

**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, 2012

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

June 30, 2012

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

June 30, 2012

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

June 30, 2012

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, 2012 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.

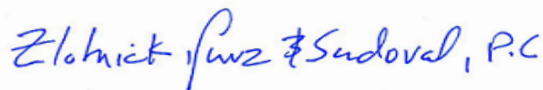
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, 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 October 15, 2012 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 Board has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Zlotnick, Laws & Sandoval, PC

October 15, 2012

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

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investment in State General Fund Investment Pool	\$ 244,131
Supplies inventory	26,040
Total current assets	<u>270,171</u>
 Noncurrent assets:	
Capital assets, net	<u>53,239</u>
 TOTAL ASSETS	 <u><u>\$ 323,410</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 23,686
Accrued payroll	108,134
Due to State General Fund	6,413
Accrued compensated absences	84,304
Total current liabilities	<u>222,537</u>
 Noncurrent liabilities:	
Accrued compensated absences	<u>16,753</u>
Total liabilities	<u>239,290</u>
 NET ASSETS	
Invested in capital assets	53,239
Unrestricted (deficit)	30,881
Total net assets	<u>84,120</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 323,410</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, 2012

	<u>Governmental Activities</u>
Program Expenses:	
Judicial:	
Administrative services	\$ 2,842,199
Deprecation expense	49,934
Total Expenses	<u>2,892,133</u>
 Program Revenues	 <u>-</u>
 Net program expenses	 <u>2,892,133</u>
 General Revenues and Transfers:	
State General Fund appropriations	2,852,800
Reversion to State General Fund - current	(6,367)
	<u>2,846,433</u>
 Change in net assets	 (45,700)
 Net assets, beginning of year	 <u>129,820</u>
 Net assets, end of year	 <u><u>\$ 84,120</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, 2012

	<u>General Fund</u>
ASSETS	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 244,131
Supplies inventory	<u>26,040</u>
TOTAL ASSETS	<u><u>\$ 270,171</u></u>
LIABILITIES AND FUND BALANCES	
Current Liabilities:	
Accounts payable	\$ 23,686
Accrued payroll	108,134
Due to State General Fund	<u>6,413</u>
Total liabilities	<u>138,233</u>
FUND BALANCES	
Nonspendable: Supplies inventory	26,040
Unassigned	<u>105,898</u>
Total fund balances	<u><u>131,938</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 270,171</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, 2012

Total fund balance - total governmental funds	\$ 131,938
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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	53,239
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Some liabilities are not due and payable in the current period, and therefore are not reported on the balance sheet.

Compensated absences	<u>(101,057)</u>
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Net Assets of governmental activities	<u><u>\$ 84,120</u></u>
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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, 2012

	<u>General Fund</u>
REVENUES	<u>\$ -</u>
Total Revenues	<u>-</u>
EXPENDITURES	
Current:	
Personal services & benefits	2,594,482
Contract services	61,120
Other costs	192,580
Capital Outlay	<u>-</u>
Total Expenditures	<u>2,848,182</u>
Excess (deficiency) of revenues over expenditures	<u>(2,848,182)</u>
OTHER FINANCING SOURCES/(USES)	
Transfers In:	
State appropriation	2,852,800
Transfers Out:	
Reversion to State General Fund - FY12	<u>(6,367)</u>
Total other financing sources (uses)	<u>2,846,433</u>
Net change in fund balances	(1,749)
Fund balances, beginning of year	142,293
Decrease in reserve for supplies inventory	<u>(8,606)</u>
Fund balances, end of year	<u><u>\$ 131,938</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, 2012

Net change in fund balances - total governmental funds	\$	(1,749)
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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, 2012 these amounts were as follows:

Capital outlay	-	
Depreciation expense	(49,934)	
Excess of capital outlay over depreciation expense		(49,934)
Change in Supplies Inventory		(8,606)

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

Change in compensated absences (increase)		14,589
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Change in net assets of governmental activities	\$	(45,700)
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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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriations	\$ 2,852,800	2,852,800	2,852,800	\$ -
Other financing sources	-	-	-	-
Program Revenue	-	-	-	-
Total Revenues	<u>2,852,800</u>	<u>2,852,800</u>	<u>2,852,800</u>	<u>\$ -</u>
Fund Balance		142,293		
		<u>\$ 2,995,093</u>		
EXPENDITURES				
Personnel services & employee benefits	\$ 2,675,500	2,597,300	2,594,482	\$ 2,818
Contractual services	13,000	91,700	61,120	30,580
Other costs	164,300	271,447	191,005	80,442
Total Expenditures	<u>\$ 2,852,800</u>	<u>2,960,447</u>	<u>2,846,607</u>	<u>\$ 113,840</u>

Reconciliation of Budgetary Information to GAAP Information

While the Office reports financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The following are the differences:

Total Expenditures Budgetary Basis	\$ 2,846,607
Fiscal year 2012 amounts paid with fiscal 2013 budget	1,575
Total Expenditures GAAP Basis	<u>\$ 2,848,182</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, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,785
TOTAL ASSETS	<u>\$ 6,785</u>
LIABILITIES	
Due to other State agencies	\$ 739
Assets held for others	<u>6,046</u>
TOTAL LIABILITIES	<u>\$ 6,785</u>

See Notes to the Financial Statements.

