-	-	28,153
Current liabilities	<u>1,428,495</u>	<u>-</u>	<u>144</u>	<u>1,428,639</u>
FUND BALANCE				
Reserved for:				
Subsequent year expenditures	152,512	-	-	152,512
Unreserved/undesignated reported in:				
Special revenue fund	-	116,208	34,717	150,925
Total fund balance	<u>152,512</u>	<u>116,208</u>	<u>34,717</u>	<u>303,437</u>
Total liabilities and fund balance	<u>\$ 1,581,007</u>	<u>116,208</u>	<u>34,861</u>	<u>1,732,076</u>

Reconciliation of the Governmental Fund Balance To The Statement of Net Assets

Total fund balance governmental funds	\$ 303,437
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds	504,855
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds	<u>(249,075)</u>
Net assets of governmental activities	<u>\$ 559,217</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICITS)-GOVERNMENTAL FUNDS
For The Year Ended June 30, 2008**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	Total Govern- mental Funds
REVENUES				
Federal funds	\$ 301,922	-	-	301,922
Court fees	-	56,445	40,340	96,785
Miscellaneous revenue	1,171	-	-	1,171
Total revenues	<u>303,093</u>	<u>56,445</u>	<u>40,340</u>	<u>399,878</u>
EXPENDITURES				
Current				
General government:				
Personal services and employee benefits	5,071,698	-	-	5,071,698
Contractual services	851,845	67,921	24,984	944,750
Other costs	811,002	1,987	2,000	814,989
Capital outlay	-	-	-	-
Total expenditures	<u>6,734,545</u>	<u>69,908</u>	<u>26,984</u>	<u>6,831,437</u>
OTHER FINANCING SOURCES (USES)				
Transfer - State general fund appropriation FY 08	6,020,300	-	-	6,020,300
Transfer - Other financing sources	437,522	-	-	437,522
Less Transfer FY 08 reversions to the State General Fund	(26,370)	-	-	(26,370)
Net other financing sources (uses)	<u>6,431,452</u>	<u>-</u>	<u>-</u>	<u>6,431,452</u>
Net change in fund balance	-	(13,463)	13,356	(107)
Fund balance, beginning	152,512	129,671	21,361	303,544
Restatement	-	-	-	-
Fund balance, beginning, as restated	<u>152,512</u>	<u>129,671</u>	<u>21,361</u>	<u>303,544</u>
Fund balance, ending	<u>\$ 152,512</u>	<u>116,208</u>	<u>34,717</u>	<u>303,437</u>

Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities

Net change fund balance in governmental funds \$ (107)

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

In the current period, these amounts are:

Depreciation expense (125,299)
Capital outlay that was included as additions in capital assets 161,689

Some items 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.

These activities consist of:

(Increase) decrease in compensated absences (49,678)
Rounding -
Change in net assets - governmental activities \$ (13,395)

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
For The Year Ended June 30, 2008**

General Fund (15300)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES				
Federal funds	\$ -	-	301,922	301,922
Miscellaneous revenue	-	-	1,171	(1,171)
Total revenues	<u>-</u>	<u>-</u>	<u>303,093</u>	<u>300,751</u>
EXPENDITURES				
Current:				
General government				
Personal services	5,091,500	5,091,500	5,071,698	19,802
Contractual services	1,147,800	864,650	851,845	12,805
Other costs	520,300	813,450	811,002	2,448
Capital outlay	-	-	-	-
Total expenditures	<u>6,759,600</u>	<u>6,769,600</u>	<u>6,734,545</u>	<u>35,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,759,600)</u>	<u>(6,769,600)</u>	<u>(6,431,452)</u>	<u>338,148</u>
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	6,322,200	6,332,200	6,020,300	(311,900)
Interagency transfers in	437,400	437,400	437,522	122
Other financing uses	6,759,600	6,769,600	6,457,822	(311,778)
Reversion to state general fund FY08	-	-	(26,370)	(26,370)
Net interagency transfers and financial sources (uses)	<u>6,759,600</u>	<u>6,769,600</u>	<u>6,431,452</u>	<u>(338,148)</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
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
For The Year Ended June 30, 2008**

Alternative Dispute Resolution (88000)				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Court fees	\$ 70,000	70,000	56,445	(13,555)
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>56,445</u>	<u>(13,555)</u>
EXPENDITURES				
Current:				
General government				
Contractual services	68,000	68,000	67,921	79
Other costs	2,000	2,000	1,987	13
Total expenditures	<u>70,000</u>	<u>70,000</u>	<u>69,908</u>	<u>92</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	(13,463)	92

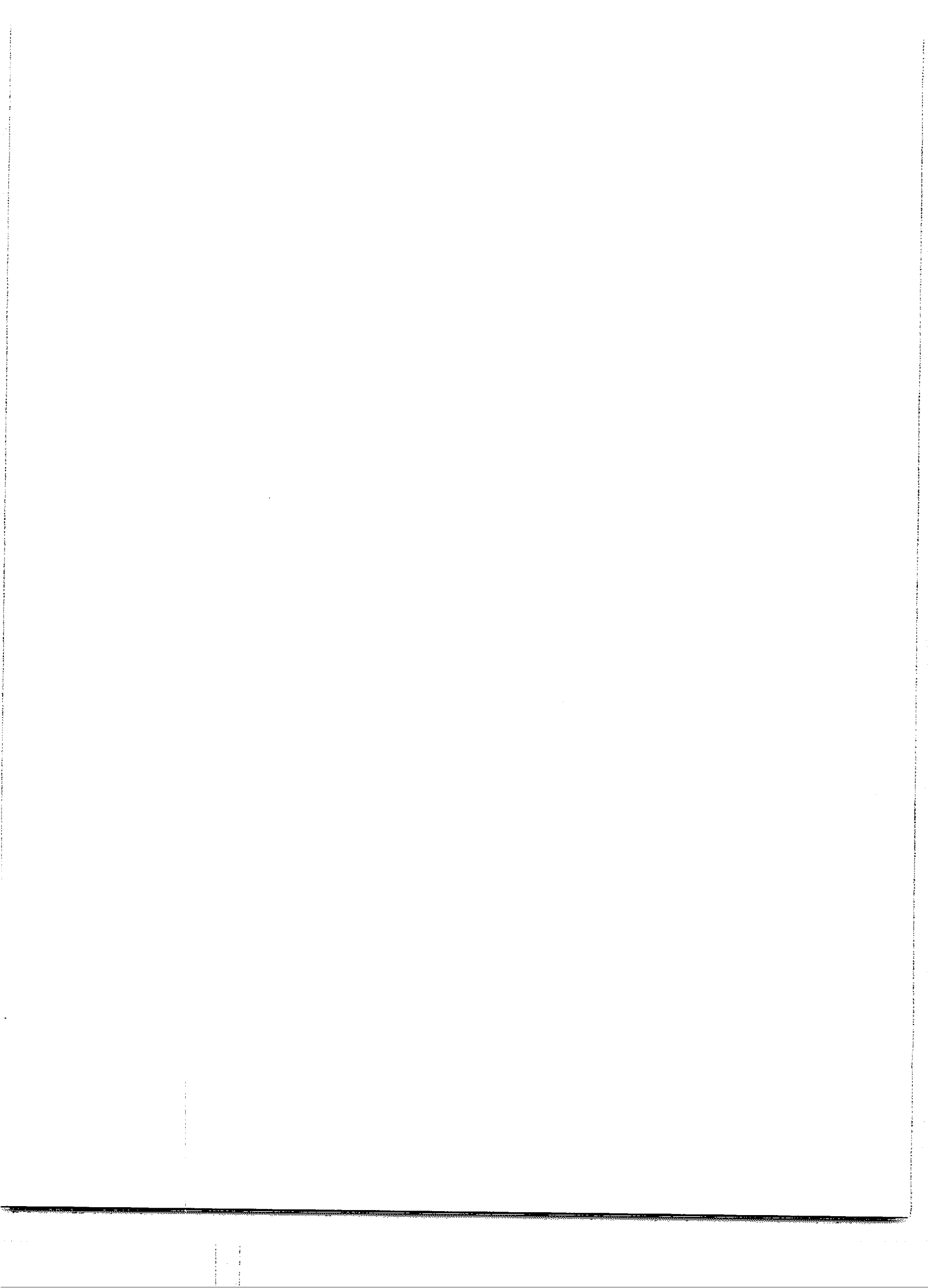
Domestic Relations Mediation Fund (08300)				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Court fees	\$ 27,000	27,000	40,340	13,340
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>40,340</u>	<u>13,340</u>
EXPENDITURES				
Current:				
General government				
Contractual services	25,000	25,000	24,984	16
Other costs	2,000	2,000	2,000	-
Total expenditures	<u>27,000</u>	<u>27,000</u>	<u>26,984</u>	<u>16</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	-	13,356	16

