

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

**INDEPENDENT AUDITORS' REPORT  
AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**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**

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**Official Roster  
As of June 30, 2010**

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**Judges**

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

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**Administrative Officials**

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Mr. Gregory Ireland	<b>Court Administrator</b>
Mr. Christopher Wolf	<b>Court Accountant</b>

**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, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Thirteenth Judicial District Court of the State of New Mexico (Court) as of and for the year ended June 30, 2010, which collectively comprise the Court's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Court's management. These financial statements are the responsibility of the Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2010, 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 07, 2010 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 supplementary 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 07, 2010

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010**

<b>ASSETS</b>	<b>Governmental Activities</b>
<b>Current Assets</b>	
State General Fund Investment Pool	\$ 526,099
Due from other governments	53,054
Total current assets	<u>579,153</u>
Capital assets, net	<u>338,316</u>
Total assets	<u><u>\$ 917,469</u></u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 167,263
Due to other state governments	2,840
Due to the state general fund	54,379
Accrued salaries and employee benefits	266,889
Compensated absences payable - expected to be paid within one year	<u>150,000</u>
Total current liabilities	<u>641,371</u>
<b>Non-current liabilities</b>	
Compensated absences payable - expected to be paid after one year	<u>138,392</u>
Total liabilities	<u>779,763</u>
<b>NET ASSETS (DEFICIT)</b>	
Invested in capital assets	338,316
Unrestricted	<u>(336,213)</u>
Total unrestricted net assets	2,103
Restricted for:	
Alternative Dispute Resolution	108,830
Domestic Relations Mediation	<u>26,772</u>
Total restricted net assets	<u>135,602</u>
Total net assets	<u>137,706</u>
Total liabilities and net assets	<u><u>\$ 917,469</u></u>

**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, 2010**

<b>EXPENSES</b>	<b>Governmental Activities</b>
<b>General government</b>	
Administrative services	\$ 7,195,215
Depreciation expense	151,879
Total program expenses	7,347,094
<b>Less: Program revenues</b>	
Court fees	118,960
Charges for services	720
Operating grants and contracts	314,783
Total program revenues	434,463
Net program (expenses)/revenue	(6,912,631)
<b>REVENUES</b>	
<b>General revenues</b>	
Transfer - state general fund appropriation FY 10	6,530,200
Less transfer - reversions to State General Fund	(36,258)
Transfer - other financial sources	190,120
Total net general revenue and other financial sources (uses)	6,684,062
Change in net assets	(228,569)
Net assets, beginning	390,360
Fund balance, restatement	(24,085)
Fund balance, beginning - restated	366,275
Net assets, ending	\$ 137,706

**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, 2010**

	<b>(15300) General Fund</b>	<b>(88000) Alternative Dispute Resolution Fund</b>	<b>(08300) Domestic Relations Mediation Fund</b>	<b>Total Govern- mental Funds</b>
<b>ASSETS</b>				
State General Fund Investment Pool	\$ 384,084	113,246	28,769	526,099
Due from other governments	53,054	-	-	53,054
Due from other funds	4,416	-	-	4,416
Total assets	\$ 441,554	113,246	28,769	583,569
<b>LIABILITIES</b>				
Due to other funds	-	4,416	-	4,416
Accounts payable	\$ 165,267	-	1,997	167,264
Accrued salaries and employee benefits	266,889	-	-	266,889
Due to other state governments	2,840	-	-	2,840
Due to state general fund	54,379	-	-	54,379
Current liabilities	489,375	4,416	1,997	495,788
<b>FUND BALANCE</b>				
Reserved for:				
Subsequent year expenditures	(47,821)	-	-	(47,821)
Unreserved/undesignated reported in:				
General fund	-	-	-	-
Special revenue fund	-	108,830	26,772	135,602
Total fund balance	(47,821)	108,830	26,772	87,781
Total liabilities and fund balance	\$ 441,554	113,246	28,769	583,569

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

Total fund balance governmental funds	\$	87,781
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		338,316
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.		(288,392)
Rounding		1
Net assets of governmental activities	\$	137,706

