

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Financial Statements and Schedules  
With Independent Auditors Report Thereon**

**For the Fiscal Year Ended June 30, 2011**

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

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**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

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**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Official Roster**

Attorney

Richard D. Flores

Administrative Officials

Mary Lou Umbarger, Office Manager

Karla Martinez, Chief Financial Officer



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Richard D. Flores, District Attorney  
Office of the District Attorney  
Fourth Judicial District  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico, Office of the District Attorney, Fourth Judicial District (Office), as of and for the year ended June 30, 2011 which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Office as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Office has not presented the Management's Discussion and Analysis for the year ended June 30, 2011 which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed under "Supplementary Section" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Zlotnick, Laws & Sandoval, PC

A handwritten signature in blue ink that reads "Zlotnick, Laws & Sandoval, P.C." The signature is written in a cursive, flowing style.

November 18, 2011

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Statement of Net Assets**

**June 30, 2011**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current assets:	
Investment in State General Fund Investment Pool	\$ 281,342
Supplies inventory	34,646
Total current assets	<u>315,988</u>
Noncurrent assets:	
Capital assets, net	<u>103,173</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 419,161</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 76,269
Accrued payroll	92,465
Due to State General Fund	4,961
Accrued compensated absences	90,821
Total current liabilities	<u>264,516</u>
Noncurrent liabilities:	
Accrued compensated absences	<u>24,825</u>
Total liabilities	<u>289,341</u>
<b>NET ASSETS</b>	
Invested in capital assets	103,173
Unrestricted (deficit)	26,647
Total net assets	<u>129,820</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 419,161</u></u>

*See Notes to the Financial Statements.*

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2011**

	<b>Governmental Activities</b>
Program Expenses:	
Judicial:	
Administrative services	\$ 3,007,450
Deprecation expense	77,633
Total Expenses	<u>3,085,083</u>
Program Revenues	<u>-</u>
<b>Net program expenses</b>	<u>3,085,083</u>
General Revenues and Transfers:	
State General Fund appropriations	2,965,000
Reversion to State General Fund - current	(4,914)
	<u>2,960,086</u>
<b>Change in net assets</b>	(124,997)
Net assets, beginning of year	<u>254,817</u>
<b>Net assets, end of year</b>	<u><u>\$ 129,820</u></u>

*See Notes to the Financial Statements.*



**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Balance Sheet - Governmental Fund**

**June 30, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 281,342
Supplies inventory	<u>34,646</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 315,988</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current Liabilities:	
Accounts payable	\$ 76,269
Accrued payroll	92,465
Due to State General Fund	<u>4,961</u>
<b>Total liabilities</b>	<u>173,695</u>
<b>FUND BALANCES</b>	
Nonspendable: Supplies inventory	34,646
Restricted for Federal Grant Expenditures	<u>107,647</u>
<b>Total fund balances</b>	<u><u>142,293</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 315,988</u></u>

*See Notes to the Financial Statements.*

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Reconciliation of Balance Sheet  
To The Statement of Net Assets - Governmental Fund**

**June 30, 2011**

<b>Total fund balance - total governmental funds</b>	\$ 142,293
 Amounts reported for governmental activities on the Statement of Net Assets are different because:	
 Capital assets used in governmental activities are not financial resources, and therefore are not reported on the balance sheet	
Capital assets, net	103,173
 Some liabilities are not due and payable in the current period, and therefore are not reported on the balance sheet.	
Compensated absences	<u>(115,646)</u>
 <b>Net Assets of governmental activities</b>	 <u>\$ 129,820</u>

*See Notes to the Financial Statements.*

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Fund**

**For the Year Ended June 30, 2011**

	<u>General Fund</u>
<b>REVENUES</b>	<u>\$ -</u>
<b>Total Revenues</b>	<u>-</u>
<b>EXPENDITURES</b>	
Current:	
Personal services & benefits	2,650,476
Contract services	99,605
Other costs	259,894
Capital Outlay	<u>-</u>
<b>Total Expenditures</b>	<u>3,009,975</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(3,009,975)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>	
<b>Transfers In:</b>	
State appropriation	2,965,000
<b>Transfers Out:</b>	
Reversion to State General Fund - FY11	<u>(4,914)</u>
Total other financing sources (uses)	<u>2,960,086</u>
<b>Net change in fund balances</b>	(49,889)
Fund balances, beginning of year	201,473
Decrease in reserve for supplies inventory	<u>(9,291)</u>
<b>Fund balances, end of year</b>	<u><u>\$ 142,293</u></u>

