

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

**INDEPENDENT AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

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THIRTEENTH JUDICIAL DISTRICT COURT

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

**Official Roster
As of June 30, 2009**

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

2500 9th Street NW
Albuquerque, NM 87102
Tel (505) 883-8788
Fax (505) 883-8797
FVener@hl-cpas.com

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, 2009, 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, 2009, 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, 2009, 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, 2009 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.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C.". The signature is written in a cursive, flowing style.

Hinkle & Landers, PC
December 15, 2009

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As Of June 30, 2009**

ASSETS	Governmental Activities
Current Assets	
Investments at the State Treasurer's Office	
State General Fund Investment Pool	\$ 662,181
Due from other governments	52,820
	715,001
Total current assets	715,001
Capital assets, net	442,516
Total assets	\$ 1,157,517
LIABILITIES	
Current liabilities	
Accounts payable	\$ 155,802
Due to the state general fund	59,103
Accrued salaries and employee benefits	256,477
Compensated absences payable - expected to be paid within one year	200,000
	671,382
Total current liabilities	671,382
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	95,775
	95,775
Total liabilities	767,157
NET ASSETS (DEFICIT)	
Invested in capital assets	442,516
Unrestricted	(213,339)
Total unrestricted net assets	229,177
Restricted for:	
Alternative Dispute Resolution	113,410
Domestic Relations Mediation	47,773
Total restricted net assets	161,183
Total net assets	390,360
Total liabilities and net assets	\$ 1,157,517

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, 2009**

EXPENSES	Governmental Activities
General government	
Administrative services	\$ 7,584,562
Depreciation expense	158,268
Total program expenses	<u>7,742,830</u>
Less: Program revenues	
Court fees	112,975
Charges for services	19,046
Operating grants and contracts	397,668
Total program revenues	<u>529,689</u>
Net program (expenses)/revenue	<u>(7,213,141)</u>
REVENUES	
General revenues	
Transfer - state general fund appropriation FY 09	6,790,700
Less transfer - FY 09 reversions to the State General Fund	(48,616)
Transfer - other financial sources	302,200
Total net general revenue and other financial sources (uses)	<u>7,044,284</u>
Change in net assets	(168,857)
Net assets, beginning	<u>559,217</u>
Net assets, ending	<u>\$ 390,360</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, 2009**

	(15300)	(88000)	(08300)	
	General	Alternative	Domestic	Total
	Fund	Dispute	Relations	Govern-
	Fund	Resolution	Mediation	mental
	Fund	Fund	Fund	Funds
ASSETS				
Investments at the State Treasurer's Office				
State General Fund Investment Pool	\$ 499,369	115,039	47,773	662,181
Due from other governments	52,820	-	-	52,820
Total assets	<u>\$ 552,189</u>	<u>115,039</u>	<u>47,773</u>	<u>715,001</u>
LIABILITIES				
Accounts payable	\$ 154,175	1,629	-	155,804
Accrued salaries and employee benefits	256,477	-	-	256,477
Due to other local governments	-	-	-	-
Due to state general fund (reversion FY 09)	48,616	-	-	48,616
Due to state general fund - other	10,487	-	-	10,487
Current liabilities	<u>469,755</u>	<u>1,629</u>	<u>-</u>	<u>471,384</u>
FUND BALANCE				
Reserved for:				
Subsequent year expenditures	82,434	-	-	82,434
Unreserved/undesignated reported in:				
Special revenue fund	-	113,410	47,773	161,183
Total fund balance	<u>82,434</u>	<u>113,410</u>	<u>47,773</u>	<u>243,617</u>
Total liabilities and fund balance	<u>\$ 552,189</u>	<u>115,039</u>	<u>47,773</u>	<u>715,001</u>