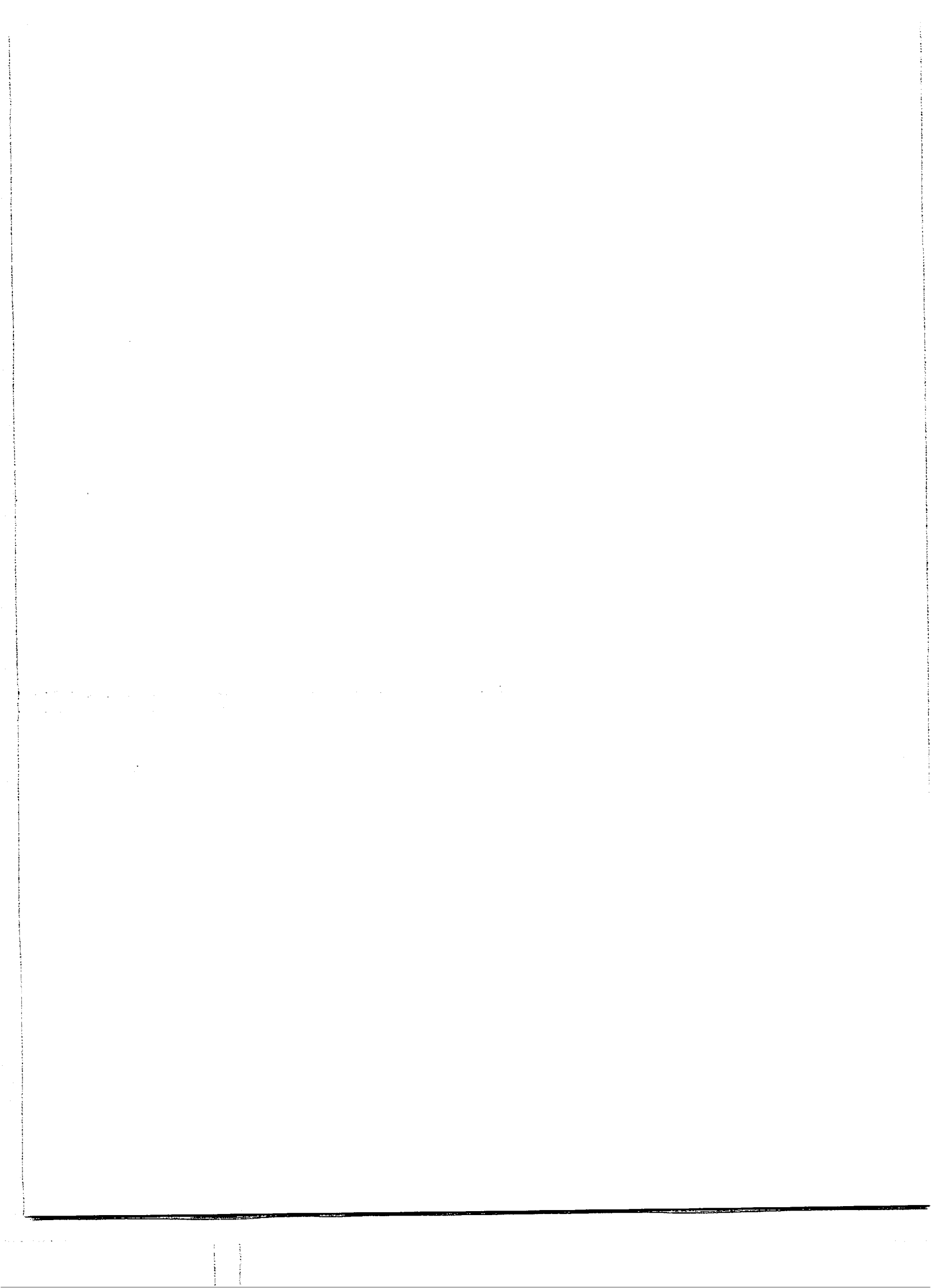
The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Statement of Fiduciary Assets and Liabilities - Agency Funds
As Of June 30, 2008**

	<u>Agency Fund</u>
ASSETS	
State Treasurer accounts	\$ 7,374
Cash in authorized bank account	<u>3,092,537</u>
TOTAL ASSETS	<u>\$ 3,099,911</u>
LIABILITIES	
Due to other state agencies	\$ 7,374
Due to litigants	<u>3,092,537</u>
TOTAL LIABILITIES	<u>\$ 3,099,911</u>

The accompanying notes are an integral part of these financial statements





**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NATURE OF BUSINESS AND REPORTING ENTITY

The Thirteenth Judicial District Court (Court) operates under Section 34-6-1, 34-6-2 and 34-6-16 through 34-6-46, NMSA 1978 Compilation. The Court covers Valencia, Sandoval, and Cibola Counties. The Court is comprised of six divisions as authorized in the above sections. The Court is the State Court of general jurisdiction and is authorized to hear and determine all civil and criminal cases which are not specifically exempted from its jurisdiction. Financing of the Court is by state appropriation.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations 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. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

These financial statements include all funds and activities over which the Court has oversight responsibility. The Court has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. Additionally, the Court is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. However, New Mexico does not at present, issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statement 14.

