



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**THIRTEEN JUDICIAL
DISTRICT COURT**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Independent Auditors' Report and
Financial Statements
For the Year Ended June 30, 2013**

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**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
Independent Auditors' Report and
Financial Statements
For the Year Ended June 30, 2013**

OFFICIAL ROSTER

June 30, 2013

Judges

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

Administrative Officials

Mr. Jamie Goldberg	Court Executive Officer
Mr. Christopher Wolf	Court Financial Manager



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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Thirteenth Judicial District Court of the State of New Mexico (the Court) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in financial position each thereof and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management and Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Court's financial statements and the budgetary comparisons. The "other supplemental information" as identified in the table of contents required and presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional schedule listed as "other supplemental information" in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional statement and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of the Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
December 11, 2013

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
GOVERNMENT-WIDE STATEMENT OF NET POSITION (DEFICIT)
As of June 30, 2013**

	Governmental Activities
ASSETS	
Current Assets	
State General Fund Investment Pool	\$ 397,026
Due from other governmental agencies	30,327
Total current assets	427,353
Capital assets, net	181,840
Total assets	\$ 609,193
LIABILITIES	
Current liabilities	
Accounts payable	\$ 140,412
Due to other state governments	-
Receipts held in suspense	3,463
Due to the state general fund	3,917
Accrued salaries and employee benefits	107,234
Compensated absences payable - expected to be paid within one year	224,744
Total current liabilities	479,770
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	56,186
Total liabilities	535,956
NET POSITION (DEFICIT)	
Investment in capital assets	181,840
Unrestricted	(330,930)
Total unrestricted net position (deficit)	(149,090)
Restricted for:	
Grants	61,077
Alternative Dispute Resolution	98,016
Domestic Relations Mediation	63,234
Total restricted net position	222,327
Total net position	73,237
Total liabilities and net position	\$ 609,193

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, 2013**

	<u>Governmental Activities</u>
EXPENSES	
General government	
Administrative services	\$ 6,987,297
Depreciation expense	<u>73,953</u>
Total program expenses	7,061,250
 REVENUES	
Program revenues	
Court fees	111,399
Charges for services	20,747
Operating grants and contracts	<u>363,610</u>
Total program revenues	<u>495,756</u>
Net program (expenses)/revenue and changes in net position	<u>(6,565,494)</u>
 General revenues	
Transfers:	
State General Fund appropriation FY 13	6,274,800
Reversions to State General Fund	<u>(3,917)</u>
Total net transfers	6,270,883
Other financial sources (uses)	355,763
Gain (loss) on disposition of capital asset	<u>(242)</u>
Total net general revenue and other financial sources (uses)	<u>6,626,404</u>
Change in net position	60,910
Net position, beginning	<u>12,327</u>
Net position, ending	<u><u>\$ 73,237</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2013**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	Total Govern- mental Funds
ASSETS				
State General Fund Investment Pool	\$ 235,292	98,500	63,234	397,026
Due from other governmental agencies	30,327	-	-	30,327
Due from other funds	-	-	-	-
Total assets	<u>\$ 265,619</u>	<u>98,500</u>	<u>63,234</u>	<u>427,353</u>
LIABILITIES				
Due to other funds	-	-	-	-
Accounts payable	140,198	214	-	140,412
Accrued salaries and employee benefits	107,234	-	-	107,234
Receipts held in suspense	3,193	270	-	3,463
Due to state general fund	3,917	-	-	3,917
Current liabilities	<u>254,542</u>	<u>484</u>	<u>-</u>	<u>255,026</u>
FUND BALANCES				
Restricted:				
Dispute and mediation programs and grants	61,077	98,016	63,234	222,327
Unassigned:				
Deficit fund balance	(50,000)	-	-	(50,000)
Total fund balance	<u>11,077</u>	<u>98,016</u>	<u>63,234</u>	<u>172,327</u>
Total liabilities and fund balance	<u>\$ 265,619</u>	<u>98,500</u>	<u>63,234</u>	<u>427,353</u>

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

Total fund balance governmental funds	\$ 172,327
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	181,840
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.	(280,930)
Rounding	-
Net position of governmental activities	<u>\$ 73,237</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICITS) - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2013**

