

**STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT ATTORNEY
Albuquerque, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2012**

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**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
OFFICIAL ROSTER
June 30, 2012**

NAME

TITLE

Kari Brandenburg	District Attorney
Gary Cade	Chief Deputy District Attorney
Deborah DePalo	Chief Deputy District Attorney
Mark Drebing	Chief Deputy District Attorney
Jeff Peters	District Office Manager
Troy Davis	Deputy District Attorney
Peter Paul Decker	Deputy District Attorney
Judith Ann Faviell	Deputy District Attorney
Michael Fricke	Deputy District Attorney
Peg Holguin	Deputy District Attorney
Michael Lewis	Deputy District Attorney
Edna Engel-Sprague	Deputy District Attorney
Sylvia Martinez	Deputy District Attorney
Garry Breeswine	Deputy District Attorney
Reynaldo Montano	Deputy District Attorney
Neal Speer	Deputy District Attorney
Mary Gueldenzoph	Deputy District Attorney
Christopher Schultz	Deputy District Attorney
Warren Sigal	Deputy District Attorney
Lisa Trabaudo	Deputy District Attorney
David Waymire	Deputy District Attorney



CliftonLarsonAllen

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Independent Auditors' Report

Ms. Kari Brandenburg, District Attorney
State of New Mexico
Second Judicial District Attorney
Albuquerque, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons of the general fund and major special revenue funds of the State of New Mexico Second Judicial District Attorney (the District Attorney) as of and for the year ended June 30, 2012, which collectively comprise the District Attorney's basic financial statements as listed in the table of contents. We also have audited the financial statements of the fiduciary fund as of June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District Attorney's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the financial statements of the District Attorney are intended to present the financial position and results of operations of only that portion of the governmental activities, each major fund, the respective budgetary comparisons and the information of the State of New Mexico that is attributable to the transactions of the District Attorney. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2012 and the changes in its financial position thereof and respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District Attorney as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of

the District Attorney as of June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the District Attorney'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons that collectively comprise the District Attorney's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 17, 2012

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Financial Highlights

The following items are the District Attorney's financial highlights for the fiscal year ended June 30, 2012.

- Net assets of the District Attorney decreased by \$215,613, or 80%, in FY12 compared to FY11. The decrease is a result of utilizing the Southwest Border Prosecution Initiative (SWBPI) fund balance of \$170,562. The agency replaced four vehicles and covered shortfalls in other costs.
- In FY10, the District Attorney was awarded a grant from the American Recovery and Reinvestment Act of 2009 (ARRA) in the amount of \$893,750. This has enabled the District Attorney's office to fund six full time employees. Total expenditures for FY12 are \$271,428. The grant ended on June 30, 2012.
- The District Attorney's office is in receipt of Southwest Border Prosecution Initiative (SWBPI) funds. This has enabled the office to cover shortfalls in personnel and benefits services, contractual and other costs in the amount of \$406,696 in FY12. The office received \$236,134 in additional SWBPI funding.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District Attorney's basic financial statements. The District Attorney's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District Attorney's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District Attorney's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Attorney is improving or deteriorating.

The statement of activities presents information showing how the District Attorney's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District Attorney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District Attorney can be divided into one of three categories: governmental funds, proprietary funds and fiduciary funds.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. For this purpose, the District Attorney considers revenues to be available if they are collected within 60 days of the current fiscal period. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District Attorney's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the General fund, the District Attorney maintains two other individual governmental funds, both of which are classified as special revenue funds. Information for the General fund, the Special revenue fund and the ARRA fund, all of which are considered to be major funds, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The District Attorney adopts an annual appropriated budget for its General fund. A budgetary comparison statement for the General fund is presented on page 16. In addition, the District Attorney adopts an annual budget for other funds. A budgetary comparison statement is presented individually for all of those funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District Attorney's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District Attorney's primary government, assets exceed liabilities by \$54,459.

Financial Analysis of the District Attorney as a Whole

Net Assets

Table A-1 summarizes the District Attorney's net assets for the fiscal year ending June 30, 2012.

**Table A-1
The District Attorney's Net Assets**

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current and other assets	\$ 1,479,459	\$ 1,807,366	\$ (327,907)	-18%
Capital Assets	<u>103,362</u>	<u>49,719</u>	<u>53,643</u>	108%
Total Assets	<u>\$ 1,582,821</u>	<u>\$ 1,857,085</u>	<u>\$ (274,264)</u>	-15%
Liabilities				
Current	<u>\$ 1,528,362</u>	<u>\$ 1,587,013</u>	<u>\$ (58,651)</u>	-4%
Total Liabilities	<u>1,528,362</u>	<u>1,587,013</u>	<u>(58,651)</u>	-4%
Net Assets				
Invested in capital assets	103,362	49,719	53,643	108%
Restricted	-	6,236	(6,236)	-100%
Unrestricted	<u>(48,903)</u>	<u>214,117</u>	<u>(263,020)</u>	-123%
Total Net Assets	<u>54,459</u>	<u>270,072</u>	<u>(215,613)</u>	-80%
Total Liabilities and Net Assets	<u>\$ 1,582,821</u>	<u>\$ 1,857,085</u>	<u>\$ (274,264)</u>	-15%

There is a significant change in net assets for fiscal year 2012 as compared to fiscal year 2011. The decrease is a result of utilizing the Southwest Border Prosecution Initiative (SWBPI) fund balance of \$170,562. The agency covered shortfalls in other costs during fiscal year 2012.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Changes in Net Assets

Table A-2 summarizes the District Attorney's changes in net assets for fiscal year 2012. Governmental activities during the year decreased the District Attorney's net assets by \$215,613.

