



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

SIXTH JUDICIAL DISTRICT ATTORNEY

FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
Independent Auditors' Report and
Financial Statements
For The Year Ended June 30, 2012**

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**STATE OF NEW MEXICO
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**OFFICIAL ROSTER
June 30, 2012**

Name	Title
Mary Lynne Newell	District Attorney
Susan Ybarra	Chief Deputy District Attorney
Gerald M. Byers	Chief Deputy District Attorney
VACANT	Deputy District Attorney
Francesca Estevez	Deputy District Attorney
John Holguin	Deputy District Attorney
Lisa Kuykendall	Deputy District Attorney
Michael Martin	Deputy District Attorney
Daniel Dougherty	Deputy District Attorney
George Zsoka	Deputy District Attorney
Norman Runyan	Deputy District Attorney
VACANT	Deputy District Attorney
Armand Velez	Deputy District Attorney
VACANT	Deputy District Attorney

Administrative Officials

Yolanda M. Villa	Chief Financial Officer
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INDEPENDENT AUDITORS' REPORT

Ms. Mary Lynne Newell
Sixth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Sixth Judicial District Attorney of the State of New Mexico (the Agency) as of and for the year ended June 30, 2012, which collectively comprise the agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the agency are intended to present the financial position and the changes in financial position of each major fund of the State of New Mexico that is attributable to the transactions of the agency. 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, the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the agency, as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Hinkle + Landers, PC
November 20, 2012

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

The following is an overview of the financial condition for the Office of the Sixth Judicial District Attorney (District Attorney) for the fiscal year ended June 30, 2012. This narrative highlights the major aspects of the District Attorney's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District Attorney's basic financial statements. The District Attorney's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, the report also contains other supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District Attorney's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the District Attorney's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Attorney is improving or deteriorating.

The statement of activities presents information showing how the District Attorney's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow; thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements can be found as noted in the Table of Contents.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District Attorney, like other state agencies, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the District Attorney's funds can be divided into two categories: governmental and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District Attorney's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the general fund, the District Attorney maintains two other individual governmental funds that are both classified as special revenue funds. Information for the general fund, the victims of crime act fund, and the narcotic prosecution fund, all of which are considered to be major funds, is

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures and the change in fund balances.

The New Mexico Legislature makes annual appropriations for the District Attorney's general fund. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the fiscal year, the District Attorney revised the general fund budget and the special revenue funds, several times. Budgetary comparison statements for the general and special revenue funds are located as noted in the Table of Contents.

The basic governmental fund financial statements can be found as noted in the Table of Contents.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the agency. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District Attorney's own programs. The accounting used for fiduciary funds is equivalent to what is used for proprietary funds. The fiduciary fund financial statement can be found as noted in the Table of Contents.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages as noted in the Table of Contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Condensed Statement of Net Assets
Governmental Activities**

	June 30, 2012	June 30, 2011
Assets:		
Current and other assets	\$ 381,535	500,918
Capital assets, net of accumulated depreciation	52,901	40,591
Total assets	434,436	541,509
Liabilities:		
Current liabilities	218,199	182,573
Long-term liabilities	29,426	26,071
Total liabilities	247,625	208,644
Net Assets:		
Invested in capital assets	52,901	40,591
Restricted for program expenses	-	-
Unrestricted	133,910	292,274
Total net assets	\$ 186,811	332,865

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Sixth Judicial District Attorney's primary government, assets exceeded liabilities by \$186,811 at the close of the most recent fiscal year. The District Attorney's activities during the fiscal year decreased the net assets by \$146,053. The decrease is attributed in large part to a slight decrease in federal funds along with an increase in overall expenses primarily related to professional services and travel costs. Net assets are composed of investment in capital assets (e.g. furniture, equipment and vehicles) of \$52,901, and unrestricted net assets of \$133,910. The District Attorney uses its capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

Current and other assets consist of cash, investments, and grant receivables, all collectible within one year of the closing of the fiscal year. The amount decreased by \$119,383 due in large part to increases in expenses.

Current liabilities, which consist of accounts payable, accrued salaries and benefits, and current amounts of compensated absences, as of June 30, 2012, equaled \$218,199. This is an increase of \$35,626, and is due primarily to increases in accrued payroll-related liabilities.

The statement of activities, as shown on the following page, shows an overall decrease in revenues as compared to fiscal year 2011. Operating grants and contributions decreased by \$252,331 due to a decrease in federal grants, and the state general fund appropriation also decreased by \$41,200. The overall decrease in revenues was \$297,488.