	(15300) General Fund	(88000) Alternative Dispute Resolution Fund	(08300) Domestic Relations Mediation Fund	Total Govern- mental Funds
REVENUES				
Federal funds	\$ 363,610	-	-	363,610
Court fees	-	63,930	47,469	111,399
Miscellaneous revenue	20,747	-	-	20,747
Total revenues	<u>384,357</u>	<u>63,930</u>	<u>47,469</u>	<u>495,756</u>
EXPENDITURES				
Current				
General government:				
Personal services and employee benefits	5,694,528	-	-	5,694,528
Contractual services	745,364	18,247	27,355	790,966
Other costs	575,808	-	-	575,808
Capital outlay	-	-	-	-
Total expenditures	<u>7,015,700</u>	<u>18,247</u>	<u>27,355</u>	<u>7,061,302</u>
Excess (deficiency) of revenue over (under) expenditures	(6,631,343)	45,683	20,114	(6,565,546)
OTHER FINANCING SOURCES (USES)				
State general fund appropriation	6,274,800	-	-	6,274,800
Transfer - Other financing sources	355,763	-	-	355,763
Less: Transfer reversions to SGF - other	-	-	-	-
Less: Transfer reversion of FY 13	(3,917)	-	-	(3,917)
Net other financing sources (uses)	<u>6,626,646</u>	<u>-</u>	<u>-</u>	<u>6,626,646</u>
Net change in fund balance	(4,697)	45,683	20,114	61,100
Fund balance, beginning	15,774	52,333	43,120	111,227
Fund balance, ending	<u>\$ 11,077</u>	<u>98,016</u>	<u>63,234</u>	<u>172,327</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 \$ 61,100

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	(73,953)
Capital outlay that was included as additions in capital assets	81,433
Loss on disposition of capital assets	(242)

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	(7,428)
Change in net position - governmental activities	<u>\$ 60,910</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)
GENERAL FUND (15300)
For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ 307,600	507,600	363,610	(143,990)
Other grants	-	105,000	-	(105,000)
Miscellaneous revenue	-	16,000	20,747	4,747
Total revenues	<u>307,600</u>	<u>628,600</u>	<u>384,357</u>	<u>(244,243)</u>
EXPENDITURES				
Current:				
General government				
Personal services	5,448,100	5,699,178	5,694,528	4,650
Contractual services	1,025,300	777,145	745,364	31,781
Other costs	359,800	688,877	575,808	113,069
Capital outlay	-	-	-	-
Total expenditures	<u>6,833,200</u>	<u>7,165,200</u>	<u>7,015,700</u>	<u>149,500</u>
Excess (deficiency) of revenues over (under) expenditures	(6,525,600)	(6,536,600)	(6,631,343)	(94,743)
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	6,274,800	6,274,800	6,274,800	-
Interagency transfers in	250,800	250,800	355,763	104,963
Interfund transfers in	-	-	-	-
Total Other financing sources	<u>6,525,600</u>	<u>6,525,600</u>	<u>6,630,563</u>	<u>104,963</u>
Reversion to SGF	-	-	(3,917)	(3,917)
Reversions to SGF - other	-	-	-	-
Net interagency transfers and financial sources (uses)	<u>6,525,600</u>	<u>6,525,600</u>	<u>6,626,646</u>	<u>101,046</u>
Net change in fund balance	-	(11,000)	(4,697)	6,303
Fund balance, beginning	15,774	15,774	15,774	
Fund balance, ending			<u>\$ 11,077</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)
ALTERNATIVE DISPUTE RESOLUTION FUND (88000)
For The Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Court fees	\$ 76,400	76,400	63,930	(12,470)
Miscellaneous revenue	-	-	-	-
Total revenues	<u>76,400</u>	<u>76,400</u>	<u>63,930</u>	<u>(12,470)</u>
EXPENDITURES				
Current:				
General government				
Contractual services	74,400	74,400	18,247	56,153
Other costs	2,000	2,000	-	2,000
Total expenditures	<u>76,400</u>	<u>76,400</u>	<u>18,247</u>	<u>58,153</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	45,683	45,683
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	-	-	-	-
Net change in fund balance	-	-	45,683	45,683
Fund balance, beginning	52,333	52,333	<u>52,333</u>	
Fund balance, ending			<u>\$ <u>98,016</u></u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 THIRTEENTH JUDICIAL DISTRICT COURT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET TO ACTUAL (MODIFIED ACCRUAL BUDGETARY BASIS)
 DOMESTIC RELATIONS MEDIATION FUND (08300)
 For The Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Court fees	\$ 29,500	29,500	47,469	17,969
Total revenues	<u>29,500</u>	<u>29,500</u>	<u>47,469</u>	<u>17,969</u>
EXPENDITURES				
Current:				
General government				
Contractual services	27,500	27,500	27,355	145
Other costs	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenditures	<u>29,500</u>	<u>29,500</u>	<u>27,355</u>	<u>2,145</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	20,114	20,114
Fund balance, beginning	43,120	43,120	<u>43,120</u>	
Fund balance, ending			<u>\$ <u>63,234</u></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, 2013**

	<u>Agency Fund</u>
ASSETS	
State Treasurer accounts	\$ 16,257
Cash in authorized bank account	<u>12,749,665</u>
TOTAL ASSETS	<u>\$ 12,765,922</u>
LIABILITIES	
Due to other state agencies	\$ 16,257
Due to litigants	<u>12,749,665</u>
TOTAL LIABILITIES	<u>\$ 12,765,922</u>

The accompanying notes are an integral part of these schedules

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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 and 61 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 and 61.

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

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

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Court's accounting policies are described below.

The basic financial statements include both government-wide (based on the Court as a whole) and fund financial statements. The reporting model focus is on either the Court as a whole or major individual fund (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources measurement focus basis, which incorporates long-term assets, deferred outflows and receivables as well as long-term debt and obligations. The Court did not have any business-type activities during the year ended June 30, 2013.

