

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

**FINANCIAL STATEMENTS
June 30, 2013**

TABLE OF CONTENTS

	PAGE
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund (15600)	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Grants Fund (26000)	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – ARRA Fund (89000)	19
Statement of Fiduciary Assets and Liabilities – Agency Fund – Pre-Prosecution Program	20
Notes to Financial Statements	21
OTHER SUPPLEMENTAL INFORMATION	38
Memoranda of Understanding.....	39
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund – Pre-Prosecution Program.....	40

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 <i>Government Auditing Standards</i>	41
Schedule of Findings and Responses	43
Status of Prior Year Audit Findings	46
Exit Conference	47

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
OFFICIAL ROSTER
June 30, 2013**

NAME

TITLE

Kari Brandenburg	District Attorney
Sylvia Martinez	Chief Deputy District Attorney
Deborah DePalo	Chief Deputy District Attorney
Mark Drebing	Chief Deputy District Attorney
Troy Davis	Chief Deputy District Attorney
Jeff Peters	District Office Manager
Greer Rose	Deputy District Attorney
Peter Paul Decker	Deputy District Attorney
Judith Ann Faviell	Deputy District Attorney
Michael Fricke	Deputy District Attorney
Jason Yamato	Deputy District Attorney
Michael Lewis	Deputy District Attorney
Edna Engel-Sprague	Deputy District Attorney
Todd Heisey	Deputy District Attorney
Garry Breeswine	Deputy District Attorney
Guinevere Ice	Deputy District Attorney
Neal Speer	Deputy District Attorney
Mary Gueldenzoph	Deputy District Attorney
Christopher Schultz	Deputy District Attorney
Joseph Holloway	Deputy District Attorney
Lisa Trabaudo	Deputy District Attorney
David Waymire	Deputy District Attorney



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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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

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 Second Judicial District Attorney as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the District Attorney's financial statements and the budgetary comparisons. The Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Supplementary Information required by 2.2.2 NMAC is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2013 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* in considering the District Attorney's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 26, 2013

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Financial Highlights

The following items are the District Attorney's financial highlights for the fiscal year ended June 30, 2013.

- Net position of the District Attorney decreased by \$139,146, or 256%, in FY13 compared to FY12. The decrease is a result of utilizing the Southwest Border Prosecution Initiative (SWBPI) fund balance of \$343,451.
- The District Attorney's office received additional General Fund for the 1.75% retirement swap between the employer and employee retirement benefits. The employer will pay an additional 1.75% of the retirement benefit.

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 position presents information on all of the District Attorney's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position is 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.

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

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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 17. 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, 2013**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District Attorney's primary government, liabilities exceeded assets by \$84,687.

Financial Analysis of the District Attorney as a Whole

Net Position

Table A-1 summarizes the District Attorney's net position for the fiscal years ending June 30, 2013 and 2012.

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

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current and other assets	\$ 1,094,089	\$ 1,479,459	\$ (385,370)	-26%
Capital assets	<u>97,633</u>	<u>103,362</u>	<u>(5,729)</u>	-6%
Total Assets	<u>\$ 1,191,722</u>	<u>\$ 1,582,821</u>	<u>\$ (391,099)</u>	-25%
Liabilities				
Current	<u>\$ 1,276,409</u>	<u>\$ 1,528,362</u>	<u>\$ (251,953)</u>	-16%
Total Liabilities	<u>1,276,409</u>	<u>1,528,362</u>	<u>(251,953)</u>	-16%
Net Position				
Net investment in capital assets	97,633	103,362	(5,729)	-6%
Unrestricted	<u>(182,320)</u>	<u>(48,903)</u>	<u>(133,417)</u>	273%
Total Net Position	<u>(84,687)</u>	<u>54,459</u>	<u>(139,146)</u>	-256%
Total Liabilities and Net Position	<u>\$ 1,191,722</u>	<u>\$ 1,582,821</u>	<u>\$ (391,099)</u>	-25%

There is a significant change in net position for fiscal year 2013 as compared to fiscal year 2012. The decrease is a result of utilizing the Southwest Border Prosecution Initiative (SWBPI) fund balance of \$343,451. The agency covered shortfalls in other costs during fiscal year 2013.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Changes in Net Position

Table A-2 summarizes the District Attorney's changes in net position for fiscal years 2013 and 2012. Governmental activities during the year decreased the District Attorney's net position by \$139,146.