**Condensed Statement of Activities
Governmental Activities**

	June 30, 2012	June 30, 2011
Revenues & other financing sources:		
Program revenues:		
Operating grants and contributions	\$ 321,845	574,176
Miscellaneous reimbursement	-	3,957
General revenues:		
State general fund appropriations	2,358,800	2,400,000
Total revenues	2,680,645	2,978,133
Expenses & other financing uses:		
Public safety	2,825,444	2,741,776
Reversion to State General Fund	1,253	5,144
Total expenses	2,826,697	2,746,920
Change in net assets	\$ (146,052)	231,213

	June 30, 2012	June 30, 2011
Operating Expenses		
Personnel services	89%	92%
Operating costs	3%	1%
Contractual services	8%	6%
Reversions	0%	0%
Depreciation	1%	1%

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

ANALYSIS OF INDIVIDUAL GOVERNMENTAL FUNDS

Besides the general fund, the District Attorney has two other governmental funds: the Narcotics Prosecution Fund and the Victims' Assistance fund. A detailed description of these funds can be found on page 21. The District Attorney received federal grant revenues in these funds of \$103,227, and \$117,157, respectively, for the year ended June 30, 2012. The Narcotics Prosecution fund has grant receivables of \$56,972 at year end, which will be used to cover its liabilities of \$56,972 at June 30, 2012. The Victims' Assistance fund has grant receivables of \$14,487 which also will be used to cover its liabilities of the same amount.

ANALYSIS OF BUDGET RESULTS FOR THE GOVERNMENTAL FUNDS

The District Attorney revised its original general fund budget to budget the fund balance available from the Southwest Border Prosecution Initiative federal grant and for additional grant funds received during the year. The revision increased personnel services by \$239,561, contract services by \$130,000, and other services by \$148,317.

Budget adjustments for the Victims Assistance fund during the year resulted from additional federal funding of \$62,375. The budget adjustments were required to increase personal services by \$61,071 and other services were increased by \$1,304. Budget adjustments to the Narcotics Prosecution Fund were primarily a result of reclassifications between budget categories.

CAPITAL ASSETS

The District Attorney's investment in net assets at June 30, 2012, amount to \$52,901 (net of accumulated depreciation). This investment in capital assets includes building improvements, furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

**Sixth Judicial District Attorney
Capital Assets (net of accumulated depreciation)**

	June 30, 2012	June 30, 2011
Buiding improvements	\$ 14,405	14,805
Furniture and fixtures	13,797	704
Equipment	-	-
Vehicles	24,699	25,082
 Total capital assets, net	 \$ 52,901	 40,591

Additional information on the District Attorney's capital assets can be found in Note D.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The District. The Sixth Judicial District is comprised of Grant, Luna and Hidalgo Counties, New Mexico. The area is unique of all the State's Judicial Districts in that all of its counties are considered "Border" counties with Mexico, and we have the longest border with Mexico of any District in the State. A continuing shortage of two attorneys as well as turnover in key positions made FY 12 a challenge for all staff. In May 2012, the sole attorney in our Hidalgo County Office, a position which tends hundreds of DWI and drug cases as well as other crimes, left the office unexpectedly with no easy replacement in sight. The District Attorney had to take over that position for what turned out to be four months, a two hour commute each day. The position was no sooner filled, in September 2012, than the Chief Deputy DA in the Luna County office left to take a position in Texas. Again the District Attorney began

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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commuting two hours each day, to oversee that office. The upcoming General Election, with its unknown change in the District Attorney (the current DA is retiring) has rendered hiring new staff an unfeasible step, at least until after the Election.

A slight drop in crime and resulting caseloads in Grant and Luna counties has helped us cope with these shortages to some extent, but at the cost of regular staff being unable to get much time to prepare for cases or to take time off. And, having to fill in as a line attorney for most of this year has interfered substantially with the DA's efforts to organize and prepare nine years' worth of DA materials for her successor to inherit. The loss in work time engendered by these gaps in staffing have further stressed the existing staff, and put additional burdens on everyone for training new hires. It has also impacted our budget, as new hires want competitive salaries and some older staff are not making those same salaries, given that state employees have not had raises for years.

Our commitment continues to be to protect the prosecution initiative above all else, but again, this results in less efficient and accurate work; it causes experienced staff to second chair or tend cases in other districts, which requires extensive and wearying time out for commuting on top of preparing their cases for court. This takes its toll and enhances risk of accidents.

