

Accounting & Consulting Group, LLP

Certified Public Accountants

State of New Mexico
Office Of The District Attorney
Fifth Judicial District

Annual Financial Report

June 30, 2012



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

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

INTRODUCTORY SECTION

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Table of Contents
June 30, 2012

	Exhibit/ Schedule	Page
INTRODUCTORY SECTION		
Table of Contents		4
Official Roster		5
FINANCIAL SECTION		
Independent Auditors' Report		9-10
BASIC FINANCIAL STATEMENTS		
Statement of Net Assets	A-1	12
Statement of Activities	A-2	13
Balance Sheet- Governmental Funds	B-1	14
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Assets		15
Statement of Revenues, Expenditures, and Change in Fund Balance- Governmental Funds	B-2	16
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance- Governmental Funds to the Statement of Activities		17
Statements of Revenues, Expenditures, and Change in Fund Balance- Budget (GAAP Budgetary Basis) and Actual:		
General Fund	C-1	18
High Intensity Drug Trafficking Area (HIDTA)	C-2	19
ARRA Fund	C-3	20
NOTES TO THE FINANCIAL STATEMENTS		21-32
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		35-36
Schedule of Findings and Responses	I	37-40
OTHER DISCLOSURES		41

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Official Roster
June 30, 2012

<u>Name</u>	<u>Attorneys</u>	<u>Title</u>
Janetta B. Hicks		District Attorney
Dianna Luce		Chief Deputy District Attorney
Alan Griffin		Chief Deputy District Attorney
Raymond Romero		Chief Deputy District Attorney
Michael Murphy		Deputy District Attorney
Stephanie Erickson		Assistant Trial Attorney
Vernon Henning		Assistant Trial Attorney
Debra Lautenschlauger		Assistant Trial Attorney
Emily Maher		Assistant Trial Attorney
Patrick Melvin		Assistant Trial Attorney
Donald Moore, Jr.		Assistant Trial Attorney
Michael Murphy		Assistant Trial Attorney
Ariane Navarrette		Assistant Trial Attorney
Flori Nunez		Assistant Trial Attorney
Robert Perozynski, III		Assistant Trial Attorney
John Phinizy		Assistant Trial Attorney
Kevin Powers		Assistant Trial Attorney
Davis Ruark		Assistant Trial Attorney
Eric Scramlin		Assistant Trial Attorney
Matthew Stone		Assistant Trial Attorney
Eric Townsend		Assistant Trial Attorney
	<u>Administrative Staff</u>	
Melissa Walterscheid		Chief Financial Officer
Diana Switzer		Human Resource Administrator
Susan Kemp		Financial Specialist
Stephanie Fleming		IT Administrator
Valerie Lopez		District Office Manager

This page is intentionally left blank

FINANCIAL SECTION

This page is intentionally left blank



Independent Auditors' Report

Hector Balderas
New Mexico State Auditor and
Janetta B. Hicks, District Attorney
Office of the District Attorney
Fifth Judicial District
Carlsbad, New Mexico

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

Except as discussed in the following paragraph, 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, and the standards applicable to financial statements audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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 District'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.

We were not able to verify balances due to inadequate accounting records related to the District's cash, net assets, and fund balance as of and for the year ended June 30, 2012. We were unable to determine these amounts through the use of alternative procedures and, as such, are unable to express an opinion on cash, net assets, and fund balance as of June 30, 2012. The effect on assets and net assets of the governmental type activities is not readily determinable.

In our opinion except for the effects of the lack of evidence verifying the amount of cash as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2012, and the respective changes in financial position, and the budgetary comparison for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements of the State of New Mexico, Office of the District Attorney, Fifth Judicial District are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2012 and the changes in its financial position 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 December 13, 2012 on our consideration of the District'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.