The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Court is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units identified or excluded from the reporting entity.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements – GASB Statement No. 34

The financial statements of the Court have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Court's accounting policies are described below.

For its government-wide activities, the Court has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the sustainability of the Court as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Court's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements in to the governmental column on the government-wide presentation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement. The only charges for services are for photocopies and small miscellaneous charges.

2. Basis of Presentation

The financial transactions of the Court are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by the type and reported by generic classification the accompanying financial statements.

The new reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Court has elected to consider all their special revenue funds as major funds regardless of size.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and the fiduciary financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

The statement of net assets and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support Court programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

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

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$150,925 of restricted net assets. All the restricted net assets are considered restricted by enabling legislation under the alternative dispute resolution and domestic relations mediation act. The enabling legislation has been determined to be legally enforceable.

Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Court, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

The interfund transactions are eliminated. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds".

4. Budgetary Data

The New Mexico State Legislature makes annual appropriations to the Court. Legal compliance is monitored through the establishment of a budget (modified-accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

1. No later than September 1, the Court submits to the Judicial Budget Office (JBO), the Legislative Finance Committee (LFC) and the Department of Finance and Administration an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court for their approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the Court.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
5. The Court's budget for the fiscal year ending June 30, 2008 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
6. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The Court submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and

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FOR THE YEAR ENDED JUNE 30, 2008**

- approves the operating budget which becomes effective on July 1.
7. All subsequent budget adjustments must be approved by the JBO and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
 8. Legal budget control for expenditures and encumbrances is by category of line item.
 9. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
 10. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts.
 11. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2008. The Court's General Fund is a reverting fund (funds revert back to the State General Fund).
 12. Appropriations lapse at the end of the year except for those amounts encumbered.
 13. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
 14. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget.
 15. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 008.
 16. The legal level of budgetary control is at the appropriation unit level.

Major individual funding sources are reported in the general fund in the fund financial statements. The following are the Court's major funding sources:

Governmental Funds:

General Fund—(15300) The general operating fund of the Court. It is used to account for all financial resources except those required to be accounted for in other funds. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the State of New Mexico, with the exception of what is noted as unencumbered balances presented on the schedule of special, deficiency, specific and capital appropriation located in the other supplementary information section of the audit report. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame. Please refer to the schedule of interagency transfers for details of state appropriations and other financing sources.

The Court receives all State of New Mexico appropriations in their General Fund, the Court's additional funds are as follows:

Court Mediation—(08300) The Court has established a domestic relations mediation program pursuant to Section 5 (40-12-5 NMSA, 1978 Comp.) of the Domestic Relations Mediation Act. Deposits to the fund shall include payments made

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

through the imposition of a sliding fee scale pursuant to Section 5 (40-12-5, NMSA, 1978 Comp.) of the Domestic Relations Mediation Act and the collection of the surcharge provided for in Section 6 (40-12-6, NMSA, 1978 Comp.) of the Act. The fund is a special revenue fund and is non-reverting. For purposes of financial statement presentation, the fund is considered a major fund.

Alternative Dispute Resolution—(88000) The Court has established an alternative dispute resolution program pursuant to Section 34-6-45, NMSA, 1978 Comp. The purpose of the program is to resolve disputes through alternative means, including, but not limited to, arbitration, mediation and settlement mediation. To finance the cost of the program, the Court charges a \$15 fee on all new and reopened cases. In accordance with Section 34-6-44, NMSA, 1978 Comp., the fee is deposited into the alternative dispute resolution fund. The fund is a special revenue fund and is non-reverting. For purposes of financial statement presentation, the fund is considered a major fund.

The Court also has fiduciary funds (trust and agency funds) used to account for assets held by the Court in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Trust and agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is used to collect and distribute court fees assessed per State Statute.

5. Encumbrances

Encumbrances outstanding at year-end related to single year appropriations are classified as unreserved fund balance and as a liability recorded to recognize any amounts subject to reversion to the State General Fund.

If the New Mexico State Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

6. Reservations of Fund Balances

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. The only revenues that the Court receives other than State appropriations are state and federal operating grants and other contracts.

Expenditures are recognized when the related fund liability is incurred.

7. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Court did not have any related debt during the year ended June 30, 2008.

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Unrestricted Net Assets - Consists of a deficit portion in the Court's compensated absences payable and a positive portion of the fund balance presented at the fund financial statement level.

It is expected that this deficit related to the compensated absences payable will be financed by future state appropriations.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

9. Inter fund Activity

Inter fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

10. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments.

11. Program Revenues

Program revenues include federal and state grants, charges for tapes and copies of court proceedings and court fees collected per statute designated for court operations.

12. Receivables

Receivables consist of amounts due from federal, and other state and local governments. No allowance for doubtful accounts is established, since all amounts are considered collectible in the subsequent fiscal year.

13. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the Court's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The Court does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Court depreciation guidelines. There is no related debt relating to capital assets.

Machinery and equipment	5—15 years
Furniture and equipment	5—15 years
Vehicles	5 years
Library	3 years

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FOR THE YEAR ENDED JUNE 30, 2008**

14. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned per Month</u>	<u>Days Earned per Month</u>	<u>Days of Maximum Accrual</u>
1 month – 3 years	10	1 ¼	30
Over 3 – 7 years	12	1 ½	30
Over 7 – 14 years	14	1 ¾	30
Over 14 years/beyond	16	2	30

The maximum 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 at their current hourly rate. At June 30, 2008, accrued compensated absences payable for accumulated annual leave can be seen in the note for long-term debt.

15. Accrued Sick Leave

Chapter 150 Laws of 1983, provides 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 July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee’s regular hourly wage. 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, 2008 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers’ matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the governmental-wide financial statements. As of June 30, 2008 no employees of the Court’s office have accrued leave benefits in excess of 600 hours.

B. CASH AND INVESTMENTS POLICY

Investments in the State Treasurer’s General Fund Investment Pool (GFIP)

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. Please see the Schedule of Deposits and Investments in the other supplementary information section of the audit report. Below are required disclosures regarding credit and interest risk.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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The Court does not have an investment policy that limits investment interest rate risk.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Court. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Court is not permitted to have any investments other than what is held at the State Treasurer's Office and the Court did not have any other investments during the year ended June 30, 2008. There is no custodial risk at the Court level since the cash amount is under the contract of the New Mexico State Treasurer.

See the Schedule of Pledged Collateral for information on Court's Custodial Credit Risk for its bank deposits.