**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 BALANCES  
CHANGES IN FUND BALANCE (DEFICITS)-GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	Total Govern- mental Funds
<b>REVENUES</b>				
Federal funds	\$ 314,783	-	-	314,783
Court fees	-	75,480	43,481	118,961
Miscellaneous revenue	-	721	-	721
Total revenues	<u>314,783</u>	<u>76,201</u>	<u>43,481</u>	<u>434,465</u>
<b>EXPENDITURES</b>				
Current				
General government:				
Personal services and employee benefits	5,632,622	-	-	5,632,622
Contractual services	822,283	74,369	62,485	959,137
Other costs	606,847	1,996	1,997	610,840
Capital outlay	47,679	-	-	47,679
Total expenditures	<u>7,109,431</u>	<u>76,365</u>	<u>64,482</u>	<u>7,250,278</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer - State general fund appropriation FY 10	6,530,200	-	-	6,530,200
Transfer - Other financing sources	190,120	-	-	190,120
Less: Transfer reversions to SGF - other	(10,343)	-	-	(10,343)
Less: Transfer to SGF FY 09 reversion	(25,915)	-	-	(25,915)
Interfund transfers in	4,416	-	-	4,416
Interfund transfers out	-	(4,416)	-	(4,416)
Net other financing sources (uses)	<u>6,688,478</u>	<u>(4,416)</u>	<u>-</u>	<u>6,684,062</u>
Net change in fund balance	(106,170)	(4,580)	(21,001)	(131,751)
Fund balance, beginning	82,434	113,410	47,773	243,617
Fund balance, restatement	(24,085)	-	-	(24,085)
Fund balance, beginning - restated	58,349	113,410	47,773	219,532
Fund balance, ending	<u>\$ (47,821)</u>	<u>108,830</u>	<u>26,772</u>	<u>87,781</u>

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

Net change fund balance in governmental funds \$ (131,751)

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	(151,879)
Capital outlay that was included as additions in capital assets	47,679

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	7,383
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Rounding	(1)
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Change in net assets - governmental activities	<u>\$ (228,569)</u>
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**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 BALANCES  
BUDGET TO ACTUAL  
(MODIFIED ACCRUAL BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2010**

<b>General Fund (15300)</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Federal funds	\$ 321,100	329,100	314,783	(14,317)
Other grants	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total revenues	<u>321,100</u>	<u>329,100</u>	<u>314,783</u>	<u>(14,317)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Personal services	5,338,100	5,630,700	5,632,622	(1,922)
Contractual services	1,330,500	840,200	822,283	17,917
Other costs	516,000	612,800	606,847	5,953
Capital outlay	<u>82,434</u>	<u>47,692</u>	<u>47,679</u>	<u>13</u>
Total expenditures	<u>7,267,034</u>	<u>7,131,392</u>	<u>7,109,431</u>	<u>21,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,945,934)</u>	<u>(6,802,292)</u>	<u>(6,794,648)</u>	<u>7,644</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
State general fund appropriations	6,663,500	6,530,200	6,530,200	-
Interagency transfers in	200,000	200,000	190,120	(9,880)
Interfund transfers in	-	-	4,416	4,416
Total Other financing sources	<u>6,863,500</u>	<u>6,730,200</u>	<u>6,724,736</u>	<u>(5,464)</u>
Reversion to SGF	-	-	(36,258)	(36,258)
Net interagency transfers and financial sources (uses)	<u>6,863,500</u>	<u>6,730,200</u>	<u>6,688,478</u>	<u>(41,722)</u>
Net change in fund balance	(82,434)	(72,092)	(106,170)	(34,078)
Fund balance, beginning	82,434	82,434	82,434	152,511
Fund balance, restatement	<u>(24,085)</u>	<u>(24,085)</u>	<u>(24,085)</u>	<u>152,511</u>
Fund balance, beginning restated	<u>58,349</u>	<u>58,349</u>	<u>58,349</u>	<u>-</u>
Fund balance, ending	<u>\$ (24,085)</u>	<u>(13,743)</u>	<u>(47,821)</u>	<u>118,433</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 BALANCES  
BUDGET TO ACTUAL  
(MODIFIED ACCRUAL BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2010**

**Alternative Dispute Resolution (88000)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
	<b>REVENUES</b>			
Court fees	\$ 76,400	76,400	75,480	(920)
Miscellaneous revenue	-	-	721	721
Total revenues	<u>76,400</u>	<u>76,400</u>	<u>76,201</u>	<u>(199)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Contractual services	74,400	74,400	74,369	31
Other costs	<u>2,000</u>	<u>2,000</u>	<u>1,996</u>	<u>4</u>
Total expenditures	<u>76,400</u>	<u>76,400</u>	<u>76,365</u>	<u>35</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(164)	(164)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers out	-	-	(4,416)	(4,416)
Net change in fund balance	-	-	(4,580)	(4,580)
Fund balance, beginning	<u>113,410</u>	<u>113,410</u>	<u>113,410</u>	<u>-</u>
Fund balance, ending	<u>\$ 113,410</u>	<u>113,410</u>	<u>108,830</u>	<u>(4,580)</u>

