

Accounting & Consulting Group, LLP

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Certified Public Accountants

State of New Mexico  
**Office of the District Attorney  
Fifth Judicial District**  
Annual Financial Report  
June 30, 2013



**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FIFTH JUDICIAL DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2013**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
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June 30, 2013

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**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Official Roster  
June 30, 2013

<u>Name</u>		<u>Title</u>
	<u>Elected Officials</u>	
Janetta B. Hicks		District Attorney
	<u>Administrative Officials</u>	
Dianna Luce		Chief Deputy District Attorney
Michael Murphy		Chief Deputy District Attorney
Davis Ruark		Chief Deputy District Attorney
Valerie Lopez		District Office Manager
Melissa Walterscheid		Chief Financial Officer
Diana Switzer		Human Resource Administrator
Stephanie Fleming		IT Administrator

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**FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Office of the District Attorney, Fifth Judicial District, (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for the general fund and major special revenue funds for the year ended June 30, 2013 presented as supplementary information, as defined by the Governmental Accounting Standards Board as of and for the year ended June 30, 2013 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Office of the District Attorney, Fifth Judicial District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the modified accrual basis of accounting and more fully described in Note 1, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires 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 that missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 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* in considering the District's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
December 11, 2013

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Statement of Net Position  
June 30, 2013

Exhibit A-1

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Petty cash	\$          300
Investments in State Treasurer's General Fund Investment Pool (Note 2)	<u>343,923</u>
Total current assets	<u>344,223</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>107,055</u>
Total noncurrent assets	<u>107,055</u>
Total assets	<u><u>\$          451,278</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$          19,454
Accrued compensated absences	122,618
Accrued payroll	86,972
Due to State General Fund	<u>35,959</u>
Total current liabilities	<u>265,003</u>
Noncurrent liabilities	
Accrued compensated absences	<u>70,873</u>
Total liabilities	<u>335,876</u>
<b>Net Position</b>	
Net investment in capital assets	107,055
Restricted	37,545
Unrestricted	<u>(29,198)</u>
Total net position	<u>115,402</u>
Total liabilities and net position	<u><u>\$          451,278</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, 2013

Exhibit A-2

	Governmental Activities
<b>Program expenses</b>	
General government	
Administrative services	\$ 4,414,543
Depreciation	63,274
Total governmental activities	4,477,817
<b>Program revenues</b>	
Operating grants and contributions	
Federal grants	58,738
Total program revenues	58,738
Net program expense	(4,419,079)
<b>General revenues</b>	
State General Fund appropriation	4,209,900
Reversion to the State General Fund- FY 2013	(2)
Total general revenues	4,209,898
Change in net position	(209,181)
Net position, beginning	371,434
Restatement (Note 15)	(46,851)
Net position, beginning as restated	324,583
Net position, ending	\$ 115,402

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	HIDTA Fund	ARRA Fund	Total
<b>Assets</b>				
Current assets				
Petty cash	\$ 300	\$ -	\$ -	\$ 300
Investment in State Treasurer General Fund Investment Pool (Note 2)	75,697	255,801	12,425	343,923
Total assets	\$ 75,997	\$ 255,801	\$ 12,425	\$ 344,223
 <b>Liabilities and fund balance</b>				
Current liabilities				
Accounts payable	\$ 53	\$ 19,519	\$ -	\$ 19,572
Accrued payroll and related expenses	86,536	318	-	86,854
Due to State General Fund	35,959	-	-	35,959
Total liabilities	122,548	19,837	-	142,385
Fund balance				
Spendable				
Restricted	-	235,964	12,425	248,389
Unassigned	(46,551)	-	-	(46,551)
Total fund balance	(46,551)	235,964	12,425	201,838
Total liabilities and fund balance	\$ 75,997	\$ 255,801	\$ 12,425	\$ 344,223

**STATE OF NEW MEXICO**

Office of the District Attorney

Fifth Judicial District

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balance- governmental funds	\$ 201,838
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	107,055
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>(193,491)</u>
Net position of governmental activities	<u><u>\$ 115,402</u></u>



## STATE OF NEW MEXICO

Office of the District Attorney

Fifth Judicial District

Statement of Revenues, Expenditures, and Change in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