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

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues				
Charges for services	\$ 64,957	\$ 56,826	\$ 8,131	14%
Operating Grants	723,459	1,244,175	(520,716)	-42%
General Revenues				
General Fund Appropriation	16,414,200	15,866,300	547,900	3%
Transfers	<u>6,900</u>	<u>27,600</u>	<u>(20,700)</u>	-75%
Total Revenues	17,209,516	17,194,901	14,615	0%
Expenses				
General Government	<u>17,348,662</u>	<u>17,410,514</u>	<u>(61,852)</u>	0%
Total Expenses	17,348,662	17,410,514	(61,852)	0%
Change in Net Position	(139,146)	(215,613)	76,467	-35%
Beginning Net Position	<u>54,459</u>	<u>270,072</u>	<u>(215,613)</u>	-80%
Ending Net Position	<u>\$ (84,687)</u>	<u>\$ 54,459</u>	<u>\$ (139,146)</u>	-256%

The District Attorney's revenues increased by \$14,615, or .1%, from the previous fiscal year. The most significant changes were related to an increase 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, 2013

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 measurers 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 \$519,700. Of the fund balance, \$508,597 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 \$17,465,300 and actual revenues received were \$16,840,806, which is a negative variance of \$624,494. The variance is due to other state funds and federal funds budgeted and not received.

For the General Fund budgeted expenditures, budgeted expenditures were \$17,465,300 and actual expenditures were \$16,840,806, which is a variance of \$624,494. The variance is due to not receiving funding for the expenditures.

Capital Assets

For fiscal year 2013, there was \$43,131 in deletions of fully depreciated assets. In addition, the District Attorney purchased \$32,758 in vehicles, increasing net capital assets as of June 30, 2013.

Debt

The Second Judicial District Attorney's Office had long-term debt for compensated absences at June 30, 2013 amounting to \$737,011 and \$762,030 at June 30, 2012. This was a decrease of \$25,019 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 2014.

- The District Attorney's Office screened over 26,303 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, 2013

- 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 and 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 2014 Budget Projections include additional funding for the 1.75% retirement swap between the employer and employee retirement benefits. And employees received a 1% General Fund Compensation Increase. 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.

We are dealing with more sophisticated and demanding jurors. They expect a trial and evidence to replicate what they see on an episode of "CSI". We all know the real world works differently, but we have to address their unreasonable expectations. It is not infrequent that we call witnesses to rebut these unrealistic expectations. Again, resulting in more training work and effort.

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 POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investment in state general fund investment pool	\$ 686,118
Petty cash	200
Due from federal government	132,797
Due from other state agencies	165,351
Due from local governments	<u>109,623</u>
Total current assets	<u>1,094,089</u>
Non-current assets:	
Capital assets	364,411
Less accumulated depreciation	<u>(266,778)</u>
Total capital assets, net of accumulated depreciation	<u>97,633</u>
Total assets	<u>1,191,722</u>
LIABILITIES	
Current liabilities:	
Overdraft in the investment in state general fund investment pool	181,152
Accounts payable	52,245
Accrued payroll	304,584
Due to other state agencies	1,011
Other liabilities	406
Compensated absences payable - expected to be paid within one year	<u>737,011</u>
Total current liabilities	<u>1,276,409</u>
NET POSITION	
Net investment in capital assets	97,633
Unrestricted	<u>(182,320)</u>
TOTAL NET POSITION	<u>\$ (84,687)</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, 2013**

	Governmental Activities
EXPENSES	
General government	\$ 17,348,662
Total expenses	17,348,662
REVENUES	
Program revenues:	
Operating grants	723,459
Charges for services	64,957
Total program revenues	788,416
Net program (expense) revenue	(16,560,246)
Transfers:	
General fund appropriation	16,414,200
Inter-governmental transfer in	6,900
Total transfers	16,421,100
CHANGE IN NET POSITION	(139,146)
NET POSITION, BEGINNING OF YEAR	54,459
NET POSITION, END OF YEAR	\$ (84,687)