**Domestic Relations Mediation Fund (08300)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
	<b>REVENUES</b>			
Court fees	\$ 28,600	28,600	43,481	14,881
Total revenues	<u>28,600</u>	<u>28,600</u>	<u>43,481</u>	<u>14,881</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Contractual services	27,500	62,500	62,485	15
Other costs	<u>2,000</u>	<u>2,000</u>	<u>1,997</u>	<u>3</u>
Total expenditures	<u>29,500</u>	<u>64,500</u>	<u>64,482</u>	<u>18</u>
Excess (deficiency) of revenues over (under) expenditures	(900)	(35,900)	(21,001)	14,899
Fund balance, beginning	<u>47,773</u>	<u>47,773</u>	<u>47,773</u>	<u>34,717</u>
Fund balance, ending	<u>\$ 46,873</u>	<u>11,873</u>	<u>26,772</u>	<u>49,616</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, 2010**

	<b>Agency Fund</b>
<b>ASSETS</b>	
State Treasurer accounts	\$ 11,625
Cash in authorized bank account	3,132,319
<b>TOTAL ASSETS</b>	<b>\$ 3,143,944</b>
<b>LIABILITIES</b>	
Due to other state agencies	\$ 11,625
Due to litigants	3,132,319
<b>TOTAL LIABILITIES</b>	<b>\$ 3,143,944</b>

**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, 2010**

**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, when it issues 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.

**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 Account 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

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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.

Grant revenues are recognized as soon as the eligibility requirements are met.

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.

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

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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 \$135,602 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.

**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.



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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, 2010 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 1<sup>st</sup>, 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 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

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include prior year encumbrances paid in the current year in the budgetary amounts. The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts except as noted in Note F of this report.

11. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2010. 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 with the exception of appropriations presented in the "schedule of special, deficiency, specific and capital outlay appropriation" as referenced in the table of contents of this report.
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. See Note F for amounts paid out of different budget years.
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, 2010.
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 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.

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*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 in Note 11.

**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. 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.

**8. 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.

**9. 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.

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**10. 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.

**11. Net Assets/Fund Balance**

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

Invested 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, 2010.

**Schedule of Net Assets/Fund Balance**

The General Fund (15300) has a deficit fund balance for the following reasons.

<u>Amount</u>	<u>Description</u>
\$ 2,179	Special Appropriation funds reserved for subsequent year expenditures
(50,000)	Overspent Special Appropriation 06-0752
\$ (47,821)	Per Balance Sheet: General Fund- Fund Balance - Governmental Funds

Government-Wide Net Assets - Consists of the following:

\$ 338,316	Net assets invested in capital assets
(150,000)	Long-term compensated absences payable as of year end
(138,392)	Current portion of compensated absences payable as of year end
1	Rounding
49,925	Total of Net Assets invested in capital assets and compensated absences
87,781	Per Balance Sheet - Governmental Funds
\$ 137,706	Grant Total Net Assets at year end

A negative \$336,213 was unrestricted. \$288,392 was related to compensated absences payable which is expected to be financed by future state appropriations. The remaining \$47,821 is related to the general fund as described in the first table under this note.

\$135,602 was restricted net assets related to the ADR and DSM special revenue funds.

**12. Cash and Cash Equivalents**

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

**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

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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

**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, 2010, 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 1<sup>st</sup> and January 1<sup>st</sup> 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, 2010 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, 2010, Eight (8) employees of the Court have accrued leave benefits in excess of 600 hours, which amounted to \$8,081 of the total noted below in the long-term debt note.

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**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.

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, 2010. 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 as reference in the table of contents.

**C. RECEIVABLES**

As of June 30, 2010, receivables consist of:

<u>Due from Agency</u>	<u>Due To SHARE Fund</u>	<u>Due From SHARE Fund</u>	<u>Purpose</u>	<u>Amount</u>
AOC	21800	15300	Grant receivable	\$ 1,224
AOC	21800	15300	Child Support Grant	51,830
				<u>\$ 53,054</u>

An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

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**D. DUE TO OTHER GOVERNMENTS**

As of June 30, 2010, the following was due to other governments:

<b>Due to Agency</b>	<b>Due To SHARE Fund</b>	<b>Due From SHARE Fund</b>	<b>Purpose</b>	<b>Amount</b>
AOC	21800	15300	Over-reimbursement for Grant	\$ <u>2,840</u>
				\$ <u><u>2,840</u></u>

**E. 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 \$54,379 from the FY 2010.

<b>Description</b>	<b>General Fund</b>	<b>Due To SHARE Fund</b>	<b>Due From SHARE Fund</b>
Reversion of FY 09 appropriations	\$ 25,915	34100	15300
Current year collection for tapes and copies	19,799	34100	15300
Prior year collection of miscellaneous revenue	<u>8,665</u>	34100	15300
Total due to State General Fund	<u>\$ 54,379</u>		

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.