Management has omitted the 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 the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
December 13, 2012

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Statement of Net Assets
June 30, 2012

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current assets	
Petty cash	\$ 300
Investments in State Treasurer's General Fund investment pool (Note 2)	559,579
Due from federal government	<u>83,262</u>
Total current assets	<u>643,141</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>147,348</u>
Total noncurrent assets	<u>147,348</u>
Total assets	<u><u>\$ 790,489</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 14,376
Accrued compensated absences	134,730
Accrued payroll	157,852
Due to State General Fund	<u>35,983</u>
Total current liabilities	<u>342,941</u>
Noncurrent liabilities	
Accrued compensated absences	<u>76,114</u>
Total liabilities	<u>419,055</u>
Net Assets	
Invested in capital assets	147,348
Restricted	232,316
Unrestricted	<u>(8,230)</u>
Total net assets	<u>371,434</u>
Total liabilities and net assets	<u><u>\$ 790,489</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Statement of Activities
For the Year Ended June 30, 2012

Exhibit A-2

	Governmental Activities
Program expenses	
General government	
Administrative services	\$ 4,384,315
Depreciation	70,263
Total governmental activities	4,454,578
Program revenues	
Operating grants and contributions	
Federal grants	707,366
Miscellaneous	103
Total program revenues	707,469
Net program expense	(3,747,109)
General revenues	
State General Fund appropriation	4,074,000
Gain on disposal of capital assets	6,000
Reversion to the State General Fund- FY 2012	(3,493)
Total general revenues	4,076,507
Change in net assets	329,398
Net assets- beginning of year	42,036
Net assets- end of year	\$ 371,434

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	HIDTA Fund	ARRA Fund	Total
Assets				
Current assets				
Petty Cash	\$ 300	\$ -	\$ -	\$ 300
Investment in State Treasurer General Fund Investment Pool (Note 2)	193,517	353,637	12,425	559,579
Due from federal government	-	83,262	-	83,262
Total assets	\$ 193,817	\$ 436,899	\$ 12,425	\$ 643,141
 Liabilities and fund balance				
Current liabilities				
Accounts payable	\$ -	\$ 14,376	\$ -	\$ 14,376
Accrued payroll and related expenses	157,534	318	-	157,852
Due to State General Fund	35,983	-	-	35,983
Total liabilities	193,517	14,694	-	208,211
 Fund balance				
Spendable				
Restricted	-	422,205	12,425	434,630
Unassigned	300	-	-	300
Total fund balance	300	422,205	12,425	434,930
Total liabilities and fund balance	\$ 193,817	\$ 436,899	\$ 12,425	\$ 643,141

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2012

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Fund balance- governmental funds	\$ 434,930
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	147,348
Certain liabilities, including loans payable and the current portion of accrued compensated absences, are not due and payable in the current period, and therefore, are not reported in the funds	
Accrued compensated absences not due and payable at year end	<u>(210,844)</u>
Net assets of governmental activities	<u><u>\$ 371,434</u></u>

STATE OF NEW MEXICO

Office of the District Attorney

Fifth Judicial District

Statement of Revenues, Expenditures, and Change in Fund Balance

Governmental Funds

For the Year Ended June 30, 2012

Exhibit B-2

Page 1 of 2

	General Fund	HIDTA Fund	ARRA Fund	Total
Revenues				
Intergovernmental revenues	\$ -	\$ 707,366	\$ -	\$ 707,366
Miscellaneous	103	-	-	103
Total revenues	<u>103</u>	<u>707,366</u>	<u>-</u>	<u>707,469</u>
Expenditures				
Current				
Administrative Services				
Personnel services	3,894,871	89,091	-	3,983,962
Contractual services	16,300	46,988	-	63,288
Capital outlay	-	125,722	-	125,722
Other	159,439	169,096	-	328,535
Total expenditures	<u>4,070,610</u>	<u>430,897</u>	<u>-</u>	<u>4,501,507</u>
Excess (deficiency) of revenues over expenditures	<u>(4,070,507)</u>	<u>276,469</u>	<u>-</u>	<u>(3,794,038)</u>
Other financing sources (uses)				
State General fund appropriation	4,074,000	-	-	4,074,000
Proceeds from sale of assets	-	6,000	-	6,000
Reversion to the State General Fund	(3,493)	-	-	(3,493)
Total other financing sources (uses)	<u>4,070,507</u>	<u>6,000</u>	<u>-</u>	<u>4,076,507</u>
Net change in fund balance	-	282,469	-	282,469
Fund balance- beginning of year	<u>300</u>	<u>139,736</u>	<u>12,425</u>	<u>152,461</u>
Fund balance- end of year	<u>\$ 300</u>	<u>\$ 422,205</u>	<u>\$ 12,425</u>	<u>\$ 434,930</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Office of the District Attorney