**Table A-2
Changes in the District Attorney's Net Assets**

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues				
Charges for services	\$ 56,826	\$ 52,533	\$ 4,293	8%
Operating Grants	1,244,175	1,563,113	(318,938)	-20%
General Revenues				
General Fund Appropriation	15,866,300	16,050,700	(184,400)	-1%
Transfers	<u>27,600</u>	<u>10,113</u>	<u>17,487</u>	173%
Total Revenues	17,194,901	17,676,459	(481,558)	-3%
Expenses				
General Government	<u>17,410,514</u>	<u>17,536,984</u>	<u>(126,470)</u>	-1%
Total Expenses	17,410,514	17,536,984	(126,470)	-1%
Change in Net Assets	(215,613)	139,475	(355,088)	-255%
Beginning Net Assets	<u>270,072</u>	<u>130,597</u>	<u>139,475</u>	107%
Ending Net Assets	<u>\$ 54,459</u>	<u>\$ 270,072</u>	<u>\$ (215,613)</u>	-80%

The District Attorney's revenues decreased by \$481,558 or 3% from the previous fiscal year. The most significant changes were related to a decrease in the general fund appropriation and the ending of the Edward Byrne Memorial Justice Assistance Grant Program and the ARRA-NRPV- Combating Narcotics Activity Grant in April 2012.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Governmental Funds

The focus of the District Attorney's governmental funds is to provide information on near-term inflows and balances of spendable resources. Such information is useful in assessing the District Attorney's financing requirements. In particular, unassigned fund balances may serve as useful measures of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District Attorney's governmental funds reported combined ending fund balances of \$713,127. Of the fund balance, \$702,024 is related to unexpended amounts of SWBPI funds, and Pueblo MOUs that are not subject to reversion and are classified as spendable and unrestricted, to be used in future years to cover budget shortfalls.

Financial Analysis of the District Attorney's Funds

Budget - As mentioned earlier, the District Attorney uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the General Fund Budget, total revenues budgeted were \$17,136,834 and actual revenues received were \$16,514,121 which is a negative variance of \$622,713. The variance is due to Other State funds budgeted and not received.

For the General Fund Budgeted Expenditures, budgeted expenditures were \$17,136,834 and actual expenditures were \$16,514,121, which is a variance of \$622,713. The variance is due to not receiving funding for the expenditures.

Capital Assets

For fiscal year 2012, there were \$974,009 in deletions of fully depreciated assets. In addition, the District Attorney purchased \$90,642 in data processing equipment and vehicles, increasing net capital assets as of June 30, 2012.

Debt

The Second Judicial District Attorney's Office had long-term debt at June 30, 2012 for compensated absences amounting to \$762,030, and \$810,944 at June 30, 2011. This was a decrease of \$48,914 from the prior year.

Governmental Accounting and Auditing Environment and Next Year's Budget

The District Attorney's office operates from state general fund appropriations and federal and state grants. The following highlights the challenges expected to be faced by the office in 2013, particularly budget cuts.

- The District Attorney's Office screened over 27,569 criminal cases referred from law enforcement;
- Almost 95% of the budget of the office is directly allocated to staff salaries and benefits;
- The office's staff of 297 is larger than any of the law firms in the state;

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

- The office's staff is diverse and active in the community, promoting anti-violence initiatives in our schools and supporting dozens of community non-profits through volunteer work.
- The office is the only District Attorney's Office to staff divisions devoted exclusively to addressing Gang Crimes, Methamphetamine Crimes, Organized Crime & Public Corruption;
- Innovative bad check restitution programs recovered over \$100,000 for Bernalillo County businesses;
- The office filed over 3,100 motions to revoke probation or parole against offenders who had violated probation or parole;
- Over 860 continuing legal education credits were provided in house, saving the public \$40,000 in tuition costs while providing the latest legal updates to attorneys.

The State's 2013 Budget Projections include additional funding for the 1.75% retirement swap between the employer and employee retirement benefits. The employer will pay additional 1.75% of the retirement benefit. Retention of our mid-level employees continues to be a huge issue impacting our office. We are able to attract young and talented individuals, but once they have been with us for five years and gained significant experience, they often leave for better paying government jobs.

Paying for expert witnesses continues to be an ongoing struggle. In FY12 we expended approximately \$143,000 for expert witnesses. We are very careful and try to negotiate with experts, but their fees continue to rise, as does the demand for their services. Defense attorneys are more frequently raising competency issues and other defenses.

Requests for Information

This financial report is designed to provide a general overview of the District Attorney's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief Financial Officer
Second Judicial District Attorney's Office
520 Lomas Boulevard, Northwest
Albuquerque, New Mexico 87102

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investment in state general fund investment pool	\$ 976,013
Petty cash	200
Due from federal government	224,116
Due from other state agencies	108,831
Due from local governments	<u>170,299</u>
Total current assets	<u>1,479,459</u>
Non-current assets:	
Capital assets	374,784
Less accumulated depreciation	<u>(271,422)</u>
Total capital assets, net of accumulated depreciation	<u>103,362</u>
Total assets	<u>1,582,821</u>
LIABILITIES	
Current liabilities:	
Accounts payable	86,624
Accrued payroll	603,791
Due to other state agencies	75,511
Other Liabilities	406
Compensated absences payable - expected to be paid within one year	<u>762,030</u>
Total current liabilities	<u>1,528,362</u>
NET ASSETS	
Invested in capital assets	103,362
Unrestricted	<u>(48,903)</u>
Total net assets	<u>\$ 54,459</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