Exhibit B-2

Page 1 of 2

	General Fund	HIDTA Fund	ARRA Fund	Total
<b>Revenues</b>				
Intergovernmental revenues	\$ -	\$ 58,738	\$ -	\$ 58,738
Total revenues	<u>-</u>	<u>58,738</u>	<u>-</u>	<u>58,738</u>
<b>Expenditures</b>				
Current				
Administrative Services				
Personnel services	4,022,800	90,316	-	4,113,116
Contractual services	16,400	41,330	-	57,730
Capital outlay	-	22,981	-	22,981
Other	170,698	90,352	-	261,050
Total expenditures	<u>4,209,898</u>	<u>244,979</u>	<u>-</u>	<u>4,454,877</u>
Excess (deficiency) of revenues over expenditures	<u>(4,209,898)</u>	<u>(186,241)</u>	<u>-</u>	<u>(4,396,139)</u>
<b>Other financing sources (uses)</b>				
State General Fund appropriation	4,209,900	-	-	4,209,900
Reversion to the State General Fund	(2)	-	-	(2)
Total other financing sources (uses)	<u>4,209,898</u>	<u>-</u>	<u>-</u>	<u>4,209,898</u>
Net change in fund balances	<u>-</u>	<u>(186,241)</u>	<u>-</u>	<u>(186,241)</u>
Fund balances, beginning	300	422,205	12,425	434,930
Restatement (Note 15)	(46,851)	-	-	(46,851)
Fund balances, beginning as restated	<u>(46,551)</u>	<u>422,205</u>	<u>12,425</u>	<u>388,079</u>
Fund balances, ending	<u>\$ (46,551)</u>	<u>\$ 235,964</u>	<u>\$ 12,425</u>	<u>\$ 201,838</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 Balances to the Statement of Activities  
For the Year Ended June 30, 2013

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 \$ (186,241)

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 22,981  
Depreciation Expense (63,274)

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

Decrease in accrued compensated absences 17,353

Change in net position of governmental activities \$ (209,181)

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Miscellaneous income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>Expenditures</b>				
Current				
Personnel services	4,022,800	4,022,800	4,022,800	-
Contractual services	16,400	16,400	16,400	-
Other	170,700	170,700	170,698	2
Total expenditures	4,209,900	4,209,900	4,209,898	2
Excess (deficiency) of revenues over expenditures	(4,209,900)	(4,209,900)	(4,209,898)	2
<b>Other financing sources (uses)</b>				
State General Fund appropriation	4,209,900	4,209,900	4,209,900	-
Reversion to State General Fund	-	-	(2)	(2)
Total other financing sources (uses)	4,209,900	4,209,900	4,209,898	(2)
Net change in fund balance	-	-	-	\$ -
Fund balance, beginning	-	-	300	
Restatement (Note 15)	-	-	(46,851)	
Fund balance, beginning as restated	-	-	(46,551)	
Fund balance, ending	\$ -	\$ -	\$ (46,551)	

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 (Non-GAAP Budgetary Basis) and Actual

High Intensity Drug Trafficking Area (HIDTA) Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Intergovernmental				
Federal grant	\$ 444,898	\$ 553,802	\$ 58,738	\$ (495,064)
Total revenues	444,898	553,802	58,738	(495,064)
<b>Expenditures</b>				
Current				
Personnel services	108,000	108,000	90,316	17,684
Contractual services	100,000	100,000	41,330	58,670
Other	236,898	353,802	113,333	240,469
Total expenditures	444,898	561,802	244,979	316,823
Excess (deficiency) of revenues over expenditures	-	(8,000)	(186,241)	(178,241)
<b>Other financing sources (uses)</b>				
Designated cash (budgeted increase in cash)	-	8,000	-	8,000
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	-	8,000	-	-
Net change in fund balance	-	-	(186,241)	\$ (178,241)
Fund balance, beginning	-	-	422,205	
Fund balance, ending	\$ -	\$ -	\$ 235,964	

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 (Non-GAAP Budgetary Basis) and Actual

ARRA Fund

For the Year Ended June 30, 2013

Exhibit C-3

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>Revenues</b>				
Intergovernmental				
Federal grant	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Designated cash (budgeted increase in cash)	-	-	-	-
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	<u><u>\$ -</u></u>
Fund balance, beginning	<u>-</u>	<u>-</u>	12,425	
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,425</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  
Notes to the Financial Statements  
June 30, 2013