Fifth Judicial District

Reconciliation of the Statement of Revenues, Expenditures, and Change
in Fund Balance to the Statement of Activities

Governmental Funds

For the Year Ended June 30, 2012

Exhibit B-2

Page 2 of 2

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net change in fund balance- total governmental funds	\$	282,469
The governmental funds reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense		
Capital Outlay		125,722
Depreciation Expense		(70,263)
Expenses reported in the Statement of Activities that do require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Increase in accrued compensated absences		<u>(8,530)</u>
Change in net assets of governmental activities	\$	<u><u>329,398</u></u>

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Miscellaneous income	\$ -	\$ -	\$ 103	\$ 103
Total revenues	-	-	103	103
Expenditures				
Current				
Personnel services	3,898,200	3,898,200	3,894,871	3,329
Contractual services	16,300	16,300	16,300	-
Other	159,500	159,500	159,439	61
Total expenditures	4,074,000	4,074,000	4,070,610	3,390
Excess (deficiency) of revenues over expenditures	(4,074,000)	(4,074,000)	(4,070,507)	3,493
Other financing sources (uses)				
State general fund appropriation	4,074,000	4,074,000	4,074,000	-
Reversion to state general fund	-	-	(3,493)	(3,493)
Total other financing sources (uses)	4,074,000	4,074,000	4,070,507	(3,493)
Net change in fund balance	-	-	-	\$ -
Fund balance- beginning of year	300	300	300	
Fund balance- end of year	\$ 300	\$ 300	\$ 300	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Office of the District Attorney

Fifth Judicial District

Statement of Revenues, Expenditures, and Change in Fund Balance
 Budget (GAAP Budgetary Basis) and Actual
 High Intensity Drug Trafficking Area (HIDTA)
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Intergovernmental				
Federal grant	\$ -	\$ 743,104	\$ 707,366	\$ (35,738)
Total revenues	-	743,104	707,366	(35,738)
Expenditures				
Current				
Personnel services	-	288,000	89,091	198,909
Contractual services	-	50,000	46,988	3,012
Other	-	405,104	294,818	110,286
Total expenditures	-	743,104	430,897	312,207
Excess (deficiency) of revenues over expenditures	-	-	276,469	276,469
Other financing sources (uses)				
Proceeds from sale of assets	-	-	6,000	6,000
Total other financing sources (uses)	-	-	6,000	6,000
Net change in fund balance	-	-	282,469	\$ 282,469
Fund balance- beginning of year	215,860	2,696	139,736	
Fund balance- end of year	\$ 215,860	\$ 2,696	\$ 422,205	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
ARRA Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Intergovernmental				
Federal grant	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	\$ -
Fund balance- beginning of year	(57,720)	(57,720)	12,425	
Fund balance- end of year	\$ (57,720)	\$ (57,720)	\$ 12,425	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Office of the District Attorney, Fifth Judicial District (the “District”) operates under Article 6 Section 24, NMSA 1978 Compilation. The District is comprised of two divisions as authorized in the above statutes. The District Attorney provides law enforcement as its primary service. Financing of the District is by state appropriation and federal grants.

The District is an agency of the State of New Mexico and these financial statements include all funds and activities over which the District Attorney has oversight responsibility. The District will be included in the State of New Mexico Comprehensive Annual Financial Report. The District Attorney has decision-making authority, the power to designate management, and the responsibility to significantly influence operations and primary accountability for fiscal matters. The District has no component units and is not a component unit of another governmental agency.