	Governmental Activities
EXPENSES	
General government	\$ 17,410,514
Total expenses	17,410,514
REVENUES	
Program revenues:	
Operating grants	1,244,175
Charges for services	56,826
Total program revenues	1,301,001
Net program (expense) revenue	(16,109,513)
Transfers:	
General fund appropriation	15,866,300
Inter-governmental transfer in	27,600
Total transfers	15,893,900
CHANGE IN NET ASSETS	(215,613)
NET ASSETS, BEGINNING OF YEAR	270,072
NET ASSETS, END OF YEAR	\$ 54,459

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	15600 General Fund	26000 Grants Fund	89000 ARRA Fund	Total Governmental Funds
ASSETS				
Investment in state general fund investment pool	\$ 951,582	\$ 38,478	\$ -	\$ 990,060
Petty cash	200	-	-	200
Due from other funds	450,110	70,736	-	520,846
Due from federal government	-	207,983	16,133	224,116
Due from other state agencies	69,536	39,295	-	108,831
Due from local governments	51,300	118,999	-	170,299
	<u>51,300</u>	<u>118,999</u>	<u>-</u>	<u>170,299</u>
Total assets	<u>\$ 1,522,728</u>	<u>\$ 475,491</u>	<u>\$ 16,133</u>	<u>\$ 2,014,352</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdraft in the investment in state general fund investment pool	\$ -	\$ -	\$ 14,047	\$ 14,047
Accounts payable	86,441	-	183	86,624
Accrued payroll	576,507	27,240	44	603,791
Due to other funds	70,736	448,251	1,859	520,846
Due to other state agencies	75,511	-	-	75,511
Other Liabilities	406	-	-	406
	<u>406</u>	<u>-</u>	<u>-</u>	<u>406</u>
Total liabilities	<u>809,601</u>	<u>475,491</u>	<u>16,133</u>	<u>1,301,225</u>
Fund Balances:				
Unassigned	713,127	-	-	713,127
	<u>713,127</u>	<u>-</u>	<u>-</u>	<u>713,127</u>
Total fund balances	<u>713,127</u>	<u>-</u>	<u>-</u>	<u>713,127</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,522,728</u>	<u>\$ 475,491</u>	<u>\$ 16,133</u>	<u>\$ 2,014,352</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total fund balances - Governmental Funds (Balance Sheet - Governmental Funds)	\$	713,127
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Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, 2012 because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. These assets consist of:

Capital assets		374,784
Less accumulated depreciation		<u>(271,422)</u>
Total capital assets, net of accumulated depreciation		<u>103,362</u>

Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Compensated absences payable		<u>(762,030)</u>
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Net assets of governmental activities (Statement of Net Assets)	\$	<u>54,459</u>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	15600 General Fund	26000 Grants Fund	89000 ARRA Fund	Total Governmental Funds
REVENUES				
Federal grant revenue	\$ 236,134	\$ 462,927	\$ 271,428	\$ 970,489
Local intergovernmental operating grants	150,000	258,359	-	408,359
Charges for services	56,826	-	-	56,826
	<u>442,960</u>	<u>721,286</u>	<u>271,428</u>	<u>1,435,674</u>
Total revenues				
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	15,538,515	699,831	267,189	16,505,535
Contractual services	122,925	200	-	123,125
Other costs	779,826	9,704	4,239	793,769
Capital outlay	72,855	17,787	-	90,642
	<u>16,514,121</u>	<u>727,522</u>	<u>271,428</u>	<u>17,513,071</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(16,071,161)</u>	<u>(6,236)</u>	<u>-</u>	<u>(16,077,397)</u>
OTHER FINANCING SOURCES (USES)				
State general fund appropriation	15,866,300	-	-	15,866,300
Inter-governmental transfer in	27,600	-	-	27,600
	<u>15,893,900</u>	<u>-</u>	<u>-</u>	<u>15,893,900</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	(177,261)	(6,236)	-	(183,497)
FUND BALANCES, BEGINNING OF YEAR	<u>890,388</u>	<u>6,236</u>	<u>-</u>	<u>896,624</u>
FUND BALANCES, ENDING	<u>\$ 713,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,127</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net assets reported for governmental activities in the statement of activities is as follows:

Net change in fund balances - Total governmental funds	\$ (183,497)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	90,642
Depreciation	<u>(36,999)</u>
	<u>53,643</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Deferred revenue	<u>(134,673)</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	<u>48,914</u>
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Change in net assets - governmental activities	<u>\$ (215,613)</u>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (15600)
Year Ended June 30, 2012**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Federal funds	\$ 221,900	\$ 458,034	\$ 236,134	\$ (221,900)
General Fund	15,866,300	15,866,300	15,866,300	-
Other State funds	70,000	420,000	56,826	(363,174)
Inter-agency transfers	150,000	177,600	177,600	-
Budgeted fund balance	<u>-</u>	<u>214,900</u>	<u>177,261</u>	<u>(37,639)</u>
Total revenues	<u>\$ 16,308,200</u>	<u>\$ 17,136,834</u>	<u>16,514,121</u>	<u>\$ (622,713)</u>
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	\$ 15,789,600	\$ 15,789,600	15,538,515	\$ 251,085
Contractual services	42,600	536,200	122,925	413,275
Other costs	<u>476,000</u>	<u>811,034</u>	<u>852,681</u>	<u>(41,647)</u>
Total expenditures	<u>\$ 16,308,200</u>	<u>\$ 17,136,834</u>	<u>16,514,121</u>	<u>\$ 622,713</u>
Excess of revenues over (under) expenditures				-
Budgeted Fund Balance			<u>(177,261)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (177,261)</u>	

* Federal funds received as pass-through are classified as Inter-agency Transfers.