**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.

During the year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 64. GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, addresses issues related to service concession arrangements. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. The District does not have any Service Concession Arrangements or component units. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions- an Amendment of GASB Statement No. 53*, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. The District does not utilize hedge accounting.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. 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. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position is reported in three parts- net investment in capital assets; restricted net assets; and unrestricted net assets.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and fund financial statements (continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of District's facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which includes funds that were not required to be presented as major but were at the discretion of management:

The District reports the following major governmental funds:

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.

The *High Intensity Drug Trafficking Area (HIDTA) Special Revenue Fund* was created 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.

The *American Recovery and Reinvestment Act (ARRA) Special Revenue 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.

**D. Assets, Liabilities, and Net Position or 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 Statement No. 40.

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the District during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.



**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, and Net Position or Equity (continued)***

<u>Assets</u>	<u>Years</u>
Equipment	3-7 years
Furniture and Fixtures	3-7 years
Vehicles	5 years

**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.

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 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.

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).

**Net Position or Fund Equity:**

*Fund Balance Classification Policies and Procedures:* For restricted fund balances, the District includes amounts that can be spent only for the specific purposes stipulated by Statute, Ordinance, Resolutions, or enabling Legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund.

For committed fund balances, the District includes amounts for specific purposes by formal action of the District.

For assigned fund balances, the District includes amounts that are intended to be spent for specific purposes, but are not restricted or committed.

Regarding the District spending policies, in all cases, restricted, then committed, and then assigned fund balances are to be expended in that order, prior to infusion and expenditures of any general (unassigned) funds designated for supplementing any given department. In this manner, only after restricted, committed, or assigned funds are expended will the District permits general unassigned funds be spent to meet a specific fund’s objectives.

*Restricted Fund Balance:* At June 30, 2013, the restricted fund balance on the governmental funds balance sheet is made up of \$248,389 for the restricted purposes as defined by each fund.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, and Net Position or Equity (continued)***

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

- a. *Net investment in capital assets:*  
This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position:*  
Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position:*  
All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the District’s financial statements include depreciation on capital assets and the current portion of compensated absences.

***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.

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, 2013, 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.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

- 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 on 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, 2013. 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.
- 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 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, 2013.
- o. The legal level of budgetary control is at the appropriation unit level.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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

	Budget	Budget
Budgeted Funds		
General Fund	\$ (4,209,900)	\$ (4,209,900)
HIDTA Fund	-	(8,000)
ARRA Fund	-	-

**NOTE 2. Investments with the State Treasurer**

***General Fund Investment Pool***

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](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, 2013, the General Fund Investment Pool has been reconciled. 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 completed 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 made changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The implementation date for the changes associated with the Remediation Project was February 1, 2013. An approach and plan to address the population of historical reconciling items was 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 and Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

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.

**STATE OF NEW MEXICO**  
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**NOTE 2. Investments with the State Treasurer (continued)**

Per the directive issued by the Office of the State Auditor on November 20, 2013, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for the fiscal year ended June 30, 2013.

That directive instructed agencies to do the following:

- a. Explain to the agency's Independent Public Accountant (IPA), what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct;
- b. Disclose to the IPA any communications with DFA Cash Control Bureau regarding monthly cash reconciliation issues including unreconciled items, errors and corrections submitted;
- c. Disclose in the agency's notes to the financial statements the facts about the statewide cash reconciliation as of June 30, 2013, and what the agency's policies and procedures were during FY13 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2013.

The District has provided copies of the referenced diagnostic reports to the IPA. The District has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the District has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

To the extent possible, the District does reconcile receipts that come into its possession including those receipts that are statutorily mandated to be sent to the state general fund. The cash transactions processed by the District flow through the state general fund investment pool. Since the issue with SHARE, the District has 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 District. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to, validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities by fund, and review of outstanding warrants within the court's statewide case management system. The District reports the timely completion of the reconciliation process to District management monthly and conducts monthly management budget reviews to ensure that all cash deposits and financial transactions are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the District's share of the state general fund investment pool provides management assurance that the balance reflected in its State General Fund Investment Pool account is accurate as of the end of the reporting period.