For its government-wide activities, the Court has elected to apply all applicable 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 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 or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental 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.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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, deferred outflows, liabilities, deferred inflows, 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 reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures. The general fund is always considered a major fund. The Court has elected to consider all their special revenue funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, per GASB Statement No. 54, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See Note 6 for additional information about fund balances.

The following are the Court's major 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, if applicable. 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.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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.

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 full-accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

The statement of net position 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.

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 (DFA) an

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- 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. The Court's budget for the fiscal year ending June 30, 2013 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.
 5. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The Court submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
 6. 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.
 7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
 8. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts. 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.
 9. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2013. The Court's General Fund is a reverting fund (funds revert back to the State General Fund).
 10. 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, if applicable.
 11. 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.
 12. 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.
 13. 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, 2013.

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14. The legal level of budgetary control is at the appropriation program level.

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.

6. Net Position

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

Investment in Capital Assets (net of related debt) – is intended to reflect the portion of net position which is 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, 2013.

Restricted Net Position – is intended to reflect the portion of net position that has third party limitations on their use.

Unrestricted (Deficit) Net Position – represents net position of the Court that is not restricted for any project or other purpose.

GASB Statement #54

In February 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as nonspendable, restricted, or unrestricted (committed, assigned or unassigned).

Spending Policy

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Court's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Court's policy to spend committed resources first.

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports restricted net position. All the restricted net position is considered restricted by enabling legislation under the alternative dispute resolution and domestic relations mediation act and the grants. The enabling legislation has been determined to be legally enforceable.

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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.

7. Fund Balance

The Court's fund balance is classified under the following GASB Statement 54 components:

- **Nonspendable:** Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Court does not have any nonspendable fund balance for the year ended June 30, 2013.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The Court's restricted funds in the general fund represent restricted grants and in the special revenue funds the restricted funds represent funds held for the Court's dispute and mediation programs for the year ended June 30, 2013.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The Court does not have any committed fund balance for the year ended June 30, 2013.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The Court does not have any assigned fund balance for the year ended June 30, 2013.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The Court does not currently have a minimum fund balance policy. The unassigned amount represents a deficit of \$50,000 of overspent special appropriation 06-0752 in the General Fund.

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.

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Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Court, the provider should recognize liabilities, deferred inflows 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/unearned 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". 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.

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.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets, deferred outflows, liabilities and deferred inflows at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

9. Inter-fund Activity

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

10. 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.

11. 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.

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Schedule of Net Position/Fund Balance

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

<u>Amount</u>	<u>Description</u>
\$ (50,000)	Overspent special appropriation
\$ (50,000)	Per balance sheet: general fund- fund balance - governmental funds

Government-Wide Net Position - Consists of the following:

\$ 181,840	Net position investment in capital assets
(56,186)	Long-term compensated absences payable as of year end
<u>(224,744)</u>	Current portion of compensated absences payable as of year end
(99,090)	Total of net position investment in capital assets and compensated absences
(50,000)	Overspent special appropriation
<u>222,327</u>	Per balance sheet - governmental funds net position before deficit
\$ <u>73,237</u>	Grand total net position at year end

Total unrestricted is \$(330,930) of which (\$280,930) was related to compensated absences payable which is expected to be financed by future state appropriations and the remaining \$(50,000) is related to the general fund as described in the first table under this note.

\$222,327 was restricted net position related to grants and mediation and dispute programs.

12. Cash and Cash Equivalents

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

13. Capital Assets

Property and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the Court's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The Court does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Court depreciation guidelines. There is no related debt relating to capital assets. The Court reclassified certain assets during the fiscal year ending June 30, 2013, for a more accurate presentation of assets. See Note J for more information.

Machinery and equipment	5—15 years
Furniture and fixtures	5—15 years
Vehicles	5 years
Library	3 years
Leasehold improvements	5—15 years

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14. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

Years of Service	Hours Earned per Month	Days Earned per Month	Days of Maximum Accrual
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, 2013, accrued compensated absences payable for accumulated annual leave can be seen in the note for long-term debt.

15. Accrued Sick Leave

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee’s regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2013 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, 2013, Eight (8) employees of the Court have accrued leave benefits in excess of 600 hours, which amounted to \$10,448 of the total noted below in the long-term debt note.

B. CASH AND INVESTMENTS POLICY WITH STATE TREASURER AND BANK INSTITUTIONS

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

Cash includes cash on hand and cash deposits in four financial institutions, all non-interest bearing demand checking accounts. All investments are on deposit with the State Treasurer. Please see the “Schedule of Deposits and Investments” in the “Other Supplementary Information” section of the audit report. In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of

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public money that is insured by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration.

Deposits (cash or cash equivalents) are carried at cost, which approximates market value. FDIC advisory opinion 94-24 states that public funds are entitled to \$100,000 insurance for time or savings deposits (including bank money market accounts) and \$100,000 for demand deposits deposited within the state in compliance with 12 CFR Subsection 330.15. FDIC deposit insurance has temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013. Changes have also been made to other account types. For more information, visit www.fdic.gov.