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

June 30, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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>
Less than 4 years	10
4 – 7 years	11
8 – 11 years	12
12 – 15 years	13
16 years or more	14

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, 2012

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, 2012

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, 2012

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, 2012

Notes to the Financial Statements

(2) CASH AND CASH EQUIVALENTS

At June 30, 2012, cash consisted of the following:

	Bank Balance	Book Balance
Governmental Funds:		
Investment in the State General Fund Investment Pool, fund 15800	\$ 244,131	\$ 244,131
Agency Funds:		
Cash in Bank: Wells Fargo Checking	\$ 6,785	\$ 20,098

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, 2012.

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) INTEREST IN STATE GENERAL FUND INVESTMENT POOL

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

At June 30, 2012 the Department had the following invested in the General Fund Investment Pool:

	Bank Balance	Fair Market Value
Governmental Funds:		
Investment in the State General Fund Investment Pool, fund 15800	\$ 244,131	\$ 244,131

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

June 30, 2012

Notes to the Financial Statements

(3) INTEREST IN STATE GENERAL FUND INVESTMENT POOL (Continued)

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

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

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

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the balances at the business unit/fund level is not possible. Section 6-5-2.1(J) NMSA 1978 requires DFA to complete on a monthly basis, reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in

**STATE OF NEW MEXICO
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June 30, 2012

Notes to the Financial Statements

(3) INTEREST IN STATE GENERAL FUND INVESTMENT POOL (Continued)

partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

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

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

Since SHARE was implemented, the Office recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Office. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Office's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Office reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Offices's share in the State General Fund Investment Pool account are accurate.

(4) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$6,413 in fiscal year 2012 reversions that will be remitted to the State General Fund.

**STATE OF NEW MEXICO
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June 30, 2012

Notes to the Financial Statements

(5) COMPENSATED ABSENCES PAYABLE

The following is a summary of changes in compensated absences:

June 30, 2011	Increase	Decrease	June 30, 2012	Due in one year
\$ 115,646	211,029	225,618	\$ 101,057	\$ 84,304

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.

(6) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beg Balance	Additions	Deletions	End Balance
Capital Assets:				
Machinery & Equipment	\$ 155,463	-	-	\$ 155,463
Data Processing Equipment	35,307	-	-	35,307
Furniture & Fixtures	32,967	-	-	32,967
Vehicles	273,298	-	-	273,298
Software	-	-	-	-
Total	497,035	-	-	497,035
Accumulated Depreciation:				
Machinery & Equipment	150,052	1,174	-	151,226
Data Processing Equipment	32,135	2,079	-	34,214
Furniture & Fixtures	30,388	2,107	-	32,495
Vehicles	181,287	44,574	-	225,861
Software	-	-	-	-
Total	393,862	49,934	-	443,796
Net Assets	\$ 103,173	49,934	-	\$ 53,239

Depreciation expense for the fiscal year ended June 30, 2012 was \$49,934

**STATE OF NEW MEXICO
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Notes to the Financial Statements

(7) 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.

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, 2012, 2011 and 2010 were \$238,517, \$275,786, and \$290,279, respectively, equal to the amount of the required contributions for each year.

(8) 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

(9) 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

**STATE OF NEW MEXICO
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June 30, 2012

Notes to the Financial Statements

(9) 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.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% 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>
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, 2012, 2011 and 2010 were \$32,621, \$30,263, and \$24,637, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
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FOURTH JUDICIAL DISTRICT**

June 30, 2012

Notes to the Financial Statements

(10) 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, 2011 through June 30, 2012.

(11) 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, 2012, for each of the next five years and in the aggregate are:

2013	16,690
2014	1,291
2015	-
2016	-
2017	-
Total	<u>17,981</u>

Total rental payments for fiscal year 2012 were \$20,385.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
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Schedule of Operating Transfers

For the Year Ended June 30, 2012

<u>SHARE FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
		<u>In</u>	<u>Out</u>
(1) 85300	Department of Finance & Administration	\$ 2,852,800	\$ -
(2) 85300	Department of Finance & Administration		6,367
Total		<u>\$ 2,852,800</u>	<u>\$ 6,367</u>

(1) General Fund Appropriation, Laws of 2011, Chapter 179, Section 4

(2) Reversion to the General Fund

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

Supplementary Section

Schedule of Changes in Assets and Liabilities - Agency Fund

For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash and cash equivalents	\$ 10,168	89,988	93,371	\$ 6,785
TOTAL ASSETS	<u>\$ 10,168</u>	<u>89,988</u>	<u>93,371</u>	<u>\$ 6,785</u>
LIABILITIES				
Due to other State agencies	\$ 1,385	12,589	13,235	\$ 739
Assets held for others	8,783	77,398	80,135	6,046
TOTAL LIABILITIES	<u>\$ 10,168</u>	<u>89,987</u>	<u>93,370</u>	<u>\$ 6,785</u>

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, 2012, which collectively comprise the Office's basic financial statements and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Office is responsible for establishing and maintaining effective 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.

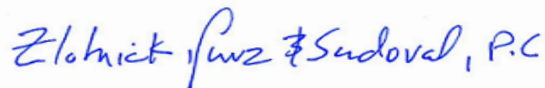
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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 the Fourth Judicial District Attorney, others within the entity, the Department of Finance and Administration, 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.

October 15, 2012

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

June 30, 2012

Schedule of Findings and Responses

Status of Prior Year's Findings:

None

Current Year's Findings:

None

**STATE OF NEW MEXICO
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June 30, 2012

Exit Conference

The contents of this report were discussed at an exit conference held on October 9, 2012. 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
Brian Laws, CPA

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