***General Fund Investment Pool (continued)***

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. For additional GASB Statement No. 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 rate 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 New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on

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**NOTE 2. Investments with the State Treasurer (continued)**

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, 2013, cash and investments consisted of the following:

<b>Account Name</b>	<u>Share Fund #</u>	<u>Maturities</u>	<u>Balance Per Treasurer</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<b>General Fund</b>					
Petty Cash			\$ 300	\$ -	\$ 300
Investments in the State Treasurer's General Fund Investment Pool	15900	<180 days	75,697	-	75,697
<b>Special Revenue Funds</b>					
Investments in the State Treasurer's General Fund Investment Pool					
HIDTA Fund	39900	<180 days	255,801	-	255,801
ARRA Fund	89000	<180 days	12,425	-	12,425
			<u>\$ 344,223</u>	<u>\$ -</u>	<u>\$ 344,223</u>

**NOTE 3. Capital Assets**

Capital asset and depreciation activity as of and for the year ended June 30, 2013 were as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets being depreciated				
Equipment	\$ 221,883	\$ -	\$ 20,781	\$ 201,102
Furniture and fixtures	84,324	-	-	84,324
Vehicles	435,252	22,981	116,698	341,535
Total capital assets being depreciated	<u>741,459</u>	<u>22,981</u>	<u>137,479</u>	<u>626,961</u>
Less accumulated depreciation				
Equipment	217,374	2,143	20,781	198,736
Furniture and fixtures	89,579	-	-	89,579
Vehicles	287,158	61,131	116,698	231,591
Total accumulated depreciation	<u>594,111</u>	<u>63,274</u>	<u>137,479</u>	<u>519,906</u>
Total capital assets, net of depreciation	<u>\$ 147,348</u>	<u>\$ (40,293)</u>	<u>\$ -</u>	<u>\$ 107,055</u>

Depreciation expense for the year was \$63,274.

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**NOTE 4. Interagency Transfers**

The District had the following transfer for the fiscal year ending June 30, 2013:

<u>Transfer From</u>	<u>SHARE Fund No.</u>	<u>Transfer To</u>	<u>SHARE Fund No.</u>	<u>Agency No.</u>	<u>Amount</u>
State General Fund	499105	General Fund	15900	25500	<u>\$4,209,900</u>

**NOTE 5. Compensated Absences Payable**

A summary of changes in compensated absences is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Compensated absences payable	<u>\$ 210,844</u>	<u>\$ 117,377</u>	<u>\$ (134,730)</u>	<u>\$ 193,491</u>	<u>\$ 122,618</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 has no other debt.

**NOTE 6. Deficit Net Position**

The implementation of GASB Statement No. 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 position deficit of \$29,198. This deficit is created primarily by compensated absences which will be paid from subsequent years from State General Fund appropriations.

**NOTE 7. Subsequent Events**

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 11, 2013 which is the date on which the financial statements were issued.

**NOTE 8. Pension Plan- Public Employees Retirement Association**

*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 Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

*Funding Policy:* Plan members are required to contribute 10.66% of their gross salary. The District is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the District are established in State statute 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 fiscal years ending June 30, 2013, 2012, and 2011 were

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**NOTE 9. Post Employment Benefits- State Retiree Health Care Plan**

\$431,929, \$373,166, and \$405,955, respectively, which equal the amount of the required contributions for each fiscal year.

*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.

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 <http://www.nmrhca.state.nm.us>.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, that statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$57,322, \$50,870, and \$44,513, respectively, which equal the required contributions for each year.



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**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 Position includes \$30,055 and \$2,356 from 2011 for State General Fund reversion and stale dated warrants, respectively; \$3,467 and \$79 from 2012 for State General Fund reversion and stale dated warrants, respectively; and \$2 from 2013 for State General Fund reversion; for a total amount of \$35,959 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.

**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 following fund reflected a deficit fund balance or deficit net position as of June 30, 2013:

General Fund	\$(46,551)
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- 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, 2013.
- 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, 2013.