C. RECEIVABLES

Receivables consist of \$36,747 and \$50,000 due from other state agencies. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

Both receivables are due from DFA, SHARE fund# 34100. The \$36,747 is for IT purchases and the \$50,000 is for additional personnel. The funds are due to the Court's SHARE fund 15300.

D. REVERSIONS

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report. The amount due to the State General Fund is \$28,153 from the FY 2008 appropriations and \$13,608 from FY 2007 appropriations and \$6,947 from FY 2006 appropriations.

All amounts revert from the Court's SHARE fund #15300 to the State General Fund # 34100.

Also, there is \$28,153 due to the State General Fund due to corrections made by DFA in the normal activity of operations during the year. This amount is due from SHARE fund #15300 to the State General Fund # 34100.

All amounts in the general fund of the Court's fund balance revert except what is noted under the outstanding encumbrances and unencumbered balances presented on the schedule of special, deficiency, specific and capital appropriation located in the other supplementary information section of the audit report.

E. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the Court keeps their budget on the modified GAAP basis there is no need to reconcile the budget financial statements to the fund financial statements. There were no outstanding accounts payable that were applied against the subsequent year's budget.

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THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

F. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	<u>Balance 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2008</u>	<u>Due Within One Year</u>
Compensated absences payable	\$ 199,397	233,219	(183,541)	249,075	200,000

Prior year compensated absences have been liquidated by the general fund

G. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008 is as follows:

	<u>Balance 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2008</u>
Governmental Activities				
Furniture and equipment	\$ 283,566	-	-	283,566
Machinery and equipment	516,576	92,976	-	609,552
Vehicles	159,719	68,713	-	228,432
Library	85,061	-	-	85,061
	<u>1,044,922</u>	<u>161,689</u>	<u>-</u>	<u>1,206,611</u>
Less accumulated depreciation for:				
Furniture and equipment	(165,834)	(29,717)	-	(195,551)
Machinery and equipment	(251,362)	(69,748)	-	(321,110)
Vehicles	(74,200)	(25,834)	-	(100,034)
Library	(85,061)	-	-	(85,061)
	<u>(576,457)</u>	<u>(125,299)</u>	<u>-</u>	<u>(701,756)</u>
Capital assets, net	\$ <u>468,465</u>	<u>36,390</u>	<u>-</u>	<u>504,855</u>

The Court is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$125,299.

H. PERA PENSION PLAN

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

Funding Policy: Plan members are required to contribute 7.42% of their gross salary. The Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements

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may be amended by acts of the legislature. The Court's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$574,882, \$488,263, and \$337,452, respectively, which equal the amount of the required contributions for each fiscal year.

I. JRA PENSION PLAN

Substantially all of the Court's Judges or Justices participate in a public employee retirement system authorized under the Judicial Retirement Act. The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Funding Policy Of The JRA Pension Plan

Plan members are required to contribute 5.0% of their gross salary. The Court is required to contribute 9.0% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2008, 2007 and 2006 were \$68,981, \$63,982 and \$61,008, respectively, equal to the amount of the required contributions for each year.

In addition to the above, the Court remits \$38 of each filing fee collected by the Court into the Judicial Retirement Act plan as required by Section 10-12b-11, NMSA 1978. These fees are remitted directly to PERA and are not included within the accompanying financial statements. The Court remitted \$199,962 in filing fees for the year ending June 30, 2008.

J. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to a Deferred Compensation Plan. Neither the Court nor the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Court have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan

K. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

Plan Description. The 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

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FOR THE YEAR ENDED JUNE 30, 2008**

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Court's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$44,592, \$37,709 and \$32,733, respectively, which equal the required contributions for each year.

L. CONTINGENCIES

1. Risk of loss

The Court 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, workers' compensation and 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 were not included in this report. However, the Court is not liable for more than the premiums paid.

**STATE OF NEW MEXICO
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FOR THE YEAR ENDED JUNE 30, 2008**

M. LEASES

The Court has equipment leases which can be terminated with no penalty to the Court, if the Legislature does not appropriate money to the Court. The leases are for 10 different Xerox copy machines and 3 Pitney Bowes mailing systems. All leases may be terminated at any time with sixty days notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Court decides that termination is necessary to protect the best interests of the State of New Mexico. The future minimum rental payments as of June 30, 2008 in the aggregate are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2008 \$	24,456
2009	19,425
2010	19,425
2011	19,425
2012	1,619

Lease expenditures for the year ended June 30, 2008 were \$26,325.

STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Schedule of Changes in Fiduciary Assets and Liabilities - All Agency Funds
As Of June 30, 2008

PROGRAM NAME	<u>2007</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>2008</u>
ASSETS				
State Treasurer accounts	192,108	3,251,541	(3,436,275)	7,374
Cash in authorized bank account	6,584,084	11,658,152	(15,149,699)	3,092,537
	<u>\$ 6,776,192</u>	<u>14,909,693</u>	<u>(18,585,974)</u>	<u>3,099,911</u>
LIABILITIES				
Due to others state agencies	192,108	3,251,541	(3,436,275)	7,374
Due to litigants	6,584,084	11,658,152	(15,149,699)	3,092,537
	<u>\$ 6,776,192</u>	<u>14,909,693</u>	<u>(18,585,974)</u>	<u>3,099,911</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS
As Of June 30, 2008**