*See Notes to the Financial Statements.*

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**RECONCILIATION OF THE CHANGE IN FUND BALANCE  
OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2011**

**Net change in fund balances - total governmental funds** \$ (49,889)

Amounts reported for governmental activities on the Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Certain outlays are reported as expenditures in governmental funds; however, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives. During the year ended June 30, 2011 these amounts were as follows:

Capital outlay	-	
Depreciation expense	<u>(77,633)</u>	
Excess of capital outlay over depreciation expense		(77,633)
Change in Supplies Inventory		(9,291)

Expenses recognized on Statement of Activities not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances:

Change in compensated absences (increase)	<u>11,816</u>
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**Change in net assets of governmental activities** \$ (124,997)

*See Notes to the Financial Statements.*

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Statement of Revenues and Expenditures  
Budget and Actual (Budgetary Basis) Governmental Funds  
General Fund**

**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State General Fund appropriations	\$ 3,064,500	2,965,000	2,965,000	\$ -
Other financing sources	-	-	-	-
Program Revenue	-	-	-	-
Total Revenues	<u>3,064,500</u>	<u>2,965,000</u>	<u>2,965,000</u>	<u>\$ -</u>
Fund Balance		201,473		
		<u>\$ 3,166,473</u>		
<b>EXPENDITURES</b>				
Personnel services & employee benefits	\$ 2,877,900	2,657,000	2,650,476	\$ 6,524
Contractual services	15,300	129,800	99,605	30,195
Other costs	171,300	335,736	259,894	75,842
Total Expenditures	<u>\$ 3,064,500</u>	<u>3,122,536</u>	<u>3,009,975</u>	<u>\$ 112,561</u>

*See Notes to the Financial Statements.*

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**Statement of Fiduciary Assets and Liabilities  
Agency Fund**

**June 30, 2011**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,168
<b>TOTAL ASSETS</b>	<u>\$ 10,168</u>
<b>LIABILITIES</b>	
Due to other State agencies	\$ 1,385
Assets held for others	<u>8,783</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 10,168</u>

*See Notes to the Financial Statements.*

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

The Office of the District Attorney, Fourth Judicial District (Office) operates under Article 6 Section 24, NMSA 1978 Compilation. The District Attorney is elected to a four-year term. The Office provides law enforcement as its primary service as defined in Section 36-1-1 through 36-1-26 NMSA, 1978, as amended. The Office serves San Miguel, Mora and Guadalupe counties. Financing of the Office is by state appropriation.

The Office is a component unit of the Judicial branch and these financial statements include all funds and activities over which the Office has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office 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 Office has no component units that are required to be reported in its financial statements.

The accounting policies of the Fourth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Office's significant accounting policies follows:

**A. Basis of Accounting - GASB Statement # 34**

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Office, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Office has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.



**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Accounting – Fund Accounting**

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

*Fund Financial Statements*

The governmental fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Office’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, reconciliations are presented on the page following each statement, which briefly explain the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The Office’s fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Office first uses restricted resources then unrestricted resources.



**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Accounting – Fund Accounting (Continued)**

*Fund Financial Statements (continued)*

The accounts of the Office are organized on a fund basis, 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 equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Office:

*Governmental Fund Types*

General Fund - The General Fund is the general operating fund of the Office and accounts for all revenues and expenditures of the Office not encompassed within other funds. Any unexpended balance remaining in this fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The SHARE number and description of the General Fund of the Office is #15800 - Fourth Judicial District Attorney.

*Fiduciary Fund Types*

Agency Funds - Agency Funds are used to account for assets held by the Office in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

This fund is used to account for proceeds received from reimbursement of costs, processing fees, worthless check collection and restitution.