The statewide automated victim notification system has helped the Advocates somewhat, but their case loads with victims remain very high. Studies done which purport to assess the number of staff needed in each DA's Office never capture the true caseload of these Advocates, as well as that of the attorneys and others. Time spent fielding questions, reviewing documents, visiting with victims and their families is not reflected, it seems, in the pure studies of case hours needed. In FY 014, at least two victim staff positions will be lost as Federal funds run out, and the new DA will have to find a way to cope with those losses.

The type and severity of cases we are prosecuting continue to be driven by domestic violence and the drug trade. Home invasions, gun thefts, white collar crime, batteries, homicides, and kidnappings are prevalent in our district. Several homicides remain unsolved, given reluctance of gang affiliates to speak against each other, which leads to public unease and dissatisfaction with the criminal justice system as a whole. We are still sought after to look into corruption cases around the district, which are enormously time consuming with often little return, and matters which would be much more suited to the Attorney General's Office handling. We have declined some cases, deferring to the AG's Office, because we simply cannot field the staff to handle them.

Prosecutions of violent crime, so closely tied in with the cartels and their drug running business, continues to be made more difficult and time consuming as we try to build cases with fearful or missing witnesses. Methamphetamine abuse continues to take its toll not just on criminal justice resources, but also on the local legitimate economy, community health, safety of the children, and our educational system. The new drug task force is doing much better, especially since our new HIDTA-funded drug prosecutor came on board in March 2012. He is an older, experienced prosecutor with a deep military background and an unfettered enthusiasm for working with officers on drug cases, and it is making a real difference. His case load is up, he is tending cases across the District if he has time, and along with the training all our staff received in cartel crimes this year, he is helping raise the consciousness of our attorney staff in spotting drug case links in their own case loads.

The Prosecution Initiative. In FY 12, we continued to work effectively with our core group of experienced attorneys, while integrating a few less experienced ones into the mix. However, those often don't stay, as happened with our Hidalgo attorney. Finding roots in a rural district is not easy for some people, and when they find another opportunity they move on. In Grant County, we continued to cover for our colleagues traveling to other districts. Fortunately the Grant County staff is very experienced

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

with little turnover in recent years, and has handled this best. However, not all attorneys are equally gifted or experienced in all areas, such as child sexual abuse cases, so we can't put just anyone in charge of our more sensitive cases.

As of the end of FY 12, we continued to have a caseload almost exclusively of felony crimes, and almost exclusively repeat offenders. We had very few first time, non-violent offenders to divert into our preprosecution program. Misdemeanor and petty misdemeanor domestic violence and DWI cases were steady, with the DWI cases being the most burdensome, because of the time it takes to track down and document priors. In Hidalgo and Luna Counties, although batterers are mandated to attend a 52 week course to prevent reoffending, still neither county has a provider for that course, and so we are losing opportunities to effect change in offenders' and their victims' lives.

A new investigator in Grant County in the fall of 2011 has invigorated that office's investigations and attorney assistance, and comes with both ten years' background as a state police officer and some fifteen years' experience as an attorney, an invaluable combination. He also covers Hidalgo County. Our Luna County investigator is less involved with assisting our office attorneys, but is often requested to assist other agencies. She is also in charge of the bad check program, which for many reasons does not run at the scale it did some years back. We continue to promptly return repeat offenders and recidivist probationers back to court, generally within a few months of the first disposition.

Other Programs. We continue to use all our other programs as best we can. . A desire to ramp up our Preprosecution Diversion program beyond where it was struggling along, led to the hire of a full time PrePros director, which has succeeded in bringing new life to that program and hopefully making a difference in some offenders' lives. We sit on panels for drug court in Hidalgo and Grant Counties. We provided funds to support some limited Restorative Justice work with juveniles, with some individual great successes. This is a worthwhile and effective program which the State should be funding, not us, if the State cares about reducing Corrections costs. Our Worthless Check Program is very limited these days, with many merchants using electronic check debits.

Victim Program. The District Attorney's office emphasizes accurate case management tracking, hiring competent, career prosecutors, and victim participation in cases. This has been a focus of our Office since September 2003, along with improvements to service of the public in general. We continue to have the auspices of Advocates from the VOCA and VAWA funding programs, although the VOCA funding is only about 2/3 the cost and we must make up the balance of a 3/4 time position out of general fund savings, when we have them.