**F. 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.

**G. CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	<b>2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>2010</b>	<b>Current Portion</b>
Compensated absences payable	\$ <u>295,775</u>	<u>143,055</u>	<u>(150,438)</u>	<u>288,392</u>	<u>150,000</u>

Prior year compensated absences have been liquidated by the general fund

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**H. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2010 is as follows:

	<b>Balance</b>			<b>Balance</b>
<b>Governmental Activities</b>	<b>2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>2010</b>
Furniture and equipment	\$ 298,257	-	-	298,257
Machinery and equipment	670,694	-	-	670,694
Vehicles	261,766	47,679	-	309,445
Library	85,061	-	-	85,061
	<u>1,315,778</u>	<u>47,679</u>	<u>-</u>	<u>1,363,457</u>
<b>Less accumulated depreciation for:</b>				
Furniture and equipment	(224,799)	(29,956)	-	(254,755)
Machinery and equipment	(422,999)	(82,903)	-	(505,902)
Vehicles	(140,403)	(39,020)	-	(179,423)
Library	(85,061)	-	-	(85,061)
	<u>(873,262)</u>	<u>(151,879)</u>	<u>-</u>	<u>(1,025,141)</u>
Capital assets, net	<u>\$ 442,516</u>	<u>(104,200)</u>	<u>-</u>	<u>338,316</u>

The Court is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$151,879.

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.

**I. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**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](http://www.pera.state.nm.us).

**Funding Policy:** Plan members are required to contribute 8.92% of their gross salary. The Court is required to contribute 15.09% 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, 2010, 2009 and 2008 were \$587,923, \$584,709, and \$574,882, respectively, which equal the amount of the required contributions for each fiscal year.



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**J. 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 7.5% of their gross salary. The Court is required to contribute 12.0% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2010, 2009 and 2008 were \$82,916, \$73,591 and \$68,981, 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 \$253,688 in filing fees for the year ending June 30, 2010.

**K. 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

**L. 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 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.

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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](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

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

For employees who are members of an enhanced retirement plan (members who are eligible of the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

<b>Fiscal Year</b>	<b>Employer Contribution Rate</b>	<b>Employee Contribution Rate</b>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.5%	1.250%

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

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

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The Court's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$52,950, \$51,998 and \$44,592, respectively, which equal the required contributions for each year.

**M. 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.

**N. 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, 2010 in the aggregate are as follows:

<b>Year Ended</b>	<b>Lease Payments</b>
2010	60,399
2011	42,455
2012	3,255
2013	-
2014	-

Lease expenditures for the year ended June 30, 2010 were \$63,372.

**O. JOINT POWER AGREEMENTS AND MEMORANDUM OF UNDERSTANDING**

The Court's has one memorandum of understanding is as follows:

Participant:	Court and the Administrative Office of the Courts (AOC)
Responsible Party:	The DA
Description:	Reimburse the Court for a portion of expenditures related to operation of Juvenile Drug Court in Los Lunas.
Term:	Begins November 1, 2009 and terminates June 30, 2011
Amount Involved:	Up to \$8,000
Revenue/Expenditures Reported:	Revenue on the Court's books, expense on the AOC's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**P. INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS**

Interfund receivables and payables reflect short term (current) borrowings among the Court's funds in the normal course of business. As of June 30, 2010, the inter fund payables and receivables that took place between the Court's funds are as follows:

<u>Fund Description</u>	<u>Due</u>		<u>Amount</u>	
	<u>From Fund</u>	<u>To Fund</u>	<u>Due</u>	<u>Owed</u>
	<b>Alternative Dispute Resolution</b>	88000		\$ -
<b>General Fund</b>		15300	4,416	-
			<u>\$ 4,416</u>	<u>4,416</u>

Expenditures that were intended to be recorded under the Alternative Dispute Resolution fund but were recorded under the General fund.

<u>Fund Description</u>	<u>Transferred</u>		<u>Amount Transferred</u>	
	<u>From Fund</u>	<u>To Fund</u>	<u>In</u>	<u>Out</u>
	<b>Alternative Dispute Resolution</b>	88000		\$ -
<b>General Fund</b>		15300	4,416	-
			<u>\$ 4,416</u>	<u>4,416</u>

The transfers were a result of paying for expenditures that were intended to be recorded under the Alternative Dispute Resolution fund but were recorded under the General fund.