As of June 30, 2013, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of outstanding checks and deposits-in-transit.

In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978 as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
 - (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.;

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- (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
- (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or.
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of un-certificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser. For additional GASB 40 disclosure information regarding cash/investments held by the State Treasurer, see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2013.

Below are required disclosures regarding credit and interest risk.

General Fund Investment Pool Not Reconciled

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

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert. The purpose of

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the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items. It is DFA's responsibility to perform the monthly reconciliation of the General Fund Investment Pool.

Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2012 and continues into 2013.

That directive instructed agencies to do the following:

1. Provide copies of the referenced reports to the agency's Independent Public Accountant (IPA) performing the FY13 audit;
2. Explain to the IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
3. Disclose in the agency's notes to the financial statements the facts about the statewide cash reconciliation as of June 30, 2013, and what the agency's policies and procedures were during the FY13 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2013.

The Court has provided copies of the referenced diagnostic reports to the IPA. The Court has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the Court has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

The Court has an interest in the State General Fund Investment Pool allocated between three fund operating under the oversight of SHARE and the State Treasurers Office. The cash transactions processed by the Court flow through the state general fund investment pool. Since SHARE was implemented, the Court recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities and a review of outstanding warrants. The Court conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Court share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period.

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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, 2013. 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, 2013, receivables consist of:

Due from Governmental Unit/Agency	Due To SHARE Fund	Due From SHARE Fund	Purpose	Amount
Sandoval County	15300	N/A	Adult Drug Court program	\$ 4,594
PERA	15300	21370	Reimbursement of PERA funds	400
HSD	15300	21800	Child Support Grant	25,333
				<u>\$ 30,327</u>

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

D. DUE TO OTHER GOVERNMENTS

As of June 30, 2013, no funds were due to other governments:

E. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

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

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F. REVERSIONS AND DUE TO STATE GENERAL FUND

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 as of June 30, 2013 is as follows:

<u>Description</u>	<u>General Fund</u>	<u>Due To SHARE Fund</u>	<u>Due From SHARE Fund</u>
Reversion of appropriations FY 13	\$ -	34100	15300
Current year collection for tapes and copies less amount spent per DFA authority	<u>3,917</u>	34100	15300
Total due to State General Fund	<u>\$ 3,917</u>		

All amounts in the general fund of the Court's fund balance revert except what is noted as grants, on the balance sheet-governmental funds per the table of contents.

G. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	<u>2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>2013</u>	<u>Current Portion</u>
Compensated absences payable	\$ <u>273,502</u>	<u>267,551</u>	<u>(260,123)</u>	<u>280,930</u>	<u>224,744</u>
Net change in compensated absences		7,428			

Prior year compensated absences have been liquidated by the general fund.

H. CONTINGENCIES

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.

I. 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, 2013, there were no interfund payables or receivables outstanding.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

J. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass- ification</u>	<u>Balance 2013</u>
Capital assets depreciated:					
Furniture and fixtures	\$ 317,457	8,365	-	(19,200)	306,622
Machinery and equipment	670,694	23,286	-	(317,554)	376,426
Vehicles	272,645	49,782	(48,341)	-	274,086
Library	85,061	-	-	-	85,061
Leasehold Improvements	-	-	-	336,754	336,754
Total capital assets depreciated	<u>1,345,857</u>	<u>81,433</u>	<u>(48,341)</u>	<u>-</u>	<u>1,378,949</u>
Less accumulated depreciation for:					
Furniture and fixtures	(291,134)	(5,842)	-	2,971	(294,005)
Machinery and equipment	(603,751)	(37,565)	-	308,552	(332,764)
Vehicles	(191,309)	(30,546)	48,099	-	(173,756)
Library	(85,061)	-	-	-	(85,061)
Leasehold Improvements	-	-	-	(311,523)	(311,523)
Total accumulated depreciation	<u>(1,171,255)</u>	<u>(73,953)</u>	<u>48,099</u>	<u>-</u>	<u>(1,197,109)</u>
Total capital assets, net	<u>\$ 174,602</u>	<u>7,480</u>	<u>(242)</u>	<u>-</u>	<u>181,840</u>

The Court is a single function organization and depreciation expense is recorded as a direct expense to its only activity, general government, in the amount of \$73,953.

The Court has idle capital assets as follows; equipment and machinery of \$190,701 with a book basis of \$781, furniture and fixtures of \$188,076 with a book basis of \$331 and Library of \$85,061 with a book basis of \$0.

K. 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.

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, 2013, 2012 and 2011 were \$578,990, \$490,811, and \$569,906, less

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

the amounts disclosed in the JRA Pension plan shown below respectively, which equal the amount of the required contributions for each fiscal year.

L. 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 9% of their gross salary. The Court is required to contribute 10.5% of the gross covered salary. The Court's contributions to JRA for the years ending June 30, 2013, 2012 and 2011 were \$79,076, \$66,917 and \$82,255, 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 \$220,484 in filing fees for the year ending June 30, 2013.