The accounting policies of the Fifth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. The financial statements have incorporated all applicable FASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. A summary of the District’s significant accounting policies follows:

B. Basis of Accounting- GASB Statement 34

The basic financial statements include both government-wide and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds. 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 District, 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 District 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are changes between the government’s risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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. The program revenues are directly associated with the function. The only program revenues are operating grants that consist of a VOCA grant and a Southwest Border Grant to be utilized in the Victim Assistance Program and High Intensity Drug Trafficking Area, respectively. The District does not have a policy for allocating indirect expenses since there is only one function in the Statement of Activities.

C. Basis of Presentation- Fund Accounting

Fund Financial Statements: The governmental fund and agency fund financial statements are presented on a current financial resource and 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. Grant revenues are recognized when all the applicable eligibility requirements have been met

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation- Fund Accounting (continued)

and the resources are available. 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 District'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, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

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

The accounts of the District 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 District:

Governmental Fund Types

General Fund- The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The SHARE number and description of the General Fund of the District is #159- District Regular.

Special Revenue Funds

The *Special Revenue Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the special revenue fund for operations of the Court. Special revenue funds are nonreverting. The following special revenue funds are reported as major:

High Intensity Drug Trafficking Area (HIDTA) Fund- The HIDTA fund is used to account for proceeds from the Office of National Drug Control Policy- High Intensity Drug Trafficking Area Grant, and the U.S. Department of Justice- Southwest Border Prosecution Initiative (SWBPI) reimbursements and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the federal government to maintain a separate fund. The SHARE number of the High Intensity Drug Trafficking Area fund is #399.

American Recovery and Reinvestment Act (ARRA) Fund- The ARRA fund is made up of two departments: R1DOJ00001- Edward Byrne Grant and R1DOJ00002- VOCA Grant. The Byrne Grant was funded mainly to provide funds to implement technology projects. The VOCA Grant was funded to assist victims of violent crimes. The SHARE number for the ARRA Fund is #890.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Equity

Cash and investments: The District’s cash and cash equivalents are demand deposits. Deposits are noninterest bearing. The carrying value of such deposits is shown in Note 2. All funds allotted to the District are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits in accordance with GASB 40.

Capital Assets: In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized.

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:

<u>Assets</u>	<u>Years</u>
Furniture, fixtures, machinery, and equipment (including software)	3-7 years
Vehicles	5 years

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.

Compensated Absences: The District’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. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

Fund Balance Classification Policies and Procedures:

Government-Wide Statements:

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

- a. *Invested in capital assets, net of related debt:*
Consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District has no outstanding debt relating to capital assets.
- b. *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 by other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Assets:*
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned, as per GASB Statement 54, effective for financial statements for periods beginning after June 15, 2010.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to the District Attorney. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

- a. No later than September 1, the District submits to the Judiciary Budget Office (JBO), 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.
- b. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme District for its approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the District.
- c. 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.
- d. The District Attorney's budget for the fiscal year ending June 30, 2012, was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
- e. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The District Attorney submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA- Budget Division reviews and approves the operating budget which becomes effective in July 1.
- f. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was properly amended.
- g. Legal budget control for expenditures and encumbrances is by category of line item.
- h. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
- i. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts.
- j. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2012. The District Attorney's General Fund is a reverting fund (funds revert back to the State General Fund).
- k. Appropriations lapse at the end of the year except for those amounts encumbered.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting (continued)

- l. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion. Budgetary comparisons presented for the General Fund and Special Revenue Funds in this report are on the modified accrual budgetary basis, which does not conform to the accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
- m. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget.
- n. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 2012.
- o. The legal level of budgetary control is at the appropriation unit level.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (4,074,000)	\$ (4,074,000)
HIDTA Fund	-	-
ARRA Fund	-	-

F. Accrued Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 120 hours up to 600 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July.