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GRANTS FUND (26000)
Year Ended June 30, 2012**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Federal funds	\$ 685,400	\$ 725,216	462,927	\$ (262,289)
Inter-agency transfers	<u>260,100</u>	<u>260,100</u>	<u>258,359</u>	<u>(1,741)</u>
Total revenues	<u>\$ 945,500</u>	<u>\$ 985,316</u>	<u>721,286</u>	<u>\$ (264,030)</u>
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	\$ 925,300	\$ 940,821	699,831	\$ 240,990
Contractual services	600	600	200	400
Other costs	<u>19,600</u>	<u>43,895</u>	<u>27,491</u>	<u>16,404</u>
Total expenditures	<u>\$ 945,500</u>	<u>\$ 985,316</u>	<u>727,522</u>	<u>\$ 257,794</u>
Excess of revenues over (under) expenditures			(6,236)	
Reversions to State General Fund			-	
NET CHANGE IN FUND BALANCE			<u>\$ (6,236)</u>	

* Federal funds received as pass-through are classified as Inter-agency Transfers.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ARRA FUND (89000)
Year Ended June 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Federal funds	\$ 289,004	\$ 289,004	\$ 271,428	\$ (17,576)
Total revenues	\$ 289,004	\$ 289,004	271,428	\$ (17,576)
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	\$ 268,282	\$ 268,282	267,189	\$ 1,093
Contractual services	40	40	-	40
Other costs	20,682	20,682	4,239	16,443
Total expenditures	\$ 289,004	\$ 289,004	271,428	\$ 17,576
Excess of revenues over (under) expenditures			-	
NET CHANGE IN FUND BALANCE			\$ -	

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND - PRE-PROSECUTION PROGRAM
As of June 30, 2012**

	<u>Agency Funds</u>
ASSETS	
Cash in authorized bank account	\$ <u>525</u>
TOTAL ASSETS	<u>\$ 525</u>
LIABILITIES	
Deposits held for others	\$ <u>525</u>
TOTAL LIABILITIES	<u>\$ 525</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – DEFINITION OF REPORTING ENTITY

The State of New Mexico Second Judicial District Attorney (District Attorney) is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The District Attorney is elected to a four-year term. Functions of the District Attorney are defined in Section 36-1-1 through 36-1-26 NMSA 1978 as amended. The Second Judicial District Attorney serves Bernalillo County.

It is the duty of the District Attorney to prosecute and defend the state, in all courts of record, in all cases criminal and civil, in which the state or any county in the district may be a party. The District Attorney must represent any county in the district, at the request of the Board of County Commissioners. The District Attorney may also appear before the Board, without being requested to do so, when the Board is sitting as a Board of Equalization. The District Attorney must advise all county and state officers, whenever requested. The District Attorney is required to represent any county in the district before the Supreme Court or the Court of Appeals in all civil cases in which the county may be concerned, but not in suits brought in the name of the state.

Section 36-1A-1 through Section 16-1A-1 5, cited as the "District Attorney Personnel and Compensation Act," established for all district attorneys a uniform, equitable and binding system of personnel administration.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

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

Financial Reporting Entity

The financial statements for the District Attorney have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. 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.

Governmental Accounting Standards Board Statement (GASBS) 14, *The Financial Reporting Entity*, and GASBS 39 (amends 14), *Determining Whether Certain Organizations are Component Units*, effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB 14 defines the financial reporting entity as consisting 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."

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The District Attorney, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the District Attorney has prepared and issued its own audited, agency Annual Financial Report.

Included within the District Attorney for this purpose are the following: all of the programs that are administered and/or controlled by the District Attorney have been included.

No entities were noted that should be considered component units of the District Attorney. No entities were specifically excluded from the District Attorney because no entities were noted as meeting any of the criteria for potential inclusion.

Basic Financial Statements

The basic financial statements include both government-wide (based on the District Attorney as a whole) and fund financial statements. The new reporting model focus is on either the District Attorney as a whole or major individual funds (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 Assets, 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 basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District Attorney did not have any business-type activities during the year ended June 30, 2012.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Charges for services in the General Fund relate to charges for copies. The District Attorney includes only one function (general government).

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The net cost (by function or business-type activity) is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The District Attorney does not currently employ indirect cost allocation systems. The District Attorney's policy is to utilize restricted assets first when both unrestricted and restricted assets are available for expenditures.

This government-wide focus is more on the sustainability of the District Attorney as an entity and the change in aggregate financial position resulting from the activities of the current fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The General Fund is required to be a major program, and the Grants and ARRA Special Revenue Funds have been determined to be major funds. The District Attorney has one fiduciary fund, not included in the government-wide financial statements. Fiduciary funds and component units that are similar to fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are presented using the economic resources measurement focus and the accrual basis of accounting.

The governmental fund statements are presented on a current financial resources 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 District Attorney'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 government-wide presentation.

Inter-fund accounts have been eliminated in the government-wide financial statements.

Basis of Presentation

The financial transactions of the District Attorney are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses 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 type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the District Attorney, the General Fund and the Grant and ARRA Special Revenue Funds have been classified as major funds after considering the relevant criteria. Only individual governmental or individual enterprise funds can be considered for major fund status.

Governmental Fund Types - The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the District Attorney.