**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, 2013.

**NOTE 15. Net Position Restatement**

The District has restated prior year net position in the government-wide and fund financial statements in the amount of \$(46,851). The restatement is due to prior year payroll items from 2011 that had previously been adjusted to cash and rolled forward each year. However as cash was reconciled during the year ended June 30, 2013, it was noted that an adjustment to net position was required to reconcile cash.

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**NOTE 16. Subsequent Pronouncements**

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 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 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.

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 *Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contain in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The District is analyzing the effects that this pronouncement will have on their financial statements.

In June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local government pension plans. The District is analyzing the effects that this pronouncement will have on their financial statements.

In June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The District is analyzing the effects that this pronouncement will have on their financial statements.

In January 2013 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, effective for periods beginning after December 15, 2013. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The District is analyzing the effects that this pronouncement will have on their financial statements.

In April 2013 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for periods beginning after June 15, 2013. The objective of this Statement is to improve accounting and financial reporting by state and local governmentals that extend and receive nonexchange financial guarantees. The District is analyzing the effects that this pronouncement will have on their financial statements.

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**COMPLIANCE SECTION**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and major special revenue funds of the Office of the District Attorney, Fifth Judicial District (the “District”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 District’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 2013-01 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as FS 2005-02.

### District's Response to Findings

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

### Purpose of this Report

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP

Roswell, New Mexico

December 11, 2013

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Schedule of Findings and Responses  
June 30, 2013

**Section I- Summary of Audit Results**

*Financial Statements:*

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

**Section II- Prior Year Audit Findings**

- |            |   |
|------------|---|
| FS 2005-02 | Reversion of Unreserved Undesignated Fund Balance- Revised and Repeated |
| FS 2012-01 | Preparation of Financial Statements- Resolved                           |
| FS 2012-02 | DFA Nonreconciliation of Cash- Resolved                                 |



**Section III- Financial Statement Findings and Responses**

**FS 2005-02 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, 2013. As of June 30, 2013, there was \$35,957 in the general fund that should have been reverted, \$3,546 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 reflected in the central financial reporting and accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within 45 days of release of the audit report for that fiscal year.

*Effect:* The District is not in compliance with New Mexico Statutes Section 6-5-10, NMSA 1978, as amended. The unavailability of the funds for legislative use could affect state and federal funding.

*Cause:* Management did not deliver the proper documentation to DFA in a timely manner.

*Auditor's Recommendation:* We recommend that the Fifth Judicial District ensure that all reversions are made in a timely manner.

*View of Responsible Officials and Planned Corrective Action:* Once the audit is released by the State Auditor, the proper documents will be filed with DFA to get a resolution to this finding. In the future, all reversions, not just the year-end balance, will be reverted timely.

**Section III- Financial Statement Findings and Responses (continued)**

**FS 2013-01 Deficit Fund Balance (Material Weakness)**

*Condition:* The Office of the District Attorney, Fifth Judicial District has a deficit fund balance in their general fund of \$46,551.

*Criteria:* The Department of Finance and Administration MAP Standards and Policies Chapter 6, Section 3.2, Paragraph D2 requires a positive fund balance.

*Effect:* The District is not in compliance with the Department of Finance and Administration MAP Standards and Policies Chapter 6, Section 3.2, Paragraph D2.

*Cause:* Procedures are not in place to ensure accrued payroll journal entries are posted and reversed timely and correctly. A journal entry to correct prior year balances to accrued payroll and fund balance caused a restatement to fund balance in the general fund.

*Auditor's Recommendation:* We recommend the Fifth Judicial District put procedures in place to ensure that all journal entries are posted and reverted timely and accurately.

*View of Responsible Officials and Planned Corrective Action:* This finding is a result of prior year payroll accruals from fiscal year 2009/2010 not being posted at DFA as the District's IPA and agency requested. Journals are now posted for payroll accruals prior to year end so any issues can be resolved timely.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Other Disclosures  
June 30, 2013

**Exit Conference**

The contents of this report were discussed on December 11, 2013. The following individuals were in attendance:

**Representing the Office of the District Attorney, Fifth Judicial District**

Janetta B. Hicks

Melissa Walterscheid

District Attorney

Chief Financial Officer

**Representing Accounting & Consulting Group, LLP**

Jessica Huff, CPA

In-charge Staff Accountant

**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 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.