	Type of Account	Bank/ Treasurer Balance	Deposits In Transit	Outstanding Warrants/ Checks	Book Balance
GENERAL FUND					
New Mexico State Treasurer 243-15300	SGFIP	\$ 1,494,260	-	-	1,494,260
SPECIAL REVENUE FUNDS					
New Mexico State Treasurer 243-88000	SGFIP	116,208	-	-	116,208
New Mexico State Treasurer 243-08300	SGFIP	34,861	-	-	34,861
Total Special Revenue Funds		151,069	-	-	151,069
AGENCY FUNDS					
Wells Fargo Bank of New Mexico N.A.					
Court Registry - Valencia	Checking	127,662	750	-	128,412
State Treasurer's Office - Valencia Cty - FY 08	Checking	1,864	-	-	1,864
Total Wells Fargo		129,526	750	-	130,276
My Bank/Belen					
CV-00-031 - SHD vs Allen	Checking	17,828	-	-	17,828
CV-04-615 - Griego vs Jaramillo	Checking	80,801	-	-	80,801
CV-07-390 - Belen vs Kerekes	Checking	207,373	-	-	207,373
CV-92-337 - Terra Grm vs Watkins	Checking	14,426	-	-	14,426
CV-94-291 - Brannin vs Applebee	Checking	18,282	-	-	18,282
CV-94-425 - SHD vs Alumco	Checking	1,918	-	-	1,918
CV-95-009 - MidCnt vs Davenport	Checking	5,045	-	-	5,045
CV-98-592 - Fd Ntl Mrt vs Jones	Checking	11,572	-	-	11,572
CV-99-375 - Lawyers vs Murphy	Checking	5,208	-	-	5,208
Total My Bank/Belen		362,453	-	-	362,453
Grants State Bank					
State Treasurer's Office - Cibola Cty FY 08	Checking	4,170	-	-	4,170
Court Registry	Checking	121,854	-	-	121,854
Total My Grants State Bank		126,024	-	-	126,024
First Community Bank					
Court Registry - Sandoval	Checking	307,499	-	(41,537)	265,962
State Treasurer's Office - Sandoval Cty FY 08	Checking	1,340	-	-	1,340
City of RR vs Sandoval Commiss	Checking	167,184	-	-	167,184
CV-01-733 - Sippy vs Giles, D	Checking	11,668	-	-	11,668
CV-03-546 - Gldn W vs Unk Heir	Checking	2,828	-	-	2,828
CV-04-224 - ChrtBk vs Slotness	Checking	10,003	-	-	10,003
CV-04-470 - GEMrt vs Jacquez, M	Checking	4,896	-	-	4,896
CV-05-077 - NMDOT vs D.J.T.	Checking	20,999	-	-	20,999
CV-05-1302 - Kllgswrth vs Gray	Checking	13,654	-	-	13,654
CV-05-1429 - Cirywd vs Esquibel	Checking	8,553	-	-	8,553
CV-05-1430 - NMDOT vs Chavez, J	Checking	7,054	-	-	7,054
CV-05-639 - NMDOT vs Hardal Hol	Checking	7,001	-	-	7,001
CV-05-640 - NMDOT vs Albert, L	Checking	28,362	-	-	28,362
CV-05-641 - NMDOT vs Huntley, J	Checking	7,001	-	-	7,001
CV-05-643 - NMDOT vs High Knoll	Checking	6,948	-	-	6,948
CV-05-644 - NMDOT vs Towle, B	Checking	4,632	-	-	4,632
CV-05-683 - NMDOT vs Jackim, I	Checking	6,578	-	-	6,578
CV-05-721 - NMDOT vs O'Halloran	Checking	3,349	-	-	3,349
CV-05-722 - NMDOT vs O'Halloran	Checking	13,326	-	-	13,326
CV-05-724 - NMDOT vs Hewitt, N	Checking	3,471	-	-	3,471
CV-05-725 - NMDOT vs High Knoll	Checking	6,520	-	-	6,520
Subtotal of this page First Community Bank		642,866	-	(41,537)	601,329

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS - Continued
As Of June 30, 2008**

	<u>Type of Account</u>	<u>Bank/ Treasurer Balance</u>	<u>Deposits In Transit</u>	<u>Outstanding Warrants/ Checks</u>	<u>Book Balance</u>
AGENCY FUNDS - continued					
CV-05-736 - NMDOT vs Karniol, I	Checking	6,521	-	-	6,521
CV-05-751 - NMDOT vs High Knoll	Checking	12,482	-	-	12,482
CV-05-929 - NMDOT vs Garcia, M	Checking	51,999	-	-	51,999
CV-05-930 - NMDOT vs Langrnm, K	Checking	5,671	-	-	5,671
CV-06-014 - C-SND vs Jiminez, F	Checking	21,601	-	-	21,601
CV-06-101 - C-RR vs McCurdy, W	Checking	72,019	-	-	72,019
CV-06-1046 - Dst In vs Wst Laun	Checking	57,407	-	-	57,407
CV-06-1095 - NMDOT vs Lopez, T	Checking	31,526	-	-	31,526
CV-06-1134 - NMDOT vs Towle, B	Checking	49,019	-	-	49,019
CV-06-1403 - Bd of Ed vs Rancho	Checking	425,434	-	-	425,434
CV-06-150 - C-RR vs Blustein, A	Checking	139,213	-	-	139,213
CV-06-214 - Slowbe vs Blatchfrd	Checking	7,379	-	-	7,379
CV-06-405 - C-RR vs Lofy, Ronal	Checking	20,972	-	-	20,972
CV-06-490 - C-RR vs Keicher, H	Checking	33,718	-	-	33,718
CV-06-591 - C-RR vs Athens, G	Checking	33,690	-	-	33,690
CV-06-719 - NMDOT vs Gilman, D	Checking	39,182	-	-	39,182
CV-06-735 - C-RR vs Kailey, L	Checking	33,772	-	-	33,772
CV-06-818 - Brd of Ed vs Derise	Checking	27,772	-	-	27,772
CV-06-827 - C-RR vs Johnson, P	Checking	134,410	-	-	134,410
CV-06-872 - Itlgree vs Chappell	Checking	8,525	-	-	8,525
CV-06-981 - C-RR vs Klausner, B	Checking	67,765	-	-	67,765
CV-06-983 - C-RR vs McQuay, B	Checking	67,887	-	-	67,887
CV-06-984 - C-RR vs Merten, M	Checking	39,342	-	-	39,342
CV-07-056 - NMDOT vs Kamerman	Checking	20,612	-	-	20,612
CV-07-1038 - NMDOT vs Santana	Checking	34,563	-	-	34,563
CV-07-1550 - JMR vs Citrine Hms	Checking	10,166	-	-	10,166
CV-07-1585 - KB Hms vs Prmr Cnc	Checking	42,069	-	-	42,069
CV-07-1777 - C-RR vs Jardine	Checking	55,689	-	-	55,689
CV-07-271 - Cntrywd vs Bock, W.	Checking	60,752	-	-	60,752
CV-07-276 - C-RR vs Skinner, W.	Checking	49,683	-	-	49,683
CV-07-277 - C-RR vs Pasley, M.	Checking	24,666	-	-	24,666
CV-07-278 - C-RR vs O'Halloran	Checking	30,840	-	-	30,840
CV-07-850 - Eclipse vs GNN Dev	Checking	37,504	-	-	37,504
CV-08-006 - Albrt vs Floor Cvrq	Checking	13,408	-	-	13,408
CV-97-1137 - Chr Bk vs Amador	Checking	3,735	-	-	3,735
CV-97-906 - Cook vs Staufenberg	Checking	11,478	-	-	11,478
PB-05-128 - IMO Marie L Brown	Checking	56,601	-	-	56,601
Total First Community Bank		2,481,938	-	(41,537)	2,440,401
Grand total of deposits	\$	4,745,270	750	(41,537)	4,704,483

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF PLEDGED COLLATERAL
BY BANK AND ACCOUNT
As of June 30, 2008**

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds			
Cash at State Treasurer	SGFIP	\$ <u>1,645,329</u>	<u>1,645,329</u>
Agency Funds			
Wells Fargo Bank	Checking	\$ 129,526	130,276
My Bank/Belen	Checking	362,453	362,453
First Community Bank	Checking	2,481,938	2,440,401
Grants State Bank	Checking	126,024	126,024
Total Agency Funds		\$ <u>3,099,941</u>	<u>3,059,154</u>
Total amount of deposit in banks		\$ 3,099,941	<u>3,059,154</u>
FDIC coverage		<u>(400,000)</u>	
Total uninsured public funds		\$ <u>2,699,941</u>	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		\$ <u>1,349,971</u>	