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, 2013

	15600 General Fund	26000 Grants Fund	89000 ARRA Fund	Total Governmental Funds
ASSETS				
Investment in state general fund investment pool	\$ 686,113	\$ -	\$ 5	\$ 686,118
Petty cash	200	-	-	200
Due from other funds	4,275	7,856	-	12,131
Due from federal government	1,376	131,421	-	132,797
Due from other state agencies	165,237	114	-	165,351
Due from local governments	44,400	65,223	-	109,623
Total assets	<u>\$ 901,601</u>	<u>\$ 204,614</u>	<u>\$ 5</u>	<u>\$ 1,106,220</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdraft in the investment in state general fund investment pool	\$ -	\$ 181,152	\$ -	\$ 181,152
Accounts payable	52,240	-	5	52,245
Accrued payroll	288,636	15,948	-	304,584
Due to other funds	7,856	4,275	-	12,131
Unearned revenue	31,752	3,239	-	34,991
Due to other state agencies	1,011	-	-	1,011
Other liabilities	406	-	-	406
Total liabilities	<u>381,901</u>	<u>204,614</u>	<u>5</u>	<u>586,520</u>
Fund balances:				
Unassigned	519,700	-	-	519,700
Total fund balances	<u>519,700</u>	<u>-</u>	<u>-</u>	<u>519,700</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 901,601</u>	<u>\$ 204,614</u>	<u>\$ 5</u>	<u>\$ 1,106,220</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 POSITION
June 30, 2013**

Total fund balances - Governmental Funds (Balance Sheet - Governmental Funds)	\$	519,700
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Amounts reported for governmental activities in the Statement of Net Position are different at June 30, 2012 because:

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as it is earned, regardless of its availability. Unearned revenue is eliminated in the government-wide financial statements.

Unearned revenue		34,991
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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		364,411
Less accumulated depreciation		<u>(266,778)</u>

Total capital assets, net of accumulated depreciation		<u>97,633</u>
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Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Compensated absences payable		<u>(737,011)</u>
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Net position of governmental activities (Statement of Net Position)	\$	<u>(84,687)</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, 2013**

	15600 General Fund	26000 Grants Fund	89000 ARRA Fund	Total Governmental Funds
REVENUES				
Federal grant revenue	\$ 3,122	\$ 273,358	\$ -	\$ 276,480
Local intergovernmental operating grants	158,200	253,788	-	411,988
Charges for services	64,957	-	-	64,957
Total revenues	<u>226,279</u>	<u>527,146</u>	<u>-</u>	<u>753,425</u>
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	15,958,858	525,396	-	16,484,254
Contractual services	123,894	-	-	123,894
Other costs	725,296	1,750	-	727,046
Capital outlay	32,758	-	-	32,758
Total expenditures	<u>16,840,806</u>	<u>527,146</u>	<u>-</u>	<u>17,367,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,614,527)</u>	<u>-</u>	<u>-</u>	<u>(16,614,527)</u>
OTHER FINANCING SOURCES (USES)				
State general fund appropriation	16,414,200	-	-	16,414,200
Inter-governmental transfer in	6,900	-	-	6,900
Total other financing sources (uses)	<u>16,421,100</u>	<u>-</u>	<u>-</u>	<u>16,421,100</u>
NET CHANGE IN FUND BALANCES	(193,427)	-	-	(193,427)
FUND BALANCES, BEGINNING OF YEAR	<u>713,127</u>	<u>-</u>	<u>-</u>	<u>713,127</u>
FUND BALANCES, ENDING	<u>\$ 519,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,700</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 - 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 position reported for governmental activities in the statement of activities is as follows:

Net change in fund balances - Total governmental funds	\$ (193,427)
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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	32,758
Depreciation	<u>(38,487)</u>
	<u>(5,729)</u>

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

Unearned revenue	<u>34,991</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>25,019</u>
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Change in net position - governmental activities	\$ <u>(139,146)</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, 2013**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Federal funds	\$ -	\$ 150,000	\$ 3,122	\$ (146,878)
General Fund	16,414,200	16,414,200	16,414,200	-
Other State funds	52,100	52,100	64,957	12,857
Inter-agency transfers	150,000	192,600	165,100	(27,500)
Budgeted fund balance	491,400	656,400	193,427	(462,973)
Total revenues	\$ 17,107,700	\$ 17,465,300	16,840,806	\$ (624,494)
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	\$ 16,136,100	\$ 16,151,100	15,958,858	\$ 192,242
Contractual services	97,500	276,100	123,894	152,206
Other costs	874,100	1,038,100	758,054	280,046
Total expenditures	\$ 17,107,700	\$ 17,465,300	16,840,806	\$ 624,494
Excess of revenues over (under) expenditures			-	
Budgeted fund balance			(193,427)	
NET CHANGE IN FUND BALANCE			\$ (193,427)	