The District Attorney reports the following major governmental funds:

General Fund (SHARE Fund 15600) - The General Fund is the general operating fund of the District Attorney and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily by an appropriation from the State General Fund, and any unused funds from the appropriations at the end of the fiscal year revert back to the State General Fund. The General Fund is also used to account for the activities of various programs of the District Attorney. The funds related to these programs are non-reverting.

Special Revenue Funds:

Grants Fund (SHARE Fund 26000) - The Grants Fund is used to account for the activities of the various federal and local grants of the District Attorney. These funds are non-reverting.

ARRA Fund (SHARE Fund 89000) - The ARRA Fund was administratively created by the New Mexico Department of Finance and Administration. The fund is used to account for the activity related to the funding provided by the federal government under the American Recovery and Reinvestment Act. This fund was created by New Mexico Department of Finance and Administration and New Mexico Office of Recovery and Reinvestment in FY09. These funds are non-reverting.

The District Attorney also has one fiduciary fund (trust and agency fund), which accounts for assets held by the District Attorney 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 following is the one fiduciary fund at June 30, 2012.

Pre-Prosecution Program (SHARE Fund 10370) - Fees charged to individuals in the pre-prosecution program, in accordance with agreements between the program participant and the District Attorney. Fees are remitted to the State Treasurer for the account of the Administrative Office of the District Attorneys.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/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 Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

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

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

Budgetary Accounting

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

1. No later than September 1st, the District Attorney prepares a budget appropriation request by category to be presented to the next Legislature.
2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. 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.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The District Attorney submits, no later than May 1, 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.
9. All subsequent budget adjustments must be approved by the District Attorney and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. The budget 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 the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable must be paid out of the next year's budget.
13. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by the fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.
14. Appropriations lapse at the end of the fiscal year except for those amounts recorded as vouchers payable and salaries payable. The District Attorney's General Fund is a reverting fund for its state appropriations. The Special Revenue Funds are not reverting because they are funds received from grantor agencies.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

During fiscal year 2012, the District Attorney had a negative cash balance in fund 89000. Fund 89000 is to track ARRA NRPV-Combating Criminal Narcotics Activity federal funds, which are reimbursable to the Agency every quarter. The negative cash balance is caused by the nature of the grant being reimbursed to the Agency on a quarterly basis.

Capital Assets

Property, plant and equipment, including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, is \$5,000 due to a change in capitalization policy beginning July 1, 2005. However, all capital outlay purchases may not necessarily be capitalized. The District Attorney does not capitalize any interest in regards to its capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The District Attorney utilizes Internal Revenue Service guidelines to estimate the useful lives on fixed assets as follows:

Furniture and equipment	7 years
Vehicles	5 years
Data processing equipment, including software	3 years

Encumbrances Accounting

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded during the fiscal year in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and the Special Revenue Funds. All encumbrances not utilized lapse at year end. Therefore, there is no difference between the modified accrual basis of accounting and the budgetary basis.

Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours may be carried forward after the pay period beginning in December and ending in January. Employees are entitled to accrue sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows.

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State.

Assigned – Amounts that are constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

Unassigned – All amounts not included in other spendable classifications.

The General Fund (15600) had an unassigned fund balance of \$713,127 related to Southwest Border and Pueblo MOU funds that is for use in future years to cover budget shortfalls and is not subject to reversion. These funds have been classified as unassigned.

Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Grant revenue is recognized when the related eligibility requirements are met. No allowance for doubtful accounts was necessary because all accounts receivable were considered collectible at June 30, 2012. Expenditures are recognized when the related fund liability is incurred.

Net Assets

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

Invested in Capital Assets is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The District Attorney did not have any related debt at June 30, 2012.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted represents the unexpended portion of grants from various local, state and federal grantors which are restricted as to use. The District Attorney had no restricted net assets by enabling legislation at June 30, 2012.

Unrestricted Net Assets represents the amounts of the District Attorney at June 30, 2012 that are not restricted for specific purposes.

Subsequent Events

Management evaluated subsequent events through December 17, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to December 17, 2012, that provided additional evidence about conditions that existed at June 30, 2012 have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

NOTE 3 - CASH AND INVESTMENT ACCOUNTS

Cash Accounts

The District Attorney has the following cash accounts at June 30, 2012:

	Financial Statement Balances at <u>June 30, 2012</u>
Petty cash	\$ <u>200</u>
Agency Fund – Wells Fargo, Albuquerque checking account	\$ <u>525</u>

NOTE 4 – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

In June 2012, an independent expert diagnostic report revealed that the State 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 system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is, "Current State Diagnostic of Cash Control".

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED (CONTINUED)

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 State 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.

As of June 30, 2012, the State General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the District Attorney's balances at the business unit/fund level is not possible.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. 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. Per Section 6-5-2.1 (J) NMSA 1978, it is DFA's responsibility to complete, on a monthly basis, a reconciliation with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies. The Agency reconciles its deposits and other activity with the State Treasurer to the General Ledger, on a periodic basis, to ensure proper posting.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

NOTE 5 - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the District Attorney's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012 the District Attorney had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$976,013.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Interest Rate Risk

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk

The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2012 is as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance,</u> <u>June 30, 2012</u>
Capital assets:				
Furniture and equipment	\$ 705,551	\$ -	\$ (705,551)	\$ -
Data processing equipment	210,797	17,786	(210,797)	17,786
Vehicles	341,803	72,856	(57,661)	356,998
Total capital assets	<u>1,258,151</u>	<u>90,642</u>	<u>(974,009)</u>	<u>374,784</u>
Less accumulated depreciation for:				
Furniture and equipment	(705,551)	-	705,551	-
Data processing equipment	(210,797)	(3,627)	210,797	(3,627)
Vehicles	(292,084)	(33,372)	57,661	(267,795)
Total accumulated depreciation	<u>(1,208,432)</u>	<u>(36,999)</u>	<u>974,009</u>	<u>(271,422)</u>
Capital assets, net	<u>\$ 49,719</u>	<u>\$ 53,643</u>	<u>\$ -</u>	<u>\$ 103,362</u>