M. 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 is 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 made 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.

N. 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.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to RHCA fund in the amount determined to be appropriate by the board.

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. For the employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Court's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$85,463, \$75,416 and \$69,688, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

O. LEASES

The Court has equipment leases and associated maintenance agreements which can be terminated with no penalty to the Court, if the Legislature does not appropriate money to the Court. The leases are for 12 copy machines. All leases may be terminated at any time with sixty-days of 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 leases are accounted for as operating leases and the future minimum rental payments are as follows:

<u>For the Year Ended June 30</u>	<u>Office Equipment</u>
2014	\$ 47,599
2015	27,346
2016	-
2017	-
2018	-
Thereafter	-
Total	\$ <u>74,945</u>

Lease expenditures and related expenses for the year ended June 30, 2013 were \$65,656.

P. JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

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

Participant:	Court and Valencia County (VC)
Responsible Party:	The Court
Description:	Pre-Trial Services for District and Magistrate Courts of Valencia County.
Term:	Begins July 1, 2012 and terminates June 30, 2013
Amount Involved:	\$50,000
Revenue/Expenditures Reported:	Revenue on the Court's books, expense on VC's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

Q. DETERMINATION OF SINGLE AUDIT

During fiscal year 2013, the Court was awarded federal funds of \$363,610 and spent \$353,610. Therefore, the threshold for a Single Audit as described in OMB A-133 was not met.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013**

R. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. No funds exceeded approved budgetary authority for the year ended June 30, 2013 except the budget deficit in the general fund identified under the Fund Balance note in this report.

S. CONCENTRATIONS

The Court depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Court is subject to changes in specific flows of intergovernmental revenues based upon modifications to Federal and State laws and Federal and State appropriations.

T. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Court recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Court's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Court has evaluated subsequent events through December 11, 2013, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTAL INFORMATION

**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, 2013**

	<u>2012</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>2013</u>
ASSETS				
State Treasurer accounts	14,532	1,317,605	1,315,880	16,257
Cash in authorized bank accounts	<u>6,022,849</u>	<u>11,393,822</u>	<u>4,667,006</u>	<u>12,749,665</u>
	<u>\$ 6,037,381</u>	<u>12,711,427</u>	<u>5,982,886</u>	<u>12,765,922</u>
LIABILITIES				
Due to others state agencies	14,532	1,317,605	1,315,880	16,257
Due to litigants	<u>6,022,849</u>	<u>11,393,822</u>	<u>4,667,006</u>	<u>12,749,665</u>
	<u>\$ 6,037,381</u>	<u>12,711,427</u>	<u>5,982,886</u>	<u>12,765,922</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS
As of June 30 ,2013**