* 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, 2013**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Federal funds	\$ 283,900	\$ 285,650	\$ 273,358	\$ (12,292)
Inter-agency transfers	264,100	264,100	253,788	(10,312)
Total revenues	\$ 548,000	\$ 549,750	527,146	\$ (22,604)
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	\$ 546,700	\$ 546,700	525,396	\$ 21,304
Contractual services	-	-	-	-
Other costs	1,300	3,050	1,750	1,300
Total expenditures	\$ 548,000	\$ 549,750	527,146	\$ 22,604
Excess of revenues over (under) expenditures			-	
Reversions to State General Fund			-	
NET CHANGE IN FUND BALANCE			\$ -	

* 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, 2013

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Federal funds	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	-	\$ -
EXPENDITURES				
Current:				
General government:				
Personal services/employee benefits	\$ -	\$ -	-	\$ -
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	\$ -	\$ -	-	\$ -
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, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash in authorized bank account	\$ -
TOTAL ASSETS	<u>\$ -</u>
LIABILITIES	
Deposits held for others	\$ -
TOTAL LIABILITIES	<u>\$ -</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, 2013

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 36-1A-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

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources 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, 2013.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the District Attorney's fiscal year beginning July 1, 2012. GASB 63 modifies the presentation of deferred inflows and deferred outflows in the financial statements; it also limits the use of the term "deferred." Implementation of GASB 63 had no effect on the District Attorney's net position or changes in net position for the fiscal year ended June 30, 2013.

The Statement of Net Position – Enterprise Fund utilizes a net position presentation categorized as follows:

Unrestricted net position - This category reflects net position of the Pool not restricted for any project or other purpose.

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). 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

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental-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.

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.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013.

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.

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 unearned revenue by the recipient.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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,

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
14. the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology
15. 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.

Cash

During fiscal year 2013, the District Attorney had a negative cash balance in fund 26000. Fund 26000 tracks the activities of the various federal and local grants of the District Attorney which are reimbursable to the Agency. The negative cash balance is caused by the nature of the grants being reimbursed to the Agency.

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

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District Attorney did not have any items that qualified for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District Attorney did not have any items that were required to be reported in this category as of June 30, 2013.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$519,700 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, 2013. Expenditures are recognized when the related fund liability is incurred.

Net Position

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

Invested in Capital Assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The District Attorney did not have any related debt at June 30, 2013.

Restricted represents the unexpended portion of grants from various local, state and federal grantors which are restricted as to use. The District Attorney did not have restricted net position by enabling legislation as of June 30, 2013.

Unrestricted Net Position represents the amounts of the District Attorney at June 30, 2013 that are not restricted for specific purposes.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through November 26, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to November 26, 2013, that provided additional evidence about conditions that existed at June 30, 2013 have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, 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, 2013.

NOTE 3 - CASH AND INVESTMENT ACCOUNTS

Cash Accounts

The District Attorney has the following cash accounts at June 30, 2013:

	Financial Statement Balances at <u>June 30, 2013</u>
Petty cash	\$ <u>200</u>

NOTE 4 – STATE GENERAL FUND INVESTMENT POOL

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

Management of the New Mexico Department of Finance and Administration in FY 2012 recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

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, 2013, the District Attorney had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: \$504,966.

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.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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, 2013.