The District Attorney is a single function entity, and all depreciation has been allocated to its only activity, general government, in the amount of \$36,999. All capital assets owned are depreciable.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 7 - COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2012 is as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts Due within</u> <u>One Year</u>
Compensated absences	<u>\$ 810,944</u>	<u>\$ 733,194</u>	<u>\$ (782,108)</u>	<u>\$ 762,030</u>	<u>\$ 762,030</u>

Of the \$762,030, all has been classified as a current liability in the Statement of Net Assets. In prior years, the General Fund has been used to liquidate compensated absences, and it is expected to continue to do so in the future.

NOTE 8 - DUE FROM OTHER STATE AGENCIES

Transactions that occur among state agencies under legislative mandate, exchange transactions and other situations are accounted for in the financial statements as due from and due to other state agencies. The due from and due to other state agencies balances at June 30, 2012 consisted of the following:

Due from Other State Agencies

<u>2nd DA</u> <u>Fund No.</u>	<u>Agency</u>	<u>Other</u> <u>Agency's</u> <u>Fund No.</u>	<u>Amount</u>
26000	Department of Public Safety	12800	\$ 39,295
15600	Office of the Attorney General of New Mexico	12800	<u>69,536</u>
Total all funds			<u>\$ 108,831</u>

Due to Other State Agencies

<u>2nd DA</u> <u>Fund No.</u>	<u>Agency</u>	<u>Other</u> <u>Agency's</u> <u>Fund No.</u>	<u>Amount</u>
15600	Department of Information Technology	20310	\$ 74,500
15600	New Mexico State General Fund	85300	<u>1,011</u>
Total all funds			<u>\$ 75,511</u>

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

The amount due from fund 26000 to fund 15600 is a result of receipts deposited to the incorrect fund.

Amounts Due From Other Funds			Amounts Due To Other Funds		
Fund Name	Fund No.	Amount	Fund Name	Fund No.	Amount
Grants	26000	\$ 70,736	General Fund	15600	\$ 70,736
General Fund	15600	<u>450,110</u>	Grants	26000	448,251
			ARRA	89000	<u>1,859</u>
Total		<u>\$ 520,846</u>			<u>\$ 520,846</u>

NOTE 10 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The District Attorney is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the District Attorney are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District Attorney's contributions to PERA for the years ended June 30, 2012, 2011 and 2010 were \$1,578,663, \$1,799,831 and \$1,875,251, respectively, equal to the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Plan Description

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

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

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

Funding Policy

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

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

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

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

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3,4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.500%	1.250%

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

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

The District Attorney's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$215,918, \$197,355 and \$158,271, respectively, which equal the required contributions for each year.

NOTE 12 - CONTINGENCIES

The District Attorney is a party to various claims and other legal matters which arise in the normal course of business. The District Attorney does not believe that the results of all claims and other legal matters individually or in the aggregate will have a material adverse effect on its operations or financial position.

Risk of Loss

The District Attorney is exposed to various risks of losses related to torts; theft of or damage to, or destruction of assets, errors and omissions; injuries to employees or others; or acts of God. The Second Judicial District Attorney maintains commercial insurance through the Risk Management Division for coverage for workers' compensation, auto liability, general liability, civil rights, property and contents, and fidelity bonds. Management believes that any potential loss would be adequately covered by insurance and would not result in any material adverse effect on the financial condition of the District Attorney.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 12 – CONTINGENCIES (CONTINUED)

Security Bond

The District Attorney and its employees are covered under a blanket bond held with Hartford Fire Insurance Company. The policy, purchased by the Risk Management Division of the General Services Department, covers loss through employee dishonesty and expires annually. There are no pending or known threatened legal proceedings involving material matters to which the District Attorney is party.

NOTE 13 - COMMITMENTS – OPERATING LEASES

The District Attorney leased certain equipment under operating leases with various terms. Total rental expenditures for the year ended June 30, 2012 for this lease were \$102,459. Future minimum payments as of June 30, 2012 under these operating leases with a term greater than one year were as follows:

Years ending June 30:

2013	\$ 91,556
2014	<u>91,556</u>
Total	<u><u>\$ 183,112</u></u>

This information is an integral part of the accompanying financial statements.

OTHER SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MEMORANDA OF UNDERSTANDING
June 30, 2012**

The following is a list of Memoranda of Understanding the District Attorney has entered into:

<u>Participants/ Description</u>	<u>Responsible Party</u>	<u>Dates of Agreement</u>		<u>Project Amount</u>	<u>District Attorney Portion</u>	<u>Current Year Contributions</u>	<u>Audit Responsibility</u>
		<u>Beginning</u>	<u>Ending</u>				
Second Judicial District Attorney/ Pueblos of Isleta, Laguna & Sandia	Second Judicial District Attorney	07/01/03	Ongoing	N/A	\$ -	\$ -	Second Judicial District Attorney

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND - PRE-PROSECUTION PROGRAM
June 30, 2012

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
ASSETS				
Cash in authorized bank account	\$ 525	\$ -	\$ -	\$ 525
LIABILITIES				
Total liabilities	\$ 525	\$ -	\$ -	\$ 525