Collateralization of the Court's bank deposits is as follows:

The uninsured public funds is as shown above. Detail of pledged collateral specific to the Court can be seen below for My Bank/Belen and Grants State Bank. Deposits at Wells Fargo Bank and First Community Bank is not available because the banks commingle pledged collateral for all state funds they hold. The collateralization of these accounts is monitored by the State Treasurer's office. These banks provide proof of collateral sufficient to cover all State funds deposited. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure amounts held by the State Treasurer.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF PLEDGED COLLATERAL
BY BANK AND ACCOUNT
As of June 30, 2007**

Detail of pledged collateral for My Bank/Belen is as follows:

Total uninsured public funds	\$	362,453
50% of collateral requirement		181,227
Pledged securities		201,750
Over (under) collateralized	\$	<u>20,524</u>

Collateral pledged by My Bank/Belen is as follows

Security	Cusip#	Pledge Value
FHLB Agency Bond	3133XHPU	\$ 201,750
		<u>\$ 201,750</u>

Detail of pledged collateral for Grants State Bank is as follows:

Total uninsured public funds	\$	126,024
50% of collateral requirement		63,012
Pledged securities		945,030
Over (under) collateralized	\$	<u>882,018</u>

Collateral pledged by Grants State Bank is as follows

Security	Cusip#	Pledge Value
FHLB	3133MJUQ	\$ 516,565
Municipal Bond - Gallup McKinley	364010LP	100,000
FHR	31397BS4	328,465
		<u>\$ 945,030</u>

Custodial Credit Risk is the risk that in the event of a bank failure, the Court's deposits may not be returned. The Court does not have a policy for custodial credit risk. As of June 30, 2008, \$2,699,941 of the Court's Agency Fund bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized as pledged collateral is commingled for all state funds		Unknown
Uninsured, collateral held by the pledging banks, but not in the name of the Court or the State of New Mexico	\$	<u>1,146,780</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF INTERAGENCY TRANSFERS
For The Year Ended June 30, 2007**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
State Appropriations					
General Fund Appropriation	SGF	34101	15300	Laws 2007, HB 2, Ch. 3, Sec. 4 (13) items a-c	\$ 5,738,300
Special Appropriation	SGF	34101	15300	Laws 2007, Ch 21, Sec 11, items a-d	80,000
Special Appropriation	SGF	34101	15300	Laws 2007, Ch 21, Sec 11, items a-d	95,000
Special Appropriation	SGF	34101	15300	Laws 2007, Ch 21, Sec 11, items a-d	50,000
Special Appropriation	SGF	34101	15300	Laws 2007, Ch 21, Sec 11, items a-d	57,000
					<u>6,020,300</u>
Other Financing Sources					
Compensation Allocation	DFA	34100	15300	Laws 2007, HB 2, Ch. 3, Sec. 8 A (1)	201,349
CASA Appropriation	AOC	21800	15300	FY08 LAWS 2007 CH 28 S 4	179,533
Drug Court Appropriation	AOC	21800	15300	FY08 LAWS 2007 CH 21 S 1 I 2A	56,640
Total Other Financing Sources					<u>\$ 437,522</u>

Description	Agency Transferred To	From Fund	To Fund	Reference	Amount Transferred Out
General Fund Reversion	DFA	15300	34100	Reversion of Appropriations	-

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For The Year Ended June 30, 2008**

<u>Description</u>	<u>SHARE Identifier #</u>	<u>Original Appropriation</u>	<u>Appropriation Period</u>	<u>Expend- itures To Date</u>	<u>Out- standing Encumb- rances</u>	<u>Unencumb- ered Balances</u>
Special, Deficiency, Specific and Capital Outlay Appropriations						
Laws 2005 - HB 885/Section 6/Item A - Severance Tax Bond	05-0035	\$ 50,000	07/01/05-6/30/2010	41,288	-	8,712
Laws 2006 - HB 622/Chapter 111/Section 33/Item G	06-0752	50,000	07/01/06-6/30/2010	-	-	50,000
Laws 2007 - SB 710/Chapter 2/Section 13	07-3047	18,800	07/01/06-6/30/2011	-	-	18,800
Laws 2007 - SB 827/Chapter 42/Section 52/Subsection 1	07-3920	50,000	07/01/06-6/30/2011	-	-	50,000
Laws 2007 - SB 827/Chapter 42/Section 52/Subsection 2	07-3921	25,000	07/01/06-6/30/2011	-	-	25,000
		<u>\$ 193,800</u>		<u>41,288</u>	<u>-</u>	<u>152,512</u>
Pass through to Valencia County						
Laws 2007 - SB 827/Chapter 42/Section 52/Subsection 3	07-3922	\$ 925,000	07/01/06-6/30/2011	-	-	-
Total Special, Deficiency, Specific and Capital Outlay Appropriations		<u>\$ 1,118,800</u>		<u>41,288</u>	<u>-</u>	<u>152,512</u>

All unencumbered balances may be used during the appropriation period noted above.

**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***

Honorable Louis P. McDonald, Presiding Judge
State of New Mexico Thirteenth Judicial District Court
and
Mr. Hector H. Balderas, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the State of New Mexico, Thirteenth Judicial District Court (Court) as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Court's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Court's financial statements that is more than inconsequential will not be prevented or detected by the Court's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, 07-02, 07-03, and 07-04. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-02 and 07-04 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as findings 03-02, 07-01, 07-03, 07-05, 07-06, and 07-07.

The Court's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the 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 agency, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, PC

December 15, 2008

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

SUMMARY OF FINDINGS AND RESPONSES

Current and prior year findings are as follows:

<u>Description of Findings</u>	<u>Current and Prior Year Findings</u>
03-02 State Treasurer's Account Balance	Repeated
07-01 Controls Related To Procurement	Repeated
07-02 Controls over Maintaining The General Ledger and Audit Report	Repeated
07-03 Certification of Capital Assets Annual Inventory and Notifying State Auditor Office of Dispositions of Capital Assets	Repeated
07-04 Cash Control of Fiduciary Funds	Repeated
07-05 Late Audit Report	Resolved
07-06 Reversions Not Made Timely to State General Fund	Repeated
07-07 Retention Requirements for Documentation of RFP'S	Repeated
07-08 Unbilled Receivables	Resolved

It is noted that the 2008 audit report was completed close in time to the 2007 audit report so the Court did not have time to correct this repeated many of these findings in FY 08.

03-02—STATE TREASURER'S ACCOUNT BALANCE

Statement of Condition

The County State Treasurer's bank account balances were greater than \$15,000 for the following months for the following counties:

Sandoval County	12 out of 12 months in fiscal year 2008
Valencia County	12 out of 12 months in fiscal year 2008

Criteria

NMSA 1978 Section 34-6-37 specifies that the State Treasurer shall make withdrawals from the account at least quarterly and in any event so the balance on hand never exceeds \$15,000.