**Q. RESTATEMENT**

The following restatements were made to beginning fund balance for the general fund (15300):

<u>Amount</u>	<u>Key</u>
\$ (50,000)	1
25,915	2
<u>\$ (24,085)</u>	

1. To adjust receivable related to Special Appropriation referenced: Laws 2006-HB 622/Chapter 111/Section 33/Item G, SHARE identifier 06-0752. These funds appeared to have been already collected and spent.
2. To adjust receivable related to the Child Support Funding Source. The receivable should have been shown as outstanding as of June 30, 2009, but were not properly recorded.

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES-ALL AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>PROGRAM NAME</b>	<b>2009</b>	<b>Receipts</b>	<b>Disburse- ments</b>	<b>2010</b>
<b>ASSETS</b>				
State Treasurer accounts	21,268	382,200	(391,843)	11,625
Cash in authorized bank account	3,510,029	1,918,131	(2,295,841)	3,132,319
	<u>\$ 3,531,297</u>	<u>2,300,331</u>	<u>(2,687,684)</u>	<u>3,143,944</u>
<b>LIABILITIES</b>				
Due to others state agencies	21,268	382,200	(391,843)	11,625
Due to litigants	3,510,029	1,918,131	(2,295,841)	3,132,319
	<u>\$ 3,531,297</u>	<u>2,300,331</u>	<u>(2,687,684)</u>	<u>3,143,944</u>

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF DEPOSITS AND INVESTMENTS  
AS OF JUNE 30, 2010**

Type of Account	Bank/ Treasurer Balance	Deposits In Transit	Outstanding Warrants/ Checks	Book Balance
<b>GENERAL FUND</b>				
New Mexico State Treasurer 243-15300	\$ 384,084	-	-	384,084
<b>SPECIAL REVENUE FUNDS</b>				
New Mexico State Treasurer 243-88000	113,246	-	-	113,246
New Mexico State Treasurer 243-08300	28,769	-	-	28,769
<b>Total Special Revenue Funds</b>	<b>142,015</b>	<b>-</b>	<b>-</b>	<b>142,015</b>
<b>AGENCY FUNDS</b>				
<b>Wells Fargo Bank of New Mexico N.A.</b>				
Court Registry - Valencia	123,857	-	-	123,857
State Treasurer's Office - Valencia County	5,477	-	-	5,477
<b>Total Wells Fargo</b>	<b>129,334</b>	<b>-</b>	<b>-</b>	<b>129,334</b>
<b>My Bank/Belen</b>				
CV-00-031 - SHD vs Allen	18,011	-	-	18,011
CV-07-390 - Belen vs Kerekes	35,174	-	-	35,174
CV-08-1450 - Lnghrn vs Aura Elc	202,890	-	-	202,890
CV-08-724 - Belen vs Weiss	183,336	-	-	183,336
CV-92-337 - Trra Grn vs Watkins	14,574	-	-	14,574
CV-94-291 - Brannin vs Applebee	18,469	-	-	18,469
CV-94-425 - SHD vs Alumco	1,938	-	-	1,938
CV-95-009 - MidCnt vs Davenport	5,097	-	-	5,097
CV-98-592 - Fd Ntl Mrt vs Jones	11,691	-	-	11,691
CV-99-375 - Lawyers vs Murphy	5,261	-	-	5,261
<b>Total My Bank/Belen</b>	<b>496,441</b>	<b>-</b>	<b>-</b>	<b>496,441</b>
<b>Grants State Bank</b>				
State Treasurer's Office - Cibola County	671	-	-	671
Cibola Clerk's Court Registry	81,525	-	-	81,525
CV-08-399 - NMDOT vs Baca	1,150	-	-	1,150
CV-08-400 - NMDOT vs Marquez, K	58,019	-	-	58,019
<b>Total My Grants State Bank</b>	<b>141,365</b>	<b>-</b>	<b>-</b>	<b>141,365</b>
<b>First Community Bank</b>				
Court Registry - Sandoval	353,125	-	(6,461)	346,664
State Treasurer's Office - Sandoval Cty	5,477	-	-	5,477
City of RR vs Sandoval Commiss	113,037	-	-	113,037
CV-01-733 - Sippy vs Giles, D	11,805	-	-	11,805
CV-03-546 - Gldn W vs Unk Heir	2,849	-	-	2,849
CV-04-224 - ChrtBk vs Slotness	10,121	-	-	10,121
CV-04-470 - GEMrt vs Jacquez, M	4,932	-	-	4,932
CV-05-077 - NMDOT vs D.J.T.	21,246	-	-	21,246
CV-05-1302 - Kllgswrth vs Gray	13,815	-	-	13,815
CV-05-1429 - Ctrywd vs Esquibel	8,616	-	-	8,616
CV-05-1430 - NMDOT vs Chavez, J	7,106	-	-	7,106
CV-05-639 - NMDOT vs Hardall Holding	7,053	-	-	7,053
CV-05-640 - NMDOT vs Albert, L	28,794	-	-	28,794
CV-05-644 - NMDOT vs Towle, B	4,666	-	-	4,666
CV-05-683 - NMDOT vs Jackim, I	23,468	-	-	23,468
CV-05-721 - NMDOT vs O'Halloran	13,182	-	-	13,182
<b>Subtotal of this page First Community Bank</b>	<b>629,292</b>	<b>-</b>	<b>(6,461)</b>	<b>622,831</b>