SINGLE AUDIT

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Participating Expenditures</u>
Executive Office of the President High Intensity Drug Trafficking Areas Program HIDTA Operation Up the Ladder Initiative	95.001		\$ <u>208,480</u>
U.S. Department of Justice ARRA - NRPV - Combating Criminal Narcotics Activity along the Southern Border - Direct Program	16.809		271,428
Passed Through the State of New Mexico Southwest Border Prosecution Initiative Program	16.755	None identified	236,134
Crime Victim Assistance	16.575	2008-VA-GX-0029	81,067
Edward Byrne Memorial Justice Assistance Grant Program			
Edward Byrne Memorial Justice Assistance	16.738	DPSJAG09	173,181
Edward Byrne Memorial Justice Assistance Supplemental	16.738	DPSJAG09-08SUPP	<u>199</u>
Total U.S. Department of Justice			<u>762,009</u>
Total			\$ <u>970,489</u>

Note: The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. There were no federal awards expended in the form of non-cash assistance during the year. There were no loans or loan guarantees during the year. None of the funds expended were passed through to subrecipients.

**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***

Ms. Kari Brandenburg, District Attorney
State of New Mexico
Second Judicial District Attorney
Albuquerque, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and each major special revenue fund of the State of New Mexico Second Judicial District Attorney (the District Attorney) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We 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 questioned costs as items 12-01, 12-02, 12-03, 10-06 and 11-04.

The District Attorney's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District Attorney's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the District Attorney, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, others within the entity, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Larson Allen LLP

Albuquerque, New Mexico
December 17, 2012

**Independent Auditors' Report on Compliance with Requirements that
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

Ms. Kari Brandenburg, District Attorney
State of New Mexico
Second Judicial District Attorney
Albuquerque, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the State of New Mexico Second Judicial District Attorney (the District Attorney) with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District Attorney's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District Attorney's management. Our responsibility is to express an opinion on the District Attorney's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District Attorney's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District Attorney's compliance with those requirements.

In our opinion, the District Attorney complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as item 11-01.

Internal Control over Compliance

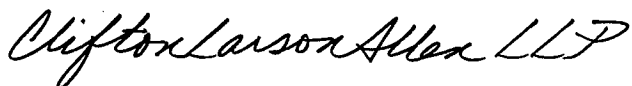
Management of the District Attorney is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District Attorney's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District Attorney's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 11-01. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District Attorney's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District Attorney's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management of the District Attorney, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Albuquerque, New Mexico
December 17, 2012

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major program: Unqualified

Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
16.809	ARRA - NRPV-Combating Criminal Narcotics Activity Along the Southern Border
16.738	Edward Byrne Memorial Justice Assistance
95.001	High Intensity Drug Trafficking Areas Program

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? yes no

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section II – Financial Statement Findings

There were no financial statements findings for the year ended June 30, 2012.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 11-01 Federal Grant Reporting (Significant Deficiency)

Condition: During A-133 single audit reporting test work, the following exceptions are noted regarding federal financial reports:

CFDA 16.809 – The 1512 ARRA report for one quarter was filed late.

Criteria: Per OMB Circular A-133, *Compliance Requirements Reporting – Financial Reporting*, the District Attorney is required to maintain reports specified by the Federal agency. The Narcotics Related Violence Prosecution Grant Agreement requires quarterly 1512 ARRA reports.

Cause: Failure or lack of internal controls over reporting requirements established by the Federal government and/or the pass through agency.

Effect: The District Attorney is in violation of grant requirements.

Auditor's Recommendation: We recommend that management establish effective controls necessary to ensure the maintenance of reports mandated by the federal government and /or pass-through agency.

Management's Response: The District Attorney's office agrees with the finding. The office has established new procedures to ensure that all quarterly requests for reimbursement are submitted on time.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2012

Section IV – Other Findings

12-01 Disposal of Capital Assets (Other)

Condition: During our test work over capital assets, we noted that 1 of 10 items deleted during the year was not reported to the State Auditor's Office 30 days prior to disposal.

Criteria: Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts and state educational institutions. At least 30 days prior to any disposition of property on the agency inventory list described below in Subsection Y of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor.

Cause: Management's failure or lack of internal controls over reporting disposition of property to the State Auditor within thirty days of disposition.

Effect: The District Attorney is in violation of Section 13-6-1 and 13-6-2 NMSA requirements to notify the State Auditor within 30 days of disposition of property.

Auditor's Recommendation: We recommend that management establish effective controls necessary to ensure that assets that are to be disposed of are reported to the State Auditor 30 days prior to its disposition.

Management's Response: The agency will establish controls necessary to ensure that assets to be disposed of are reported to the State Auditor 30 days prior to its disposition. The CFO will be responsible for ensuring the corrective action has been appropriately implemented and the Fixed Asset Manager will be responsible for maintaining compliance of the new control.

Finding 12-02 Overpayment of Mileage/Per Diem and Payment of Unapproved Affidavit (Other)

Condition: During internal control test work over disbursements, it was noted that the District Attorney did not use the required rate when calculating the reimbursement amount for mileage. The employee was reimbursed for the amount of miles rather than miles traveled multiplied by the per diem rate. It was noted that for 1 of 30 items tested, the reimbursement was not calculated correctly. As a result, the reimbursement was an overpayment of \$41.00. In addition, during test work over per diem, 1 of 9 items tested had an affidavit in place of the missing receipt. It was noted that the affidavit did not contain the District Attorney's head official signature approving the expense.