In addition, the District allows 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 nonexempt employees under the Federal Labor Standards Act.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

F. Accrued Compensated Absences (continued)

In accordance with GASB Statement No. 16 *Accounting for Compensated Absences*, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

G. 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 of assets, liabilities, and disclosures at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. Investments with the State Treasurer

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) in July of 2006. Monthly reconciliations are the responsibility of the Department of Finance and Administration. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance and 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 District's balances at the business unit/fund level is not possible. Although the District ensures that cash receipts and disbursements tie to requests sent to the Department of Finance and Administration, controls have not been put in place to mitigate the effect of the statewide reconciliation issue. This creates the possibility for cash balances to be misstated as of the year ended June 30, 2012.

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

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

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

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 2. Investments with the State Treasurer (continued)

General Fund Investment Pool Not Reconciled (continued)

of the New Mexico Department of Finance and Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

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

State law (Section 8-6-3 NMSA 1978) requires the Department's cash to 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.

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, a separate audit report is issued by the New Mexico State Treasurer's Office for the most recent fiscal year end. Below are required disclosures regarding credit and interest risk.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

Interest Rate Risk for Investments

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

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

<u>Account Name</u>	<u>Share Fund #</u>	<u>Maturities</u>	<u>Balance Per Treasurer</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<u>General Fund:</u>					
Petty Cash			\$ 300	\$ -	\$ 300
Investments in the State Treasurer's General Fund Investment Pool	14600	<180 days	146,665	46,852	193,517
<u>Special Revenue Fund:</u>					
Investments in the State Treasurer's General Fund Investment Pool					
HIDTA Fund	39900	<180 days	353,637	-	353,637
ARRA Fund	89000	<180 days	12,425	-	12,425
VOCA Fund	94200	<180 days	1	(1)	-
			<u>\$ 513,028</u>	<u>\$ 46,851</u>	<u>\$ 559,879</u>

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 3. Capital Assets

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets being depreciated:				
Equipment	\$ 213,329	\$ 15,000	\$ 6,446	\$ 221,883
Furniture and fixtures	84,324	-	-	84,324
Vehicles	357,285	110,722	32,755	435,252
Total capital assets being depreciated	<u>654,938</u>	<u>125,722</u>	<u>39,201</u>	<u>741,459</u>
Less accumulated depreciation:				
Equipment	209,370	14,450	6,446	217,374
Furniture and fixtures	79,324	10,255	-	89,579
Vehicles	274,355	45,558	32,755	287,158
Total accumulated depreciation	<u>563,049</u>	<u>70,263</u>	<u>39,201</u>	<u>594,111</u>
Total capital assets, net of depreciation	<u>\$ 91,889</u>	<u>\$ 55,459</u>	<u>\$ -</u>	<u>\$ 147,348</u>

Depreciation expense for the year was \$70,263.

NOTE 4. Interagency Transfers

The District had the following transfer for the fiscal year ending June 30, 2012:

Transfer From	SHARE Fund No.	Transfer To	SHARE Fund No.	Agency No.	Amount
State General Fund	499105	General Fund	15900	25500	<u>\$4,074,000</u>

NOTE 5. Compensated Absences Payable

A summary of changes in compensated absences is as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Compensated absences payable	<u>\$ 202,314</u>	<u>\$ 143,260</u>	<u>\$ (134,730)</u>	<u>\$ 210,844</u>	<u>\$ 134,730</u>

Compensated absences are liquidated with available financial resources out of the general fund. The State of New Mexico does not budget, in the current year, funds to pay any portion of the compensated absence liability at the end of the year. Therefore, the current portion of compensated absences is not recorded in the fund financial statements. The District Attorney has no other debt.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 6. Deficit Net Assets

The implementation of GASB #34, which requires restatement of beginning balances for capitalized assets, net of accumulated depreciation, and inclusion of long-term debt results in an unrestricted net asset deficit of \$8,230. This deficit is created primarily by compensated absences which will be paid from subsequent years State General Fund appropriations and the above.