**B. Assets, Liabilities and Equity**

*Cash, cash equivalents, and investments*

The Office's cash and cash equivalents are demand deposits. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 2. All governmental funds allotted to the Office are held on deposit with the State Treasurer and invested in the State Treasurer General Fund Investment Pool. Note 2 describes the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting – Fund Accounting (Continued)**

*Supplies Inventory*

Supplies inventory consists of non-resale paper, postage, and office supplies. Supplies inventory is stated on the consumption method in the government-wide statements to be consistent with the accrual basis of accounting. The purchases method is used on the fund financial statements and inventory balances are reported as assets in the governmental fund balance sheet. The supplies inventory is offset by the non spendable fund balance classification on the fund financial statements, which indicates they are unavailable for appropriation even though they are a component of reported assets.

*Capital Assets*

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and is depreciated. The Office has no internally developed software.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery & equipment	6 years
Furniture & fixtures	7 years
Data processing equipment & software	3 years
Vehicles	5 years

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting – Fund Accounting (Continued)**

*Long-Term Liabilities*

The Office's policies regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

*Compensated Absences*

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 of 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 120 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an expenditure on the Government-Wide financial statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 month - 3 yrs	10
Over 3 - 7 yrs	12
Over 7 - 14 yrs	14
Over 14 yrs - beyond	16

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting – Fund Accounting (Continued)**

Compensated Absences

In addition, the Office allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

Equity

Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Office has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balances are further classified as:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.



**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting – Fund Accounting (Continued)**

Fund Financial Statements (continued)

*Committed:* This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Office's administrative authority (or the District Attorney). These amounts cannot be used for any other purpose unless the District Attorney removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

*Assigned:* This classification includes amounts that are constrained by the Office's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Office's administrative authority or through the Office delegating this responsibility to the Office's management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

*Unassigned:* This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Office would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**C. Budgets and Budgetary Accounting**

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

No later than September 1, the Office submits to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets and Budgetary Accounting (continued)**

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. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

The Office 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 in July. All subsequent budget adjustments must be approved by the Director of the DFA - Budget Division. The current year budget was revised in a legal manner.

Legal budget control for expenditures and encumbrances is by category.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the ends of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.

Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(2) CASH AND CASH EQUIVALENTS**

At June 30, 2011, cash consisted of the following:

	Bank Balance	Book Balance
Governmental Funds:		
Investment in the State General Fund		
Investment Pool, fund 15800	\$ 281,342	\$ 281,342
Agency Funds:		
Cash in Bank: Wells Fargo Checking	\$ 10,168	\$ 19,745

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. All deposits with financial institutions were covered by FDIC insurance at June 30, 2011.

Custodial credit risk is the risk that in the event of a bank failure the Office's deposits may not be returned. The Office does not have any Custodial Credit Risk.

**(3) DUE TO STATE GENERAL FUND**

The Due to State General Fund in the Statement of Net Assets includes \$4,961 in fiscal year 2011 reversions that will be remitted to the State General Fund.

**(4) COMPENSATED ABSENCES PAYABLE**

The following is a summary of changes in compensated absences:

June 30, 2010	Increase	Decrease	June 30, 2011	Due in one year
\$ 127,464	201,595	213,413	\$ 115,646	\$ 90,821

Office General Fund resources have been used to liquidate accrued compensated absences in the past. The Office had no other debt activity during the year.

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2011**

**Notes to the Financial Statements**

**(5) CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beg Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance</u>
Capital Assets:				
Machinery & Equipment	\$ 155,463	-	-	\$ 155,463
Data Processing Equipment	69,931	-	34,624	35,307
Furniture & Fixtures	37,251	-	4,284	32,967
Vehicles	339,369	-	66,071	273,298
Software	3,723	-	3,723	-
Total	<u>605,737</u>	<u>-</u>	<u>108,702</u>	<u>497,035</u>
Accumulated Depreciation:				
Machinery & Equipment	129,851	20,201	-	150,052
Data Processing Equipment	64,017	2,742	34,624	32,135
Furniture & Fixtures	31,784	2,888	4,284	30,388
Vehicles	195,556	51,802	66,071	181,287
Software	3,723	-	3,723	-
Total	<u>424,931</u>	<u>77,633</u>	<u>108,702</u>	<u>393,862</u>
Net Assets	<u>\$ 180,806</u>	<u>77,633</u>		<u>\$ 103,173</u>

Depreciation expense for the fiscal year ended June 30, 2011 was \$77,633



**STATE OF NEW MEXICO  
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**June 30, 2011**

**Notes to the Financial Statements**

**(6) PERA RETIREMENT PLAN**

Plan Description

Substantially all of the Fourth Judicial 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, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Fourth Judicial District Attorney is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Fourth Judicial 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 Office's contributions to PERA for the years ending June 30, 2011, 2010 and 2009 were \$275,786, \$290,279, and \$308,188, respectively, equal to the amount of the required contributions for each year.