Cause

The law stated above has been on the books for a number of years and the amount of \$15,000 is low in relation to the amount of funds the Court collects on a monthly basis. Therefore, the Court cannot meet this requirement because it is not realistic in relation to the amount of cash they collect. It is virtually impossible to meet this requirement.

Effect

The Court has significant amounts of cash in its bank accounts which makes it more susceptible for misappropriation and the lack of controls and monitoring had increased the risk that this potential misappropriation will go undetected. The Court is out of compliance with the law cited above.

Recommendation

The Court should determine if transfers can be made more often to comply with the law or seek to have the amounts cited in the law increased.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

Management Response

Due to the marked growth of this Court and other Courts throughout the State and the proportional increase in monies collected by the Courts, it is virtually impossible to comply with this law. It is not uncommon for the Court to receive monies in excess of this amount within a matter of days. The process by which these monies are transferred requires at least two days and sometime longer to complete, thus, the resulting overlaps in transference of funds and non-compliance with the law. It is apparent that the law should be amended to reflect these changes.

07-01—CONTROLS RELATED TO PROCUREMENT

Statement of Condition

We randomly selected 40 expenditures and also selected 37 significant disbursements to determine compliance with the State of New Mexico Procurement code, test of details and testing of internal controls, we noted the following:

- 22 (twenty two) purchase orders authorizing payment were dated after the expenditure occurred.
- 3 (three) expenditures for goods received did not have the receiving report.

Criteria

- The State of New Mexico Procurement Code requires purchase orders (PO) over \$1,500. The PO's should be issued and approved before the expenditure takes place rather than after the expenditure takes place as this is an important internal control to ensure that expenditures are properly authorized and approved and there are budget funds available to the transaction.
- Receiving reports need to document what was ordered was actually received by the organization. This is an important internal control to help prevent errors by the vendor from sending the wrong type or amount of goods and to help prevent the stealing of goods and materials.

Cause

The policies and procedures established by the State of New Mexico Procurement code are not always being followed and the requirements have not been monitored.

Effect

The Court is out of compliance with the State Procurement code and Internal Controls are weak in this area. Because of these weaknesses, the auditor has determined these issues constitute a significant deficiency in the Court's internal controls.

Recommendation

The Agency should make improvements to the process by which it implements the State Procurement process specifically for the purchase orders. Also, receiving reports should be used maintained in the supporting documentation to ensure the correct type and amount of goods are received.

Management Response

The Court recognizes and agrees to this finding. A *requisition process* has been implemented in response to this finding. All individuals authorized to place purchases are now required to submit a requisition and wait for a purchase order number prior to proceeding with any purchases. In addition to this, all orders will be received by the Administrative Office in order to properly document receipt of goods.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

The Court will, as a result of this finding, create purchase orders for all large accounts such as telephone service and equipment. The operational effect of this finding will be to slow purchasing for judges and other employees.

07-02—CONTROLS OVER MAINTAINING THE GENERAL LEDGER AND AUDIT REPORT

Statement of Condition

During our audit we made several adjustments to the Court's books that the new SAS 112 requires to report as a finding. Without these adjustments being made the Court's books would have material misstatements and also the Agency is required to sufficiently understand all of the reports in the audited financial statements, the financials themselves and the related footnotes to the audit report.

Criteria

Statement of Auditing Standards (SAS) 112 was implemented as of December 15, 2006. Some of the key underlying concepts of this standard are as follows. The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.

- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process of the organization's internal controls that the client needs to maintain.

Also, since significant adjustments to the financials were made it calls into question whether the Court staff has the qualifications and training to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

Effect

Because these adjustments were made by the auditor and not by the Court, it results in an internal control weakness in maintaining the general ledger and would extend to the audit report and understanding the audited financials and the notes to the financial statements.

Cause

The implementation of SAS 112, which requires the auditor to reconsider the design and processes needed to be implemented and executed by the auditee and carry them forward to the audit report, financial statements and related notes to the financial statements is the cause of this finding. In previous years SAS 112 was not implemented and therefore, these requirements were not in force.

Recommendation

We recommend that the Court make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of the Court makes the adjustment and understands how and why the adjustments were made and also demonstrates the qualifications and training to present the financial statements according to generally accepted accounting principles.. We also recommend that an appointed person review the audited financials and demonstrate a strong understanding of the entire audit report.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

Management Response

The Court recognizes and agrees with this finding. To date, it is not clear as to the adjustments that the prior auditor made; nor have any inquiries been made by the auditor with regard to this finding. The Court recognizes that assistance by the appropriate staff at DFA will be requested in the event that further adjustments are required. This a new requirement and the Court will request training from DFA.

Furthermore, when SHARE was implemented, DFA personnel inserted the figures for the accounts into SHARE for the Court. Unfortunately, these numbers could not be verified between DFA and SHARE and adjustments impossible. It was at this time that an amount was entered into SHARE for the Federal Grant Monies Account for this court. These are monies we do not nor have, to date been granted. DFA staff, Yvonne Herrera from the CAFR Unit was contacted and informed of the situation. Upon confirmation of this fact, Ms. Herrera contacted the current auditor in attempt to correct the matter. This has been to no avail.

07-03—CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY AND NOTIFYING STATE AUDITOR OFFICE OF DISPOSITIONS OF CAPITAL ASSETS

Statement of Condition

1. The Court is not conducting an annual physical inventory of its capital assets consisting of those with a historical cost of five thousand dollars (and one thousand prior to 2005) or more as of June 30, 2008 and is not obtaining a certification, which includes a signature by the governing authority of the Agency of the correctness of the report.
2. During our review of the inventory of capital assets, there were many adjustments required for assets that were no longer present at the Court. There were 45 assets that were removed from the list. Per our inquiry it was hard to determine when these items were disposed of since the Court has not been maintaining an updated inventory of capital assets and is not notifying the State Auditor's office of disposition of capital assets.

Criteria

1. NMAC 2.20.1.16 Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of \$5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by the governing authority of the agency. Also, idle items should be identified in the inventory.
2. Per Sections 13-6-1 and 13-6-2 NMSA 1978, and the procurement code, govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions.

The State Auditor must be notified for all capital assets removed from the Court's capital asset list. The assets identified in the notification letter(s) to the State Auditors office should match the deletion of assets from the capital assets listing.

Effect

1. The inventory of the capital assets was not correct, and monitoring of capital assets is not being kept up and therefore, capital assets may go missing by theft or misplacement.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

2. Because of the lack of monitoring of disposition of capital assets there is a risk that assets may be stolen or lost.

Cause

1. The Court may not have been aware of the NMAC requirement
2. The Court may not have considered that the deletions on the capital asset list should agree to the notification letter(s) sent to the State Auditors Office.