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

Total fund balance governmental funds	\$	243,617
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds		442,516
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		(295,775)
Rounding		<u>2</u>
Net assets of governmental activities	\$	<u><u>390,360</u></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, 2009**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	Total Govern- mental Funds
REVENUES				
Federal funds	\$ 317,668	-	-	317,668
Other grants	80,000	-	-	80,000
Court fees	-	71,325	41,650	112,975
Miscellaneous revenue	19,046	-	-	19,046
Total revenues	<u>416,714</u>	<u>71,325</u>	<u>41,650</u>	<u>529,689</u>
EXPENDITURES				
Current				
General government:				
Personal services and employee benefits	5,830,018	-	-	5,830,018
Contractual services	1,028,937	72,144	26,595	1,127,676
Other costs	576,191	1,979	1,999	580,169
Capital outlay	95,929	-	-	95,929
Total expenditures	<u>7,531,075</u>	<u>74,123</u>	<u>28,594</u>	<u>7,633,792</u>
OTHER FINANCING SOURCES (USES)				
Transfer - State general fund appropriation FY 09	6,790,700	-	-	6,790,700
Transfer - Other financing sources	302,200	-	-	302,200
Transfer - Other financing uses	-	-	-	-
Less Transfer FY 09 reversions to the State General Fund	(48,616)	-	-	(48,616)
Net other financing sources (uses)	<u>7,044,284</u>	<u>-</u>	<u>-</u>	<u>7,044,284</u>
Net change in fund balance	(70,077)	(2,798)	13,056	(59,819)
Fund balance, beginning	152,511	116,208	34,717	303,436
Fund balance, ending	<u>\$ 82,434</u>	<u>113,410</u>	<u>47,773</u>	<u>243,617</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 \$ (59,819)

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	(158,268)
Capital outlay that was included as additions in capital assets	95,929

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	(46,700)
Rounding	1
Change in net assets - governmental activities	<u>\$ (168,857)</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, 2009

General Fund (15300)				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget</u>
			<u>Basis)</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Federal funds	\$ -	-	317,668	317,668
Other grants	-	80,000	80,000	-
Miscellaneous revenue	-	-	19,046	19,046
Total revenues	<u>-</u>	<u>80,000</u>	<u>416,714</u>	<u>336,714</u>
EXPENDITURES				
Current:				
General government				
Personal services	5,637,400	5,893,170	5,830,018	63,152
Contractual services	1,322,900	1,053,445	1,028,937	24,508
Other costs	546,000	576,390	576,191	199
Capital outlay	<u>-</u>	<u>95,929</u>	<u>95,929</u>	<u>-</u>
Total expenditures	<u>7,506,300</u>	<u>7,618,934</u>	<u>7,531,075</u>	<u>87,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,506,300)</u>	<u>(7,538,934)</u>	<u>(7,114,361)</u>	<u>424,573</u>
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	6,988,800	6,988,800	6,790,700	(198,100)
Interagency transfers in	517,500	550,134	302,200	(247,934)
Other financing uses	<u>7,506,300</u>	<u>7,538,934</u>	<u>7,092,900</u>	<u>(446,034)</u>
Reversion to state general fund FY09	<u>-</u>	<u>-</u>	<u>(48,616)</u>	<u>(48,616)</u>
Net interagency transfers and financial sources (uses)	<u>7,506,300</u>	<u>7,538,934</u>	<u>7,044,284</u>	<u>(494,650)</u>
Net change in fund balance	-	-	(70,077)	(70,077)
Fund balance, beginning	-	-	152,511	152,511
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>82,434</u>	<u>82,434</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, 2009**

Alternative Dispute Resolution (88000)				
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Favorable (Unfavorable)
REVENUES				
Court fees	\$ 74,200	74,200	71,325	(2,875)
Total revenues	<u>74,200</u>	<u>74,200</u>	<u>71,325</u>	<u>(2,875)</u>
EXPENDITURES				
Current:				
General government				
Contractual services	72,200	72,200	72,144	56
Other costs	<u>2,000</u>	<u>2,000</u>	<u>1,979</u>	<u>21</u>
Total expenditures	<u>74,200</u>	<u>74,200</u>	<u>74,123</u>	<u>77</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(2,798)	(2,798)
Fund balance, beginning	-	-	116,208	116,208
Fudn balance, ending	\$ -	-	<u>113,410</u>	<u>113,410</u>
Domestic Relations Mediation Fund (08300)				
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Favorable (Unfavorable)
REVENUES				
Court fees	\$ 28,600	28,600	41,650	13,050
Total revenues	<u>28,600</u>	<u>28,600</u>	<u>41,650</u>	<u>13,050</u>
EXPENDITURES				
Current:				
General government				
Contractual services	26,600	26,600	26,595	5
Other costs	<u>2,000</u>	<u>2,000</u>	<u>1,999</u>	<u>1</u>
Total expenditures	<u>28,600</u>	<u>28,600</u>	<u>28,594</u>	<u>6</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	13,056	13,056
Fund balance, beginning	-	-	34,717	34,717
Fund balance, ending	\$ -	-	<u>47,773</u>	<u>47,773</u>