	Type of Account	Bank/ Treasurer Balance	Deposits In Transit	Outstanding Warrants/ Checks	Book Balance
GENERAL FUND					
New Mexico State Treasurer 243-15300	SGFIP	\$ 235,292	-	-	235,292
SPECIAL REVENUE FUNDS					
New Mexico State Treasurer 243-88000	SGFIP	98,500	-	-	98,500
New Mexico State Treasurer 243-08300	SGFIP	63,234	-	-	63,234
Total Special Revenue Funds		161,734	-	-	161,734
AGENCY FUNDS					
Wells Fargo Bank of New Mexico N.A.					
Court Registry - Valencia	Checking	209,375	-	-	209,375
Court Registry - Sandoval	Checking	247,992	-	-	247,992
Court Registry - Cibola	Checking	65,730	-	-	65,730
STO - Valencia County	Checking	6,092	-	-	6,092
STO - Sandoval County	Checking	8,993	-	-	8,993
STO - Cibola County	Checking	1,173	-	-	1,173
Subtotal for Wells Fargo Checking Accounts		539,354	-	-	539,354
CV-09-2886 - Residential vs Sapeta	Savings	16,101	1	-	16,101
CV-11-0719 - City of Rio Rancho vs Vaughan	Savings	23,170	1	-	23,171
CV-11-0615 - Sandoval County vs Estate of Estelle Buscher	Savings	18,716	1	-	18,717
CV-10-0778 - Bank of New York Mellon vs Lamb	Savings	20,017	1	-	20,018
CV-10-1051 - GMAC Mortgage LLC vs Alan J. Zingler	Savings	6,399	0	-	6,399
CV-10-1151 - Deutsche Bank vs Stuart G. Lamb	Savings	5,004	0	-	5,004
CV-05-0930 - NMDOT vs Keith Langerman, Sr.	Savings	19,416	1	-	19,417
PB-08-0110 - IMO: Mattie Duran	Savings	4,048	0	-	4,048
CV-12-0551 - NMDOT vs Mattie Goode	Savings	90,141	3	-	90,144
CV-12-0927 - RR Bd of Educ vs Andrykowski	Savings	297,144	12	-	297,156
CV-12-1483 - NMDOT vs Mandalla	Savings	2,651	0	-	2,651
CV-12-2431 - NMDOT vs Jeanene Gross	Savings	169,633	6	-	169,638
CV-12-2576 - NMDOT vs Giant Industries	Savings	18,153	1	(18,154)	-
CV-12-2660 - NMDOT vs 144 Commercial Developmnet	Savings	965,531	32	-	965,563
PB-12-0102 - IMO: David Garret, Deceased	Savings	144,530	5	-	144,535
CV-12-2709 - NMDOT vs McDonalds	Savings	51,508	2	-	51,510
CV-12-2710 - NMDOT vs Bernalillo Plaza	Savings	4,651	0	-	4,651
CV-12-2814 - State vs DCWI	Savings	172,225	6	-	172,231
CV-12-0844 - US Bank vs D. Lopez	Savings	8,375	0	-	8,375
CV-13-0603 - Westman vs Flynn & Smith, LLC	Savings	15,336	1	-	15,336
CV-11-2416 - CitiBank vs Uttaro	Savings	258,106	7	(258,113)	-
CV-12-1135 - JP Morgan vs W. Brown	Savings	70,001	2	-	70,003
CV-11-1888 - Bank of America vs Sharifi	Savings	40,000	1	-	40,002
CV-12-0637 - JP Morgan vs Jerry Gebhardt	Savings	-	230,525	-	230,525
CV-11-0812 - Conrad gonzales vs Deborah Gonzales	Savings	-	244,899	(10,000)	234,899
CV-12-2048 - McCall vs Mooresville	Savings	-	286,450	-	286,450
CV-11-1448 - US Bank vs David Torres	Savings	-	40,000	-	40,000
PB-07-0043 - IMO: Amanda Piggott	Savings	317,555	10	-	317,566
CV-12-0748 - CitiMorgage vs Loreen E. Griffing	Savings	122,001	1	(122,002)	-
PB-09-0019 - IMO: Alfredo Federico Mirabal	Savings	270,820	9	-	270,829
PB-08-0027 - IMO: ronald Ben Griego, Sr.	Savings	119,641	4	-	119,644
CV-05-0192 - Sunnyland vs CNM Electric	Savings	7,440,925	245	-	7,441,170
Subtotal for Wells Fargo Savings Accounts		10,691,798	802,223	(408,269)	11,085,752
Total Wells Fargo Bank of New Mexico N.A.		11,231,151	802,223	(408,269)	11,625,106

The accompanying notes are an integral part of these schedules

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS - Continued
As of June 30 ,2013**

AGENCY FUNDS - Continued	Type of Account	Bank/ Treasurer Balance	Deposits In Transit	Outstanding Warrants/ Checks	Book Balance
My Bank/Belen					
CV-94-0425 - SHD vs Alumco	Savings	1,954	0	-	1,954
CV-92-0337 - Tierra Grande vs Watkins	Savings	14,698	2	-	14,700
CV-95-0009 - Mid Century vs Davenport	Savings	5,140	1	-	5,140
CV-94-0291 - Brannin vs Applebee	Savings	18,626	2	-	18,629
CV-98-0592 - Federal Na'tl Mortgatge vs Jones	Savings	11,790	1	-	11,792
CV-99-0375 - Lawyers vs Murphy, Pancoast	Savings	5,306	1	-	5,307
CV-00-0031 - SHD vs Allen	Savings	18,164	2	-	18,166
CV-09-0817 - PNM vs Allwood	Savings	13,839	2	-	13,840
CV-08-0072 - Malcom S. Major	Savings	115,357	18	-	115,375
Total My Bank/Belen		204,874	29	-	204,903
Grants State Bank					
CV-08-0400 - NMDOT vs Kilino Marques, et al	Savings	58,169	7	-	58,176
CV-08-0399 - NMDOT vs NM Tax & Rev	Savings	1,162	0	(1,162)	-
CV-11-0138 - City of Grants vs Gilbert Martinez	Savings	30,076	2	-	30,078
Total Grants State Bank		89,407	10	(1,162)	88,254
U.S. Bank					
CV-97-0906 - Patricia E Cook vs Donald L. Staufenberg	Savings	11,754	1	-	11,755
CV-97-1137 - Charter Bank vs John G. Amador	Savings	3,800	0	-	3,800
CV-01-733 - Hall T. Sippy vs David L. Giles	Savings	11,948	1	-	11,950
CV-03-980 - City of RR vs George Martindell	Savings	104,337	13	-	104,350
CV-04-224 - Charter Bank vs Diana K Slotness	Savings	10,243	1	-	10,244
CV-03-546 - Assoc of Gldn West Patio Apts vs Unknown H	Savings	2,877	0	-	2,877
CV-05-077 - State of NM vs D J T	Savings	21,522	2	-	21,524
CV-04-470 - GE Mortgage Services LLC vs Maria D. Jacqu	Savings	4,981	1	-	4,981
CV-06-405 - City of RR vs Ronald J. Lofy	Savings	21,494	2	-	21,496
CV-06-591 - City of RR vs George Athens	Savings	34,684	3	-	34,687
CV-06-719 - NMDOT vs Denise Gilman	Savings	40,338	4	-	40,342
CV-06-735 - City of RR vs Louis Kailey	Savings	34,768	3	-	34,771
CV-06-818 - Board of Educ vs Arlene Derise	Savings	28,591	3	-	28,594
CV-06-984 - City of RR vs Mike J. Merten	Savings	40,502	4	-	40,506
CV-06-1403 - Bd of Educ vs Rancho Vista Development	Savings	36,562	4	-	36,565
CV-07-277 - City of RR vs Melvin Pasley	Savings	25,298	2	-	25,300
CV-07-278 - City of RR vs John O'Halloran	Savings	31,750	3	-	31,753
CV-05-1429 - Countrywide Hm Loans vs Albert S Esquibel	Savings	8,702	1	-	8,703
CV-08-1885 - PNM vs One Purpose	Savings	10,171	1	-	10,172
CV-09-1652 - Arroyo vs Estelle Beane Gillman	Savings	67,924	7	-	67,931
CV-09-2408 - Sandoval Cnty vs Tesoro Properties	Savings	240,697	30	-	240,726
CV-09-2873 - PNM vs Lawrence Andreassen	Savings	26,223	3	-	26,225
CV-05-639 - NMDOT vs Hardall Holding Corporation	Savings	28,401	3	-	28,404
Total U.S. Bank		847,565	94	-	847,659
Grand total of deposits	\$	12,770,024	802,355	(409,431)	13,162,948