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF DEPOSITS AND INVESTMENTS - Continued  
AS OF JUNE 30, 2010**

	<b>Type of Account</b>	<b>Bank/ Treasurer Balance</b>	<b>Deposits In Transit</b>	<b>Outstanding Warrants/ Checks</b>	<b>Book Balance</b>
<b>AGENCY FUNDS - continued</b>					
CV-05-722 - NMDOT vs O'Halloran	Checking	13,483	-	-	13,483
CV-05-724 - NMDOT vs Hewitt, N	Checking	3,497	-	-	3,497
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 Kameran	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
<b>Total First Community Bank</b>		<u>2,383,265</u>	<u>-</u>	<u>(6,461)</u>	<u>2,376,804</u>
Grand total of deposits	\$	<u>3,676,504</u>	<u>-</u>	<u>(6,461)</u>	<u>3,670,043</u>

**Reconciliation of Cash by Fund Type**

<b>Total Cash by Type</b>					
Governmental Funds	\$	526,099	-	-	526,099
Agency Funds		<u>3,150,405</u>	<u>-</u>	<u>(6,461)</u>	<u>3,143,944</u>
Grand total of deposits	\$	<u>3,676,504</u>	<u>-</u>	<u>(6,461)</u>	<u>3,670,043</u>

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF PLEDGED COLLATERAL  
BY BANK AND ACCOUNT  
AS OF JUNE 30, 2010**

Account Name	Account Type	Bank Balance	Book Balance
<b>Governmental Funds</b>			
Cash at State Treasurer	SGFIP	\$ 526,099	526,099
<b>Agency Funds</b>			
Wells Fargo Bank	Checking	\$ 129,334	129,334
My Bank/Belen	Checking	496,441	496,441
First Community Bank	Checking	2,383,265	2,376,804
Grants State Bank	Savings	59,169	59,169
Grants State Bank	Checking	82,196	82,196
Total Agency Funds		\$ 3,150,405	3,143,944
Total amount of deposit in banks		\$ 3,150,405	3,143,944
FDIC coverage		(770,699)	
Total uninsured public funds		\$ 2,379,706	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		\$ 1,189,853	

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

The uninsured public funds is as shown above. Deposits at My Bank/Belen and Grants State Bank, Wells Fargo Bank and First Community Bank are 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.

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. The Court's Agency Fund bank balances were exposed to custodial credit risk as follows:

As of June 30, 2010

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	\$ 2,379,706



**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF INTERAGENCY TRANSFERS  
FOR THE YEAR ENDED JUNE 30, 2010**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
<b>State Appropriations</b>					
General Fund Appropriation	SGF	34101	15300	Laws 2009, HB 2, Ch. 3, Sec. 4 (13) items a-c	\$ <u>6,530,200</u>

<b>Other Financing Sources</b>					
CASA Appropriation	AOC	21800	15300	FY 09 Laws 2009	190,120
<b>Total Other Financing Sources</b>					<u>\$ <u>190,120</u></u>

Description	Agency Transferred To	From Fund	To Fund	Reference	Amount Transferred Out
General Fund Reversion	DFA	15300	34100	Reversion of Special Appropriation- SHARE Identifier # 07-3920	\$ (10,343)
General Fund Appropriation	DFA	15300	34100	Reversion of FY 09 Appropriation	<u>(25,915)</u>
					<u>(36,258)</u>

**Note:** The reversions presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds are expected to be reverted in FY 11.