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, 2012</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance,</u> <u>June 30, 2013</u>
Capital assets:				
Furniture and equipment	\$ -	\$ -	\$ -	\$ -
Data processing equipment	17,786	-	-	17,786
Vehicles	<u>356,998</u>	<u>32,758</u>	<u>(43,131)</u>	<u>346,625</u>
Total capital assets	<u>374,784</u>	<u>32,758</u>	<u>(43,131)</u>	<u>364,411</u>
Less accumulated depreciation for:				
Furniture and equipment	-	-	-	-
Data processing equipment	(3,627)	(5,292)	-	(8,919)
Vehicles	<u>(267,795)</u>	<u>(33,195)</u>	<u>43,131</u>	<u>(257,859)</u>
Total accumulated depreciation	<u>(271,422)</u>	<u>(38,487)</u>	<u>43,131</u>	<u>(266,778)</u>
Capital assets, net	<u>\$ 103,362</u>	<u>\$ (5,729)</u>	<u>\$ -</u>	<u>\$ 97,633</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 \$38,487. All capital assets owned are depreciable.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 7 - COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Increase	(Decrease)	Balance June 30, 2013	Amounts Due within One Year
Compensated absences	<u>\$ 762,030</u>	<u>\$735,544</u>	<u>\$(760,563)</u>	<u>\$737,011</u>	<u>\$737,011</u>

Of the \$737,011, all has been classified as a current liability in the Statement of Net Position. 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, 2013 consisted of the following:

Due from Other State Agencies

2nd DA Fund No.	Agency	Other Agency's Fund No.	Amount
15600	Office of the Attorney General of New Mexico	17000	\$133,486
15600	Administrative Office of the District Attorney	91680	<u>31,752</u>
Total all funds			<u>\$165,237</u>

Due to Other State Agencies

2nd DA Fund No.	Agency	Other Agency's Fund No.	Amount
15600	New Mexico State General Fund	85300	<u>\$ 1,011</u>
Total all funds			<u>\$ 1,011</u>

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

The amount due from fund 26000 to fund 15600 is a result of payroll transactions being paid by 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	\$ 7,856	General Fund	15600	\$ 7,856
General Fund	15600	<u>4,275</u>	Grants	26000	<u>4,275</u>
Total		<u>\$ 12,131</u>			<u>\$ 12,131</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 <http://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, 2013, 2012 and 2011 were \$1,745,548, \$1,578,663 and \$1,799,831, 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, 2013

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

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District Attorney's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$231,501, \$215,918 and \$197,355, 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.

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.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013 for this lease were \$121,223. Future minimum payments as of June 30, 2013 under these operating leases with a term greater than one year were as follows:

Years ending June 30:

2014	\$ <u>110,558</u>
Total	\$ <u>110,558</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, 2013**

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/ Pueblo of Laguna	Second Judicial District Attorney	09/03/03	Ongoing	N/A	\$ -	\$ -	Second Judicial District Attorney
Second Judicial District Attorney/ Pueblo of Isleta	Second Judicial District Attorney	12/14/05	Ongoing	N/A	\$ -	\$ -	Second Judicial District Attorney
Second Judicial District Attorney/ Pueblo of Sandia	Second Judicial District Attorney	03/31/04	Ongoing	N/A	\$ -	\$ -	Second Judicial District Attorney
Second Judicial District Attorney/ US Secret Service	Second Judicial District Attorney	2/15/2013	2/14/2014	N/A	\$ -	\$ -	Second Judicial District Attorney
Second Judicial District Attorney/ Administrative Office of the District Attorney	Second Judicial District Attorney	3/17/2011	Ongoing	N/A	\$ -	\$ -	Second Judicial District Attorney
Second Judicial District Attorney/ Office of the Attorney General	Second Judicial District Attorney	6/6/2011	Ongoing	N/A	\$ -	\$ -	Second Judicial District Attorney
Second Judicial District Attorney/ County of Bernalillo	Second Judicial District Attorney	5/8/2013	6/30/2014	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, 2013

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
ASSETS				
Cash in authorized bank account	\$ 525	\$ 19,266	\$ (19,791)	\$ -
LIABILITIES				
Total liabilities	\$ 525	\$ 19,266	\$ (19,791)	\$ -

* Currently, the District Attorney deposits funds on a daily basis to a bank account held by the Administrative Office of the District Attorney. In the past, funds were held in a bank account under the District Attorney, and then the funds would be transferred to the Administrative Office of the District Attorney on a monthly basis. At year end, the District Attorney was not in possession of any funds related to the Pre-Prosecution agency fund.



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, in accordance with the 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, the 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 (District Attorney), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District Attorney's basic financial statements, of the District Attorney, presented as and have issued our report thereon dated November 26, 2013 .