The accompanying notes are an integral part of these schedules

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF DEPOSITS AND INVESTMENTS - Continued
As of June 30 ,2013**

Reconciliation of Cash by Fund Type

Total Cash by Type

Governmental Funds	\$	397,026	-	-	397,026
Agency Funds		<u>12,372,998</u>	<u>802,355</u>	<u>(409,431)</u>	<u>12,765,922</u>
Grand total of deposits	\$	<u><u>12,770,024</u></u>	<u><u>802,355</u></u>	<u><u>(409,431)</u></u>	<u><u>13,162,948</u></u>

The accompanying notes are an integral part of these schedules

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF PLEDGED COLLATERAL
BY BANK AND ACCOUNT
As of June 30, 2013**

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds			
Cash at State Treasurer	SGFIP	\$ <u>397,026</u>	<u>397,026</u>
Agency Funds			
Wells Fargo Bank	Checking	\$ 539,354	539,354
Wells Fargo Bank	Savings	10,691,798	11,085,752
My Bank/Belen	Savings	204,874	204,903
U.S. Bank	Savings	847,565	847,659
Grants State Bank	Savings	89,407	88,254
Total Agency Funds		\$ <u>12,372,998</u>	<u>12,765,922</u>
Total amount of deposit in banks		\$ 12,372,998	<u>12,765,922</u>
FDIC coverage		(794,281)	
Total uninsured public funds		\$ <u>11,578,717</u>	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		\$ <u>5,789,358</u>	

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

The uninsured public funds is as shown above. Collateral information for the deposits at My Bank/Belen, Grants State Bank, Wells Fargo Bank and U.S. Bank is not available because the banks commingle pledged collateral for all of the 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, 2013:

Uninsured and uncollateralized as pledged collateral is commingled for all state funds	<i>Unknown</i>
Uninsured, collateral held by the pledging banks, but not in the name of the Court or the State of New Mexico	\$ <u>11,578,717</u>

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF INTERAGENCY TRANSFERS
For The Year Ended June 30, 2013**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
State Appropriations					
General Fund Appropriation	SGF	34101	15300	Laws 2012, 2nd Session, Ch 19, Sec 4	6,274,800
Total State General Fund					\$ 6,274,800
Other Financing Sources					
CASA Appropriation & other funding	AOC	21800	15300	Laws 2012, 2nd Session, Ch 19, Sec 4	250,763
Total Other Financing Sources					\$ 250,763
Description	Agency Transferred To	From Fund	To Fund	Reference	Amount Transferred Out
General Fund Reversion	DFA	15300	34100	Reversion of current year miscellaneous income	(3,917)
General Fund Appropriation	DFA	15300	34100	Reversion of FY 13	
Total Department of Finance and Administration					\$ (3,917)

*Note: The reversions presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds are expected to be reverted in FY 14



INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 (the Court) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Court's basic financial statements, and the related budgetary comparisons of the Court, presented as supplemental information, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

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, material weaknesses or significant deficiencies may exist that were not 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 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, item: 10-02.

December 11, 2013

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

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 deficiency described in the accompanying *schedule of findings and responses* to be a significant deficiency, item: 13-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Court's financial statements are free from 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 are described in the accompanying schedule of findings and responses as items: 03-02, 10-02 and 13-01.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items: 03-02, 10-02 and 13-01.