Criteria: Per Regulations Governing the Per Diem and Mileage Act 2.42.2.11.B. (1), unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle. In addition, per 2.42.2.12.B (5), under circumstances where the loss of receipts would deny reimbursement and create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section IV – Other Findings (continued)

Finding 12-02 Overpayment of Mileage/Per Diem and Payment of Unapproved Affidavit (Other)(continued)

Cause: Failure or lack of internal controls over the reimbursement process to ensure current and proper per diem rates are used in the calculation of the reimbursement amount. In addition, management's lack of controls surrounding the approval process of affidavits.

Effect: Non-compliance with Per Diem and Mileage Act 2.42.2.11. B. (1) and 2.42.2.12.B (5). In addition, improper over-expense of funds due to overpayment of the reimbursement.

Recommendation: We recommend that management establish effective controls necessary to ensure accurate reimbursements and compliance with the Per Diem and Mileage Act.

Management's Response: The District Attorney's office agrees with the finding. The office will establish new procedures to ensure that all reimbursements comply with the Per Diem and Mileage Act. The CFO is currently assessing proper procedures to ensure compliance and a timeline when the procedures will be implemented.

Finding 12-03 Untimely Deposits of Cash Receipts (Other)

Condition: During the internal controls test work for cash receipts, it was noted that 5 out of 22 cash receipts tested, for a total of \$1,056.50, were not deposited within 24 hours of receipt.

Criteria: According to the Manual of Model Accounting Practices (MAPs), section FIN2.3 states that all state agencies shall deposit cash within 24 hours of receipt.

Cause: Lack of effective controls surrounding the cash receipts process, management oversight.

Effect: Misstatement of financial information, potential misappropriation of assets.

Recommendation: We recommend that management establish controls necessary to ensure that all cash received is deposited by the end of the next business day.

Management's Response: The District Attorney's office agrees with the audit finding. The office has established new procedures to ensure that all cash received is deposited by the end of the next business day. The District Attorney has made the CFO and Accounting Staff responsible for delivering the cash receipts on a daily basis to ensure compliance with the MAPs requirement.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section IV – Other Findings (continued)

Finding 11-04 Budget Overages (Other)

Condition: During FY12, the District Attorney overspent the Other Costs appropriation unit in the General fund (156000) by \$41,647.

Criteria: Per State Auditor Rule 2.2.2.10, any actual expenditure that exceeds the budgeted amount in any category must be reported as a finding.

Cause: Management oversight.

Effect: The District Attorney's office is out of compliance with statutory requirements to obtain approval prior to making expenditures in excess of budgeted amounts.

Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid overages.

Management's Response: The District Attorney's office agrees with the finding. The office received the invoice from New Mexico Department of Information Technology (DOIT) after the end of the fiscal year. This expenditure was recorded as an accounts payable, causing the Other Costs category to exceed the budgeted amount. The CFO and Accounting Staff will assess the expenses and budget during the year to ensure that actions can be taken to eliminate budget overages.

Finding 10-06 Lack of Formal Disaster Recovery Plan (Other)

Condition: During our assessment of the information technology control environment, it was determined that the District Attorney does not have a finalized Disaster Recovery Plan.

Criteria: DOIT standard S-STD-003, *Risk Management*, authorized by NMAC, requires the District Attorney to perform risk assessments and submit an annual IT security assessment to include a Disaster Recovery Plan.

Cause: Management oversight

Effect: Possible loss of financial information, as well as fiduciary breakdown and risk of corruption.

Recommendation: We recommend that management place high priority in completing and formalizing a Disaster Recovery Plan. This includes off-site storage of the Disaster Recovery Plan and testing the Plan to ensure its completeness and reliability.

Management's Response: The District Attorney's office does not have a formal plan in place. We do have the following contingencies in place to safeguard electronic information: 1) Case information – all electronic information related to criminal cases is currently backed up off-site at the Administrative Office of the District Attorneys (AODA); 2) Payroll/Financial Information – all electronic payroll and financial information is currently contained in the state wide system (SHARE). That system is internet-based, so the electronic information is stored and backed up

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

Section IV – Other Findings (continued)

Finding 10-06 Lack of Formal Disaster Recovery Plan (Other) (continued)

off-site; and 3) Agency of Record – The Office is not the “agency of record.” To that end, we are not required to keep permanent electronic records, police reports, supplemental police reports, grand jury reports, court orders, post sentencing, or appeals, etc. The District Attorney’s IT Staff are currently assessing possible procedures to ensure a proper and formal Disaster Recovery Plan is implemented.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATUS OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012**

Section II – Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2011.

Section III – Federal Award Findings and Questioned Costs

Finding 11-01 Federal Grant Reporting (Significant Deficiency) – Repeated/Updated

Finding 11-02 Reimbursement Requests (Significant Deficiency) – Resolved

Section IV – Other Findings

Finding 11-03 Untimely Reversion to State General Fund (Other) – Resolved

Finding 11-04 Budget Overages (Other) – Repeated/Updated

Finding 10-06 Lack of Formal Disaster Recovery Plan (Other) – Repeated

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
June 30, 2012**

An exit conference was held with the District Attorney on December 5, 2012. In attendance were:

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY

Ms. Kari Brandenburg, District Attorney
Mr. Jeff Peters, Office Manager
Ms. Carmen Roybal, Chief Financial Officer
Mr. Rick Houston, Fiscal Accountant

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Partner
Cammie Archuleta, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor, and reviewed and approved by the management of State of New Mexico Second Judicial District Attorney. The responsibility of the financial statements lies with management, as addressed in the Independent Auditor's Report.