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, 2009

	<u>Agency Fund</u>
ASSETS	
State Treasurer accounts	\$ 21,268
Cash in authorized bank account	<u>3,510,029</u>
TOTAL ASSETS	<u>\$ 3,531,297</u>
LIABILITIES	
Due to other state agencies	\$ 21,268
Due to litigants	<u>3,510,029</u>
TOTAL LIABILITIES	<u>\$ 3,531,297</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, 2009**

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, 2009**

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, 2009**

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, 2009**

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, 2009 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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THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

- 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, 2009. 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, 2009.
 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 through the imposition of a sliding fee scale pursuant to Section 5 (40-12-5, NMSA, 1978 Comp.) of the Domestic

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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, 2009.

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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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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, 2009, 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, 2009 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, 2009 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, 2009. 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 \$2,820 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 \$2,820 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 \$48,616 from the FY 2009.

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

Also, there is \$10,487 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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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

F. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Balance 2008	Additions	Deletions	Balance 2009	Due Within One Year
Compensated absences payable	\$ 249,075	137,056	(90,356)	295,775	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, 2009 is as follows:

	Balance 2008	Additions	Deletions	Adjustments	Balance 2009
Governmental Activities					
Furniture and equipment	\$ 283,566	14,691	-	-	298,257
Machinery and equipment	609,552	47,904	-	13,238	670,694
Vehicles	228,432	33,334	-	-	261,766
Library	85,061	-	-	-	85,061
	1,206,611	95,929	-	13,238	1,315,778
Less accumulated depreciation for:					
Furniture and equipment	(195,551)	(29,248)	-	-	(224,799)
Machinery and equipment	(321,110)	(88,651)	-	(13,238)	(422,999)
Vehicles	(100,034)	(40,369)	-	-	(140,403)
Library	(85,061)	-	-	-	(85,061)
	(701,756)	(158,268)	-	(13,238)	(873,262)
Capital assets, net	\$ 504,855	(62,339)	-	-	442,516

The Court is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$158,268.

The adjustments to capital assets were for fully depreciated additions to machinery and equipment for data processing equipment located during an inventory taken during the year ended June 30, 2009.

The Court has idle capital assets as follows; equipment and machinery of \$166,290 with a book basis of \$85,346 and furniture and fixtures of \$176,826 with a book basis of \$54,235.

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

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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 may be amended by acts of the legislature. The Court's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$663,300, \$574,882, and \$488,263, 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, 2009, 2008 and 2007 were \$73,591, \$68,981 and \$63,982, 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 \$234,219 in filing fees for the year ending June 30, 2009.

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

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FOR THE YEAR ENDED JUNE 30, 2009**

provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% 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, 2009, 2008 and 2007 were \$51,998, \$44,592 and \$37,709, 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

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THIRTEENTH JUDICIAL DISTRICT COURT
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available and were not included in this report. However, the Court is not liable for more than the premiums paid.

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 13 copy machines and 3 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, 2009 in the aggregate are as follows:

<u>Year</u>	<u>Lease</u>
<u>Ended</u>	<u>Payments</u>
2010	60,399
2011	42,455
2012	3,255

Lease expenditures for the year ended June 30, 2009 were \$73,093.

STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Schedule of Changes in Fiduciary Assets and Liabilities - All Agency Funds
As Of June 30, 2009

PROGRAM NAME	2008	Receipts	Disburse- ments	2009
ASSETS				
State Treasurer accounts	7,374	1,300,358	(1,286,464)	21,268
Cash in authorized bank account	3,092,537	6,526,055	(6,108,563)	3,510,029
	\$ <u>3,099,911</u>	<u>7,826,413</u>	<u>(7,395,027)</u>	<u>3,531,297</u>
LIABILITIES				
Due to others state agencies	7,374	1,300,358	(1,286,464)	21,268
Due to litigants	3,092,537	6,526,055	(6,108,563)	3,510,029
	\$ <u>3,099,911</u>	<u>7,826,413</u>	<u>(7,395,027)</u>	<u>3,531,297</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS
As Of June 30, 2009**

	Type of Account	Bank/ Treasurer Balance	Deposits In Transit	Outstanding Warrants/ Checks	Book Balance
GENERAL FUND					
New Mexico State Treasurer 243-15300	SGFIP	\$ 499,369	-	-	499,369
SPECIAL REVENUE FUNDS					
New Mexico State Treasurer 243-88000	SGFIP	115,039	-	-	115,039
New Mexico State Treasurer 243-08300	SGFIP	47,773	-	-	47,773
Total Special Revenue Funds		162,812	-	-	162,812
AGENCY FUNDS					
Wells Fargo Bank of New Mexico N.A.					
Court Registry - Valencia	Checking	280,062	200	-	280,262
State Treasurer's Office - Valencia Cty - FY 09	Checking	924	-	-	924
Total Wells Fargo		280,986	200	-	281,186
My Bank/Belen					
CV-00-031 - SHD vs Allen	Checking	18,011	-	-	18,011
CV-07-390 - Belen vs Kerekes	Checking	35,174	-	-	35,174
CV-08-1450 - Lnghrn vs Aura Elc	Checking	202,890	-	-	202,890
CV-08-724 - Belen vs Weiss	Checking	183,336	-	-	183,336
CV-92-337 - Trra Grn vs Watkins	Checking	14,574	-	-	14,574
CV-94-291 - Brannin vs Applebee	Checking	18,469	-	-	18,469
CV-94-425 - SHD vs Alumco	Checking	1,938	-	-	1,938
CV-95-009 - MidCnt vs Davenport	Checking	5,097	-	-	5,097
CV-98-592 - Fd Ntl Mrt vs Jones	Checking	11,691	-	-	11,691
CV-99-375 - Lawyers vs Murphy	Checking	5,261	-	-	5,261
Total My Bank/Belen		496,441	-	-	496,441
Grants State Bank					
State Treasurer's Office - Cibola Cty FY 09	Checking	6,207	-	-	6,207
Court Registry	Checking	188,969	-	-	188,969
CV-08-399 - NMDOT vs Baca	Checking	1,150	-	-	1,150
CV-08-400 - NMDOT vs Marquez, K	Checking	57,556	-	-	57,556
Total My Grants State Bank		253,882	-	-	253,882
First Community Bank					
Court Registry - Sandoval	Checking	467,458	-	(6,470)	460,988
State Treasurer's Office - Sandoval Cty FY 09	Checking	14,137	-	-	14,137
City of RR vs Sandoval Commiss	Checking	113,037	-	-	113,037
CV-01-733 - Sippy vs Giles, D	Checking	11,805	-	-	11,805
CV-03-546 - Gldn W vs Unk Heir	Checking	2,849	-	-	2,849
CV-04-224 - ChrtBk vs Slotness	Checking	10,121	-	-	10,121
CV-04-470 - GEMrt vs Jacquez, M	Checking	4,932	-	-	4,932
CV-05-077 - NMDOT vs D.J.T.	Checking	21,246	-	-	21,246
CV-05-1302 - Kllgswrth vs Gray	Checking	13,815	-	-	13,815
CV-05-1429 - Ctrywd vs Esquibel	Checking	8,616	-	-	8,616
CV-05-1430 - NMDOT vs Chavez, J	Checking	7,106	-	-	7,106
CV-05-639 - NMDOT vs Hardal Hol	Checking	7,053	-	-	7,053
CV-05-640 - NMDOT vs Albert, L	Checking	28,794	-	-	28,794
CV-05-644 - NMDOT vs Towle, B	Checking	4,666	-	-	4,666
CV-05-683 - NMDOT vs Jackim, I	Checking	23,468	-	-	23,468
CV-05-721 - NMDOT vs O'Halloran	Checking	13,182	-	-	13,182
CV-05-722 - NMDOT vs O'Halloran	Checking	13,483	-	-	13,483
CV-05-724 - NMDOT vs Hewitt, N	Checking	3,497	-	-	3,497
Subtotal of this page First Community Bank		769,265	-	(6,470)	762,795