Recommendation

1. We recommend the Court conduct a physical inventory of capital assets every year and document that the inventory was completed. The documented inventory should include a certification that the inventory is correct and signed by a responsible official of each department of Court. Items that are considered idle must be identified for inclusion in the notes to the audited financial statements.
2. The Court should make sure that the deletions on the capital asset list agree to the notification letter(s) sent to the State Auditors Office.

Management Response

1. The Court recognizes and agrees with this finding and the recommendations. Due to the rapid growth in staffing in other areas of the court and understaffing of the Financial Department, the practice of maintaining the inventory was not updated on a regular basis as it had in the past. A member of the Financial Division has now been assigned to update the inventory. It should also be noted that the Court, only three months ago, moved to a new building, thus imposing upon the court increased duties while still understaffed. With the very recent acquisition of the two new positions in the Financial Division, regular maintenance and upkeep of inventory is assigned.
2. The Court recognizes and agrees with this finding and recommendations. The court reiterates the response state above under #1. The Court would like to add that it is not known why a prior auditor added the items in question to the inventory report. Again the Court has assigned a member of its staff to update the inventory and dispose of unusable items pursuant to statute.

07-04—CASH CONTROL OF FIDUCIARY FUNDS

Statement of Condition

The Court holds over \$3,000,000 in fiduciary funds and lacks segregation of duties or any significant checks and balances over the control of this fiduciary cash. One person has the following duties

- This person writes and signs the checks
- Controls the check stock
- Receives the unopened bank statement
- Records the cash activity
- Reconciles the bank statements (although the reconciliation process is not considered a complete reconciliation)

It is also noted there is a large amount of cash with numerous accounts (over a hundred separate physical bank accounts) held by the court. There does not appear to be a strong monitoring process by anyone but the person

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

noted above. Specifically, there is not a print out of the bank reconciliations and the system of QuickBooks which is used to maintain can easily be manipulated with adjustments, deletions or voids.

Criteria

The Court has the fiduciary duty to safeguard the cash being held for others. This includes strong internal controls, checks and balances of the assets.

Effect

The opportunity exists for an individual to make an error or misappropriate cash and not be detected in a timely manner if at all.

Cause

The Court has limited staff and may not have reviewed the area of fiduciary cash internal controls very closely.

Recommendation

- A person who is not authorized to make transactions with the bank, such as make deposits or write checks should receive the unopened bank statements from the bank. That person should review the bank statements and its contents for any unusual checks, deposits, return items, wire transfers, debit or credit memos or missing items.
- The check stock should be restricted and a custodian should be assigned to be responsible for it. This person should not be an authorized signer
- A hard copy bank reconciliation should be printed out by the reconciler. The reconciler should not have the ability to handle cash, sign checks or be the custodian of the check stock. The reconciler should sign and date when he or she completes the reconciliation. The reconciliation should be reviewed by a responsible official and the reviewer should document that he or she examined all the checks, deposits, transfers and returned items and that have gone through the bank.

Management Response

The Court recognizes this finding and agrees with the recommendations. In order to comply with the segregation of duties and avoidance of conflict of responsibilities, employees' duties have been assigned as follows:

	Financial Manager	Budget Analyst	Financial Specialist, Senior
Open and Close Bank Accounts		•	
Prepare Checks			•
Sign Checks		•	
Manage Check Stock	•		
Receive and Open Bank Statements			•
Record Cash Activity			•
Bank Statement Reconciliations			•

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

07-06—REVERSIONS NOT MADE TIMELY TO STATE GENERAL FUND

Statement of Condition:

The Court's 2006 and 2007 reversions due to the State General Fund in the amount of \$6,947 per the 2006 audit report and \$13,607 per the 2007 audit were not transferred by the September 30 deadlines to the State General Fund.

Criteria

Per the State Auditor Rule 2.2.2.12 A. Pertaining To Audits Of State Agencies Section (6) Reversions To The State General Fund "Section 6-5-10, NMSA 1978 requires "all unreserved, undesignated fund balances in reverting funds and accounts as reflected in SHARE as of June 30, shall revert as of September 30, to the State General Fund. The Court may adjust the reversion within forty-five days of release of the audit report for that fiscal year." Failure to transfer reverting funds in compliance with the statute requires an audit finding."

Effect

The Court is not in compliance with the State Statute and State Auditor Rule.

Cause

The Court did not make the transfer of funds

Recommendation

We recommend that the Court be aware of how much it needs to revert based on its analysis of its financials and comply with the State Statutes and State Auditor Rule noted in the "Criteria" above.

Management Response

The court recognizes and agrees with this finding. Not doing the reversion for FY 07 on a timely basis was an oversight. The court commits to prepare the transfer of funds on a timely basis.

07-07 RETENTION REQUIREMENTS FOR DOCUMENTATION OF RFP'S

Statement of Condition:

During our test of significant expenditures and the review of the procurement process for "Requests For Proposals", the Court did not always retain the documentation of the evaluation of "requests for proposals" Out of the 2 RFP's we chose for testing, 2 did not have the required documentation of the evaluation criteria for awarding the contract.

Criteria

Per the following New Mexico Administrative Codes 7-16-96; Rn, 1 NMAC 3.2.90.20.F310, 7-30-97; 1.15.4.310 NMAC – Rn, 1 NMAC 3.2.90.20.F310, 10/1/2000, retention of record of requests for proposal solicited by agency, which includes information such as description, evaluation of proposal, evaluation criteria, overview, audit objectives, scope of work, compensation, bid format, additional conditions, etc. should be retained for at least three years.

Effect

The Court is not in compliance with the New Mexico Administrative Code and their documentation was not fully available for review during the annual financial and compliance audit.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

Cause

The Court was not aware of the record retention requirements outlined in the New Mexico Administrative Code.

Recommendation

We recommend that the Court review the record retention records outlined in the New Mexico Administrative Code.

Management Response

The court accepts this finding and agrees with the recommendation. At about the same time as when these document retention problems surfaced the court's Staff Attorney was assigned the task of monitoring the court's compliance with all procurement statutes and regulations. The court believes that this finding has now been resolved.

In the instant finding: 1) where Court Appointed Counsel were awarded contracts for representation, the amounts awarded were for less than \$50,000 for Professional Services, thereby not requiring an RFP process, and, 2) where solicitations were made for a CASA program the court only received a single bid.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008**

An exit conference was held in a closed session on December 15, 2008, at the Court's Offices in Sandoval County, New Mexico. In attendance were the following:

Honorable Louis P. McDonald
Gregory Ireland
Stacey Tiller

Chief Judge
Court Administrator
Budget Analyst

Farley Vener, CPA, CFE

Independent Auditor, Hinkle & Landers, PC

FINANCIAL STATEMENTS

The financial statements of the Court as of June 30, 2008, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.