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our

audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency (2013-003).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District Attorney's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-003, 2013-001 and 2013-002.


Response to Findings

The District Attorney's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District Attorney's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

CliftonLarsonAllen LLP



Albuquerque, New Mexico
November 26, 2013

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

Section II – Financial Statement Findings

Finding 2013-003 Financial Statement Close (Significant Deficiency)

Condition: During test work over accounts receivable for fund 26000, it was noted that fourth quarter receivables for the Victims of Crime Act (VOCA) (\$28,617) and High Intensity Drug Trafficking Areas program (HIDTA) (\$37,270) grants were not accrued along with the corresponding revenue amounts, totaling \$65,587.

Criteria: Per NMAC 6-5-2.C. the state agency shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, NMAC 2.20.5.8 requires agencies to ensure all transactions are properly classified in the agency's accounting records, and MAPs establishes the requirement that state agencies: 1) verify monthly that all transactions have been posted in SHARE, and 2) prepare any reclassification or adjusting entries as soon as they are known.

Cause: Lack of management oversight.

Effect: Possible misstatements to the financial statements.

Auditors' Recommendation: We recommend management establish policies and procedures during the financial close and reporting process to include an evaluation of all transactions that could be subject to accrual or recognition in a different or current period.

Management's Response: The District Attorney's office agrees with the finding. Management will establish procedures for the financial close and reporting process of all transactions that are subject to accrual or recognition in a different or current period.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

Section IV – Other Findings

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

Condition: During the internal controls test work for cash receipts, it was noted that 2 out of 22 deposits tested 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: Non-compliance with the Public Money Act and potential misappropriation of assets.

Auditor's 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 finding. The Accounting Staff has informed all divisions that all deposits of cash need to be deposited within 24 hours of receipt.

Finding 2013-001 Personnel Files (Other)

Condition: During the internal controls test work over personnel files the following items were noted:

- 1 out of 22 personnel files tested lacked an I-9 form.
- 1 out of 22 personnel files tested did not contain a current approved pay rate form. Therefore, the employee's current SHARE pay rate did not agree to the approved pay rate in their file.

Criteria: Per NMAC 1.7.1.12 the director and agencies shall maintain a record of each employee's employment history in accordance with operational necessity and applicable state and federal law requirements.

Cause: Lack of effective internal controls surrounding the proper maintaining personnel files.

Effect: Non compliance with applicable laws and regulations.

Auditors' Recommendation: We recommend that management establish effective controls to ensure all personnel files are properly maintained.

Management's Response: The District Attorney's office agrees with the finding. The Human Resource Division has established a new hire processing check list. We will continue to be diligent in obtaining and verifying all documents received.

Also, the Human Resource Division will henceforth place documentation in all employee files regarding across-the-board state increases.

STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

Section IV – Other Findings (continued)

Finding 2013-002 Network Access (Other)

Condition: During the internal control test work over user access, as it relates to the IT environment, 3 out of 9 employees tested did not have their access promptly terminated after their termination date.

Criteria: Per NMAC 2.20.5.8.C(1), a well functioning internal control structure shall exist within the state agency and function properly.

Cause: Management oversight.

Effect: Without an adequate internal control structure and/or documentation surrounding the system access, there is a risk of inappropriate access to the system in which unauthorized changes can be made.

Auditors' Recommendation: We recommend the agency establish appropriate procedures and controls to ensure a periodic review of user access are performed.

Management's Response: The District Attorney's office agrees with the audit finding. The Human Resources Division has established a termination checklist which was implemented immediately. Included in the checklist is verification that the access to SHARE has been terminated. This will preclude this from happening in the future.

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
STATUS OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

Finding 11-01 - Federal Grant Reporting (Significant Deficiency) – Resolved

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.

Section IV – Other Findings

Finding 12-01 - Disposal of Capital Assets (Other) – Resolved

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.

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

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.

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

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.

Finding 11-04 - Budget Overages (Other) – Resolved

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

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

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

**STATE OF NEW MEXICO SECOND JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
June 30, 2013**

An exit conference was held with the District Attorney on November 26, 2013. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. 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
Matt Bone, CPA, CGFM, Manager
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.