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS  
FOR YEAR ENDED JUNE 30, 2010**

<b>Description</b>	<b>SHARE Identifier #</b>	<b>Original Appropriation</b>	<b>Approp- riation Period</b>	<b>Expend- itures To Date</b>	<b>Out- standing Encumb- rances</b>	<b>Unen- cumbered Balances</b>
<b>Special, Deficiency, Specific and Capital Outlay Appropriations</b>						
Laws 2005 - HB 885/Section 6/Item A - Severance Tax Bond	05-0035	\$ 50,000	07/01/05-6/30/2010	50,000	-	-
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 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
<b>Total Special, Deficiency, Specific and Capital Outlay Appropriations</b>		<b>\$ 175,000</b>		<b>172,821</b>	<b>-</b>	<b>2,179</b>

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

**Note:** Expenditures for Appropriation under SHARE Identifier 07-3920 included a reversion to DFA of \$10,343.

**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, 2010, which collectively comprise the Court's basic financial statements and have issued our report thereon dated December 07, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and responses* to be a material weakness, 10-02.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of findings and responses* to be significant deficiencies, 07-04 and 10-03.

#### **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, 10-01, 10-02, 10-03 and 10-04.

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.

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 07, 2010

*A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of findings and responses* to be significant deficiencies, 07-04 and 10-03.

### **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, 10-01, 10-02, 10-03 and 10-04.

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Hinkle & Landers, PC  
December 07, 2010

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**SUMMARY OF FINDINGS AND RESPONSES**

Current and prior year findings are as follows:

<b>Reference FY- Finding #</b>	<b>Findings</b>	<b>Status of Current and Prior Year Findings</b>	<b>Financial Statement Finding</b>	<b>State Auditor Finding</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>
03-02	State Treasurer's Account Balance	Repeated	No	Yes	N/A	N/A
07-04	Cash Controls of Fiduciary Funds	Repeated/Revised	Yes	No	No	Yes
10-01	Actual Expenditures Exceed Budget Expenditures	Current	No	Yes	N/A	N/A
10-02	Deficit Fund Balance in General Fund	Current	Yes	Yes	Yes	Yes
10-03	Reversion Not Made Timely to State General Fund	Current	Yes	Yes	No	Yes

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**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 2010  
Valencia County            12 out of 12 months in fiscal year 2010

**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, 2010**

**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**

During our review of the Court's fiduciary funds, we noted the following issues:

1. Funds held by the Cibola County division do not have bank reconciliations for the auditors to review. The amount in fiduciary holdings as of June 30, 2010 was \$141,365, which was made up of 4 bank accounts.
2. Since there are no hard copies of bank reconciliations, for the Cibola County controlled funds, there does not appear to be evidence of an independent review of the of the bank reconciliations by a person independent of the process.
3. We also noted there were no bank reconciliations for the Valencia County Court Registry Fund for May and June 30, 2010.
4. We noted two checks, one issued May 11, 2007 in the amount of \$6,457.52 and another check issued September 26, 2008 in the amount of \$3.73 (staled-dated checks) in the Sandoval County Court Registry

**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 made improvements to its overall controls over fiduciary cash, but can make additional improvements. The cause may be limited staff and may not have reviewed the all the areas of fiduciary cash internal controls as closely as they could have.

**Recommendation**

All bank accounts should be fully reconciled and the bank reconciliations should be reviewed by a person independent of the reconciliations process. Also, stale-dated checks should be researched for the cause of why they have not cleared the bank and a determination should be reached as to whether they should be voided and reissued or escheated to the State of New Mexico Unclaimed Property Fund.

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**Management Response**

The Court agrees with this finding. The Cibola County Court has been handling all of their own cash deposits and accounting for these accounts. While account balances are relatively high, activity in these accounts is minimal. As such, reconciliations were an informal process performed by the Cibola County Court while preparing the STO deposits each month. The County is now using the Odyssey case management system which has an integrated accounting function. The 13th Judicial District's financial department is now handling all cash controls for all counties.

The lack of bank reconciliations for the Valencia County Court Registry for May and June 30, 2010 represents an oversight on the part of the financial department.

In regards to the stale dated checks, there has been a stop payment on these checks and the Court is attempting to contact the recipients in order to determine if checks should be re-issued or escheated to the State of New Mexico Unclaimed Property Fund.

**10-01 ACTUAL EXPENDITURES EXCEED BUDGET EXPENDITURES**

**Statement of Condition**

Actual expenditures exceeded budgeted expenditures within a category in the following fund for the following amount:

General Fund (Fund 15300) in the expenditure categories: General government: Personal services/employee benefits. (\$1,922)

**Criteria**

In accordance with the State Auditor Rule 2.2.2.10 "Appropriations to Agencies" The budgetary comparison presented in the financial statements must be at least at the same appropriation level as the approved budget to demonstrate compliance with legal requirements. If actual expenditures exceed budgeted expenditures at the legal level of budgetary compliance, that fact must be reported in a finding.