NOTE 7. Subsequent Events

In June 2012, an independent diagnostic report revealed that statewide cash balances have not been reconciled since the inception of SHARE in July of 2006. Under the direction of the State Controller, the Financial Control Division of the New Mexico Department of Finance and Administration (DFA/FCD) is taking aggressive action to resolve this issue. DFA/FCD has commenced the Cash Management Remediation Project (“Project”) in partnership with the New Mexico State Treasurer’s Office (STO), the New Mexico Department of Information Technology (DoIT), and Deloitte Consulting, LLP. The initial phase of the Project was completed on October 11, 2012 with the next stage commencing February 1, 2013. Additional disclosure information has been required and can be found in Note 2.

NOTE 8. PERA Retirement Plan

Plan Description: Substantially all of the District’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 Employee 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute 10.67% of their gross salary. The Fifth Judicial District Attorney is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the District are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District’s contributions to PERA for the years ending June 30, 2012, 2011, and 2010 were \$373,166, \$405,955, and \$432,685, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9. Post-employment Benefits- State Retiree Health Care Plan

Plan Description: The District 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.

STATE OF NEW MEXICO
 Office of the District Attorney
 Fifth Judicial District
 Notes to the Financial Statements
 June 30, 2012

NOTE 9. Post-employment Benefits- State Retiree Health Care Plan (continued)

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal year ending 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>
FY 13	2.000%	1.000%

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

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

The District's contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$50,870, \$44,513, and \$35,653, respectively.

NOTE 10. Risk of Loss

The District obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, worker's compensation, law enforcement liability, civil rights, property, and vehicle.

NOTE 11. Reversions

The Due to State General Fund in the Statement of Net Assets includes \$30,055 and \$2,356 from 2011 for State General Fund reversion and stale dated warrants, respectively, and \$3,493 and \$79 from 2012 for State General Fund reversion and stale dated warrants, respectively, for a total amount of \$35,983 that will be remitted to the State General Fund. The reversion amounts include only state appropriations. Grant revenues accounted for in the special revenue fund are nonreverting.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 12. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The District did not report a deficit fund balance as of June 30, 2012.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary level is line item level. The District did not exceed budgetary authority for the year ended June 30, 2012.
- C. Designated cash appropriations in excess of available balances. The District did not have any funds where cash appropriations exceeded available balances for the year ended June 30, 2012.

NOTE 13. Concentrations

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

NOTE 14. Commitments Under Contractual Agreements

The District is not aware of any commitments as of the year ended June 30, 2012.

NOTE 15. Subsequent Pronouncements

In November 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangement*, to be effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The District is analyzing the effects that this pronouncement will have on their financial statements.

In December 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- 1. Financial Accounting Standards Board (FASB) Statements and Interpretations,
- 2. Accounting Principles Board Opinions, and
- 3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The District will implement this standard during fiscal year June 30, 2013.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Notes to the Financial Statements
June 30, 2012

NOTE 15. Subsequent Pronouncements (continued)

In June 2011 the Governmental Accounting Standards Board (GASB) issued GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The District is analyzing the effects that this pronouncement will have on their financial statements.

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District is analyzing the effects that this pronouncement will have on their financial statements.

COMPLIANCE SECTION

This page is intentionally left blank



**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**

Hector Balderas
New Mexico State Auditor
Janetta B. Hicks, District Attorney
Office of the District Attorney
Fifth Judicial District
Carlsbad, New Mexico

We were engaged to audit the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and the major special revenue funds of the Office of the District Attorney, Fifth Judicial District (the “District”) as of and for the year ended June 30, 2012, which collectively comprise the District’s basic financial statements as listed in the table of contents and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we considered to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2012-2 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2012-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as item FS 2005-2.

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

This report is intended solely for the information and use of management, others within the District, the State Auditor, the Department of Finance and Administration, 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
December 13, 2012

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Schedule of Findings and Responses
June 30, 2012

Section I- Summary of Audit Results

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditors' report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Section II- Prior Year Audit Findings

- | | |
|-----------|--|
| FS 2005-2 | Reversion of Unreserved Undesignated Fund Balances- Revised and Repeated |
| FS 2007-2 | Overspending of Certain Budget Line Items- Resolved |

Section III- Financial Statement Findings and Responses

FS 2005-2 Reversion of Unreserved Undesignated Fund Balances- Other

Condition: The Office of the District Attorney, Fifth Judicial District did not revert to the State General Fund all unreserved, undesignated fund balances as of June 30, 2012. As of June 30, 2012, there was \$35,983 in the general fund that should have been reverted, \$3,572 from fiscal year 2012 and \$32,411 from fiscal year 2011.