**(7) DEFERRED COMPENSATION**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Fourth Judicial District Attorney nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Fourth Judicial District have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan.

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**Notes to the Financial Statements**

**(8) RETIREE HEALTH CARE ACT CONTRIBUTION**

Plan Description

The Fourth Judicial 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

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**June 30, 2011**

**Notes to the Financial Statements**

**(8) RETIREE HEALTH CARE ACT CONTRIBUTION (continued)**

monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

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

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

The Fourth Judicial District Attorney's contributions to the RHCA for fiscal years ended June 30, 2011, 2010 and 2009 were \$30,263, \$24,637, and \$23,412, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO  
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**June 30, 2011**

**Notes to the Financial Statements**

**(9) RISKS OF LOSS**

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment, and is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Office are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2010 through June 30, 2011.

**(10) OPERATING LEASES**

The Office leases office equipment under operating leases with third party vendors. The contracts for lease include annual nonappropriation clauses which can terminate the respective leases. Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2011, for each of the next five years and in the aggregate are:

2012	16,690
2013	16,690
2014	1,291
2015	-
2016	-
Total	<u>34,671</u>

Total rental payments for fiscal year 2011 were \$19,398.

**STATE OF NEW MEXICO  
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**Schedule of Operating Transfers**

**For the Year Ended June 30, 2011**

<u>SHARE FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
		<u>In</u>	<u>Out</u>
(1) 85300	Department of Finance & Administration	\$ 2,965,000	\$ -
(2) 85300	Department of Finance & Administration		4,914
<b>Total</b>		<u>\$ 2,965,000</u>	<u>\$ 4,914</u>

(1) General Fund Appropriation, Laws of 2010, Chapter 6, Section 4

(2) Reversion to the General Fund

**STATE OF NEW MEXICO  
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FOURTH JUDICIAL DISTRICT**

**Supplementary Section**

**Schedule of Changes in Assets and Liabilities - Agency Fund**

**For the Year Ended June 30, 2011**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,174	103,577	99,583	\$ 10,168
<b>TOTAL ASSETS</b>	<b>\$ 6,174</b>	<b>103,577</b>	<b>99,583</b>	<b>\$ 10,168</b>
<b>LIABILITIES</b>				
Due to other State agencies	\$ 895	13,544	13,054	\$ 1,385
Assets held for others	5,279	90,033	86,529	8,783
<b>TOTAL LIABILITIES</b>	<b>\$ 6,174</b>	<b>103,577</b>	<b>99,583</b>	<b>\$ 10,168</b>

*See Auditor's Report*





**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Honorable Richard D. Flores, District Attorney  
Office of the District Attorney  
Fourth Judicial District  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the general fund of the State of New Mexico, Office of the District Attorney, Fourth Judicial District (Office), as of and for the year ended June 30, 2011, which collectively comprise the Office's basic financial statements and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.


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

#### Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Zlotnick, Laws & Sandoval, P.C.

A handwritten signature in blue ink that reads "Zlotnick, Laws & Sandoval, P.C." The signature is written in a cursive style and is positioned above a light blue rectangular stamp.

November 18, 2011



**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FOURTH JUDICIAL DISTRICT**

**June 30, 2010**

**Prior Year Findings**

<u><b>Condition</b></u>	<u><b>Current Year Status</b></u>
07-2 Auditor Prepared the Financial Statements	Resolved
10-01 Late Report	Resolved

The financial statements were prepared by the auditors, Zlotnick, Laws & Sandoval, P.C.

**STATE OF NEW MEXICO  
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**June 30, 2011**

**Exit Conference**

The contents of this report were discussed at an exit conference held on November 18, 2011.  
The following were in attendance:

Office of the Fourth Judicial District Attorney

Richard D. Flores, District Attorney  
Karla Martinez, Chief Financial Officer

Zlotnick, Laws & Sandoval, P.C.

Asa Laws, CPA