**Effect**

Budgetary controls are circumvented and Department of Finance and Administration regulations are violated.

**Cause**

A budget adjustment between budget categories may not have been requested to DFA and recorded.

**Recommendation**

Management should review the financial statements periodically for possible overruns and request appropriate budgetary increases before expenditures exceed budget.

**Management Response**

The Court is in agreement with this finding. The Court exceeded budgeted amounts in the personal services and benefits category. The last several rounds of budget cuts have been taken substantially out of personal services and benefits. This has left the Court in a position where regular BARs throughout the year are necessary to cover payroll and benefits expenditures. A BAR was done close to year end to increase personal services and benefits, however, the Court's estimate of June payroll and benefits expenditures were off.



**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**10-02 DEFICIT FUND BALANCE**

**Statement of Condition**

The General Fund has a deficit fund balance that appears to be due to overspending of special appropriation, which is reference as Laws 2006-HB 622-Chapter 111/Sec 33-Item G..

**Criteria**

Although the fund balance appeared to exist at the beginning of the year to keep the Court's general fund from falling into a deficit fund balance. The beginning fund balance was incorrect. Therefore, it appears that the Court is not in compliance with State Auditor Rule 2.2.2.10 P. "Appropriations to Agencies", which states that budget deficits are generally not allowed.

**Effect**

The Court has a deficit fund balance in the general fund and it must be determined how it is going to be covered.

**Cause**

It appears that budgetary controls were not properly in place or properly monitored.

**Recommendation**

The Court should explore its options to cover the deficit fund balance and take measures to prevent the possibility of a deficit occurring again.

**Management Response**

Since the SHARE conversion, the Court has had a receivable on the books in the amount of \$50,000 which appears to relate to Special Capital Outlay Appropriations per the Laws 2006 - HB 622 - Ch 111 - Sec 33 - Item G in that amount. Research performed by the Court, the CAFR Unit, and the Administrative Office of the Courts indicates that the Court properly accrued for this Special Capital Outlay Appropriation in fiscal year 2006 as evidenced by the Court's financial statements. In fiscal year 2007, the Financial Control Division INCORRECTLY posted the accrual for the \$50,000 General Fund Capital Outlay Appropriation as a SHARE conversion entry. This posting duplicated and overstated the receivable amount resulting in a prior period adjustment in the 2007 audited financial statements. On May 23, 2008, the Financial Control Division transferred the appropriation to the Court to spend, which resulted in a reduction of the receivable. However, the duplicate receivable of \$50,000 remains on the Court's books. At this time, the Court had multiple appropriations in this exact amount for IT Capital Projects causing further confusion. Given the confusion and chaos surrounding the SHARE conversion, as well as the firing of the Court's auditor for the fiscal year 2007 audit, this misstatement was not identified by the Court, the Financial Control Division, the CAFR Unit, or subsequent audits. Furthermore, there was little in the way of accurate SHARE reporting during and subsequent to the SHARE conversion for the Court to rely upon and a general lack of internal controls within the SHARE system. This made it difficult for the Court to monitor activity. It would appear that the Court has spent these monies as evidenced by fund balance analysis. It is the recommendation of the CAFR Unit that the duplicate receivable be removed from the books at this time as an error and to adjust fund balance accordingly. This adjustment results in a deficit fund balance in the Court's General Fund of \$50,000, as such; we are requesting a Special Deficiency Appropriation.

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**10-03—REVERSIONS NOT MADE TIMELY TO STATE GENERAL FUND**

**Statement of Condition**

The Court had collections of miscellaneous funds of \$8,665 from prior years that was not reverted timely to the State General Fund. Also, due to an error in recording a receivable of \$25,915, an additional amount of FY 09 should have been reverted. The amount is equal to the amount of the receivable, which is \$25,915.

**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 is 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 agrees with this finding and will revert these monies as required.

**STATE OF NEW MEXICO  
THIRTEENTH JUDICIAL DISTRICT COURT  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was held in a closed session on December 07, 2010, at the Court's Offices in Sandoval County, New Mexico. In attendance were the following:

Honorable Louis P. McDonald  
Gregory Ireland  
Chris Wolf  
Farley Vener, CPA, CFE

Chief Judge  
Court Administrator  
Chief Financial Officer  
Independent Auditor, Hinkle & Landers, PC

**FINANCIAL STATEMENTS**

The financial statements of the Court as of June 30, 2010, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.