Thirteenth Judicial District Court's Response to Findings

The Court's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Court's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Court's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
December 11, 2013

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2013**

SUMMARY OF FINDINGS AND RESPONSES

Current and prior year findings are as follows:

Reference FY-Finding #	Findings	Status of Current and Prior Year Findings	Financial Statement Finding	Other Matter/ State Audit Compl- iance Finding	Material Weakness	Significant Deficiency
03-02	State Treasurer's Account Balance	Repeated	No	Yes	N/A	N/A
07-04	Cash Controls of Fiduciary Funds	Resolved	Yes	No	No	Yes
10-02	Deficit Fund Balance in General Fund	Repeated	Yes	Yes	Yes	No
13-01	Controls Over Agency Funds	Current	Yes	Yes	No	Yes

03-02—State Treasurer’s Account Balance

Type of Finding: State Compliance/Other Matter

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 2013
Valencia County 12 out of 12 months in fiscal year 2013

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.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2013**

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.

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 completing, 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.

10-02—Deficit Fund Balance

Type of Finding: Material Weakness/State Compliance

Statement of Condition

The General Fund has a deficit fund balance component due to overspending of a 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 2009 fiscal year to keep the Court's general fund from falling into a deficit fund balance. That 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

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2013**

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 was 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 resulted in a deficit fund balance in the Court's General Fund of \$50,000, as such; the Court continues to request a Special Deficiency Appropriation which has, as of yet, not been forthcoming.

13-01—Controls Over Agency Funds

Type of Finding: Significant Deficiency/State Compliance

Statement of Condition

During testing of transactions, the following control deficiencies were noted relating to the cash accounts for Agency Funds:

- Sufficient documentation regarding individual ownership of funds in the Agency Fund (registry) bank accounts was not maintained. The 13th Judicial District Court (Court) did not maintain adequate records of the amounts collected, possibly since inception, on behalf of others (i.e., bond's, etc.) to determine the amounts due and payable to each individual beneficiary.
- For 1 of the 40 disbursement transactions tested, the transaction was a negative disbursement for a stale-dated check dated more than five years previous and no attempt was made to escheat the amount to the State of NM. Upon further examination, the Court does not have a policy to comply with the NM Uniformed Unclaimed Property Act.
- For 1 of the 22 receipts tested, the cash receipt was deposited more than twenty-four hours (excluding weekends and holidays) after the date of the receipt.
- For 20 of the 20 adjustments tested, timely adjustment was not made for incorrect postings to the subsidiary Trust ledgers in Odyssey.
- There is a lack of separation of duties in that the person who reconciles and records the account activity is also a signatory on the accounts.

Criteria

NM State Statute 6-5-2 requires that all state agencies implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. NM State Statute 59A-6-5(c) and 6-10-3, requires all monies received to be deposited within twenty-four hours of receipt. NM State Statute 7-8A prescribes holders of unclaimed property to report and remit the same to the administrator as defined by the statute.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2013**

Effect

There is an increased possibility of loss or theft of cash receipts and an increased risk of misstatement due to fraud or error. Cash flow is delayed for un-deposited amounts for state purpose. The Court is in violation of state statute.

Cause

Adequate records supporting the ownership of amounts collected were not maintained. The Court did not follow the applicable statute for depositing monies. The Court does not have policy to comply with the NM Uniformed Unclaimed Property Act.

Recommendation

We recommend that Management analyze transactions and case files to determine the ownership of funds in the Agency Fund bank accounts and to disburse amounts accordingly. We recommend that Management deposit and disburse all funds received timely and in accordance with state statutes. We also recommend that Management make adjustments for incorrect postings timely. Finally we recommend that Management remove the signatory authority for staff that record and reconcile activity.

Management Response

The Court does have Odyssey reports indicating to whom bonds belong to, however, those amounts do not currently reconcile exactly to the registry balances. This would appear to be due to other activity that flows through those accounts (i.e. trust monies released from savings and put into the registry to be disbursed). The Court is in process of determining the best way to go about reconciling the reports from case management to the financial module. Furthermore, the Court will review policies for escheating funds back to the State of New Mexico as per the Uniformed Unclaimed Property Act for stale-dated amounts. The Court will also review policies in place for timely deposits of funds within 24 hours; this particular issue appears to be related to an illness and nobody was able to deposit the cash timely. The Court will also review policies and procedures in place for timely adjustments to the Odyssey ledger. In regards to the separation of duties, the Court currently does not have the financial staffing to have appropriate segregation of duties; however, the Court does have compensating controls which the Court believes to be sufficient to mitigate the associated risk.

**STATE OF NEW MEXICO
THIRTEENTH JUDICIAL DISTRICT COURT
EXIT CONFERENCE
For The Year Ended June 30, 2013**

An exit conference was held in a closed session on December 12, 2013, at the Court's Offices in Sandoval County, New Mexico. In attendance were the following:

Representing the Thirteenth Judicial District Court:

Honorable Louis P. McDonald	Chief Judge
Jamie Goldberg	Court Executive Officer

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	President
Misty L. Crawford, CPA, CGMA	Audit Manager

FINANCIAL STATEMENTS

The financial statements of the Court as of June 30, 2013, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.