**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-05-929 - NMDOT vs Garcia, M	Checking	52,880	-	-	52,880
CV-05-930 - NMDOT vs Langrnm, K	Checking	19,227	-	-	19,227
CV-06-014 - C-SND vs Jiminez, F	Checking	21,856	-	-	21,856
CV-06-101 - C-RR vs McCurdy, W	Checking	72,808	-	-	72,808
CV-06-1046 - Dst In vs Wst Laun	Checking	25,558	-	-	25,558
CV-06-1095 - NMDOT vs Lopez, T	Checking	32,006	-	-	32,006
CV-06-1403 - Bd of Ed vs Rancho	Checking	195,538	-	-	195,538
CV-06-150 - C-RR vs Blustein, A	Checking	141,774	-	-	141,774
CV-06-405 - C-RR vs Lofy, Ronal	Checking	21,219	-	-	21,219
CV-06-490 - C-RR vs Keicher, H	Checking	34,231	-	-	34,231
CV-06-591 - C-RR vs Athens, G	Checking	34,203	-	-	34,203
CV-06-719 - NMDOT vs Gilman, D	Checking	39,778	-	-	39,778
CV-06-735 - C-RR vs Kailey, L	Checking	34,286	-	-	34,286
CV-06-818 - Brd of Ed vs Derise	Checking	28,195	-	-	28,195
CV-06-872 - Itlgree vs Chappell	Checking	8,583	-	-	8,583
CV-06-981 - C-RR vs Klausner, B	Checking	68,912	-	-	68,912
CV-06-983 - C-RR vs McQuay, B	Checking	69,036	-	-	69,036
CV-06-984 - C-RR vs Merten, M	Checking	39,941	-	-	39,941
CV-07-056 - NMDOT vs Kamerman	Checking	31,047	-	-	31,047
CV-07-1038 - NMDOT vs Santana	Checking	35,089	-	-	35,089
CV-07-1550 - JMR vs Citrine Hms	Checking	10,286	-	-	10,286
CV-07-1585 - KB Hms vs Prmr Cnc	Checking	42,658	-	-	42,658
CV-07-1777 - C-RR vs Jardine	Checking	56,632	-	-	56,632
CV-07-271 - Cntrywd vs Bock, W.	Checking	61,704	-	-	61,704
CV-07-277 - C-RR vs Pasley, M.	Checking	24,957	-	-	24,957
CV-07-278 - C-RR vs O'Halloran	Checking	31,309	-	-	31,309
CV-97-1137 - Chr Bk vs Amador	Checking	3,762	-	-	3,762
CV-97-906 - Cook vs Staufenberg	Checking	11,613	-	-	11,613
PB-05-128 - IMO Marie L Brown	Checking	4,181	-	-	4,181
CV-08-1218 - Bernl vs Sapien	Checking	194,245	-	-	194,245
CV-08-1885 - PNM vs One Purpose	Checking	10,050	-	-	10,050
CV-08-1927 - Bd of Ed vs Cline	Checking	69,386	-	-	69,386
CV-08-779 - Raks vs Depalma	Checking	210,043	-	-	210,043
Total First Community Bank		2,506,258	-	(6,470)	2,499,788
Grand total of deposits	\$	4,199,748	200	(6,470)	4,193,478

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF PLEDGED COLLATERAL
BY BANK AND ACCOUNT
As of June 30, 2009**

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds			
Cash at State Treasurer	SGFIP	\$ <u>662,181</u>	<u>662,181</u>
Agency Funds			
Wells Fargo Bank	Checking	\$ 280,986	281,186
My Bank/Belen	Checking	496,441	496,441
First Community Bank	Checking	2,506,258	2,499,788
Grants State Bank	Checking	<u>253,882</u>	<u>253,882</u>
Total Agency Funds		\$ <u>3,537,567</u>	<u>3,531,297</u>
Total amount of deposit in banks		\$ 3,537,567	<u>3,531,297</u>
FDIC coverage		<u>(1,000,000)</u>	
Total uninsured public funds		\$ <u>2,537,567</u>	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		\$ <u>1,268,784</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, 2009**