Criteria: New Mexico Statutes Section 6-5-10, NMSA 1978, as amended, requires that all unreserved, undesignated fund balances in reverting funds and accounts, as of June 30, revert to the State General Fund by September 30.

Effect: The District is not in compliance with New Mexico Statutes Section 6-5-10, NMSA 1978, as amended. State statutes define the penalties for not complying with applicable sections. In addition, this money was not available for legislative discretion. The unavailability of the monies could also affect state and federal funding.

Cause: Failure by fiscal staff to process and deliver the proper documentation to DFA.

Auditor's Recommendation: We recommend that the Fifth Judicial District establish the appropriate internal controls to provide reasonable assurance of compliance with the regulations.

View of Responsible Officials and Planned Corrective Action: A journal entry was prepared to establish the Due to the State General Fund amount for the 2011 year, but the cash was never moved. Journal entries will be followed more closely to ensure that this is done in the future.

Section III- Financial Statement Findings and Responses (continued)

FS 2012-1 Preparation of Financial Statements- Significant Deficiency

Condition: Financial statements and related footnote disclosures were not prepared by the Office of the District Attorney, Fifth Judicial District.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems should be implemented and should include controls over financial statement preparation, footnote disclosure preparation, and should give the entity the ability to catch material errors that may effect the financial statements.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented, and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: Fifth Judicial District personnel do not have the time to prepare the District's financial statements or adequate training to understand the elements of external financial reporting including the preparation of financial statements, the preparation of the related footnote disclosures, or the ability to recognize material errors.

Auditors' Recommendation: We recommend the District's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information, including Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the District develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Views of Responsible Officials and Planned Corrective Actions: The Fifth Judicial District Attorney is small and does not have staff who are adequately trained to take on the task of preparing financial statements.

Section III- Financial Statement Findings and Responses (continued)

FS 2012-2 DFA Nonreconciliation of Cash- Material Weakness

Condition: It was found by an independent expert diagnostic report that cash has not been reconciled by the Department of Finance and Administration (“DFA”) since the inception of SHARE in 2006. It was also found that the Office of the District Attorney, Fifth Judicial District (“District”) is not preparing their own reconciliation to ensure that cash balances are accurate.

Criteria: Section 6-6-3 NMSA, 1978 discusses the need to keep all the books, records, and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect: Without reconciled cash balances, the District does not have assurance that all revenues and expenses have been recorded accurately.

Cause: The Department of Finance and Administration and the District did not have procedures in place to ensure that cash reconciliations are completed in a timely manner and that balances appear to be reasonable.

Auditors’ Recommendation: We recommend that the District adopt a policy for reconciliations to be prepared on a monthly basis and have a review process in place to ensure that they are being completed accurately.

Views of Responsible Officials and Planned Corrective Actions: The District acknowledges that this finding is necessary. Once the DFA has corrected and recorded accurate cash balances, the District will continue to reconcile its record of deposits to the cash balance provided by DFA.

STATE OF NEW MEXICO
Office of the District Attorney
Fifth Judicial District
Other Disclosures
June 30, 2012

OTHER DISCLOSURES

Exit Conference

The contents of this report were discussed on December 13, 2012. The following individuals were in attendance:

Representing the Fifth Judicial District Attorney

Janetta B. Hicks	District Attorney
Melissa Walterscheid	Chief Financial Officer

Representing Accounting & Consulting Group, LLP

Shelley Olson	Supervisor
Jessica Huff	In-charge Staff

Auditor Prepared Financial Statements

Although it would be preferred and desirable for the District to prepare its own financial statements, the District's personnel did not have the time nor the knowledge to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the Office of the District Attorney, Fifth Judicial District from the original books and records provided to them by the management of the District. Management is responsible for the financial statements.