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

Total uninsured public funds	\$	496,441
50% of collateral requirement		248,221
Pledged securities		250,000
Over (under) collateralized	\$	<u>1,780</u>

Collateral pledged by My Bank/Belen is as follows

Security	Cusip#	Pledge Value
FHLB Agency Bond	3133XHPU	\$ 250,000
		<u>\$ 250,000</u>

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

Total uninsured public funds	\$	253,882
50% of collateral requirement		126,941
Pledged securities		945,030
Over (under) collateralized	\$	<u>818,089</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, 2009, \$2,537,567 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>1,195,030</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF INTERAGENCY TRANSFERS
For The Year Ended June 30, 2009**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
State Appropriations					
General Fund Appropriation	SGF	34101	15300	Laws 2008, HB 2, Ch. 3, Sec. 4 (13) items a-c	\$ 6,569,000
Special Appropriation	SGF	34101	15300	Laws 2008, SB165	10,000
Special Appropriation	SGF	34101	15300	Laws 2008, SB 165	211,700
					<u>6,790,700</u>
Other Financing Sources					
Compensation Allocation	DFA	34100	15300	Laws 2008, HB 2.	102,200
CASA Appropriation	AOC	21800	15300	FY 09 LAWS 2008	200,000
Total Other Financing Sources					<u>\$ 302,200</u>

Description	Agency Transferred To	From Fund	To Fund	Reference	Amount Transferred Out
General Fund Reversion	DFA	15300	34100	Reversion of Appropriations	\$ 95,999

Note: The Reversion of Appropriations of \$95,999 shown above constitute amounts from prior years. The reversion of \$48,616 presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds is expected to be reverted in FY 10.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For The Year Ended June 30, 2009**

<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	47,180	-	2,820
Laws 2006 - HB 622/Chapter 111/Section 33/Item G	06-0752	50,000	07/01/06-6/30/2010	22,565	-	27,435
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	22,821	-	2,179
Total Special, Deficiency, Specific and Capital Outlay Appropriations		\$ 193,800		111,366	-	82,434

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, 2009, which collectively comprise the Court's basic financial statements and have issued our report thereon dated December 15, 2009. 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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting, 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 deficiency described above, we consider item 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.

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, 2009

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SUMMARY OF FINDINGS AND RESPONSES

Current and prior year findings are as follows:

Description of Findings	Current and Prior Year Findings	Financial Statement Finding
03-02 State Treasurer's Account Balance	Repeated	Yes
07-01 Controls Related To Procurement	Resolved	-
07-02 Controls over Maintaining The General Ledger and Audit Report	Resolved	No
07-03 Certification of Capital Assets Annual Inventory and Notifying State Auditor Office of Dispositions of Capital Assets	Resolved	-
07-04 Cash Control of Fiduciary Funds	Repeated	Yes

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 2009
Valencia County	12 out of 12 months in fiscal year 2009

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, 2009**

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, sometimes the same day. 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 this statute should be amended to reflect cash flow in the modern era.

07-04—CASH CONTROL OF FIDUCIARY FUNDS

Statement of Condition

The Court holds more than \$4,000,000 in fiduciary funds and lacks sufficient controls over this fiduciary cash. The organization records fiduciary transactions in QuickBooks but the balances are not fully reconciled to bank statements. Also, there is not an independent review of the of the bank reconciliations by a person independent of the process.

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

All bank accounts should be fully reconciled to the QuickBooks balances and the bank reconciliations should be reviewed by a person independent of the reconciliations process.

Management Response

The Court recognizes this finding. Our Chief Financial Officer has regularly reviewed the reconciliations each month of the individual fiduciary funds, but did not indicate doing so. The Court will continue to endeavor to institute new reconciliation checkpoints with a limited (and declining) staff.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2009**

An exit conference was held in a closed session on December 15, 2009, at the Court's Offices in Sandoval County, New Mexico. In attendance were the following:

Honorable Louis P. McDonald
Gregory Ireland

Chief Judge
Court Administrator

Farley Vener, CPA, CFE

Independent Auditor, Hinkle & Landers, PC

FINANCIAL STATEMENTS

The financial statements of the Court as of June 30, 2009, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.