Southwest Border Prosecution Initiative. In FY 12, we received another award of funds. Again, these funds cannot be used to supplement wages for general fund positions, so as money is moved from the 400 categories into the 200s to offset increased costs and cuts in salaries and benefits, the SWB funds are moved into the 400s to cover ongoing office and prosecution expenses. Funds will continue to be hoarded to cover expected further shortfalls in FY 13 and in FY 14, and to give some cushion to the incoming District Attorney.

2012 Legislative Sessions. No new positions were asked for or awarded, and funding continued to be insufficient to cover salaries without "raiding" the 400 category. Despite a strong push from our Senators, only a very little additional money was awarded us.

Summary. The Sixth DA's Office will have one great change midway through FY 13, which will be a change in District Attorney. The current incumbent is not running again, and at present there are still two contenders for the November Election. Therefore, we will plan and project and operate the office

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

per business as usual through December, 2012, while doing our best to ensure that the new DA comes in to an office with solid programs and budget, especially as FY13 is a 50% year.

The financial preservation of the current staff at a professionally appropriate salary level is an overwhelming necessity for this office, lest the lack of strong employees cause the whole prosecution framework to collapse. Although we wished to get at least one of the two vacant Deputy DA positions funded at a level appropriate to attract an experienced prosecutor, keeping the current staff in harmony and—dare we say it—receiving increased compensation for their increased work, may trump that need. We cannot take more hits, and need our staff recognized for the three years they have gone through with such sacrifice and dedication.

We all have full plates. We do not want to shortchange any area, but the lack of budget is harming us at every level.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District Attorney's finances and to show the District Attorney's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, P.O. Box 1025, Silver City, New Mexico 88062-1025.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of June 30, 2012**

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 25
State General Fund Investment Pool	310,051
Due from federal government	56,972
Due from other state agencies	14,487
Total current assets	381,535
Capital assets, net	52,901
Total assets	\$ 434,436
LIABILITIES	
Current liabilities	
Due to state general fund	\$ 1,247
Due to other state agencies	206
Accounts payable	25,726
Accrued payroll	20,625
Accrued payroll-related liabilities	71,715
Compensated absences - expected to be paid within one year	98,680
Total current liabilities	218,199
Non-current liabilities	
Compensated absences - expected to be paid after one year	29,426
Total liabilities	247,625
NET ASSETS	
Unrestricted	133,910
Invested in capital assets	52,901
Total net assets	186,811
Total liabilities and net assets	\$ 434,436

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
GOVERNMENT-WIDE-STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

	<u>Governmental Activities</u>
EXPENSES	
Public safety	
Personnel services and employee benefits	\$ (2,501,836)
Contractual services	(86,023)
Other	(217,744)
Depreciation	(19,841)
Total program expenses	<u>(2,825,444)</u>
 REVENUES	
Program revenues	
Operating grants and contracts	321,845
Miscellaneous revenue	-
Net program (expenses)/revenue	<u>(2,503,599)</u>
 General revenues	
Transfers:	
State General Fund appropriation	2,358,800
Reversion to State General Fund FY12	(1,253)
Total net transfers	<u>2,357,547</u>
 Change in net assets	 <u>(146,052)</u>
Net assets, beginning	<u>332,863</u>
Net assets, ending	<u>\$ 186,811</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2012**

	<u>Major Funds</u>			Total Governmental Funds
	16000 General Fund	26500 Victims' Assistance Fund	26600 Narcotics Prosecution Fund	
ASSETS				
Cash	\$ 25	-	-	25
State General Fund Investment Pool	310,051	-	-	310,051
Due from other funds	62,682	-	-	62,682
Due from federal government	-	-	56,972	56,972
Due from other state agencies	-	14,487	-	14,487
Total assets	<u>372,758</u>	<u>14,487</u>	<u>56,972</u>	<u>444,217</u>
LIABILITIES				
Due to other funds	-	10,441	52,241	62,682
Due to state general fund	1,247	-	-	1,247
Due to other state agencies	-	206	-	206
Accounts payable	25,726	-	-	25,726
Accrued payroll	18,316	1,063	1,246	20,625
Accrued payroll-related liabilities	65,453	2,777	3,485	71,715
Current liabilities	<u>110,742</u>	<u>14,487</u>	<u>56,972</u>	<u>182,201</u>
FUND BALANCE				
Unassigned	262,016	-	-	262,016
Total fund balance	<u>262,016</u>	<u>-</u>	<u>-</u>	<u>262,016</u>
Total liabilities and fund balance	<u>\$ 372,758</u>	<u>14,487</u>	<u>56,972</u>	<u>444,217</u>
Total fund balance governmental funds				\$ 262,016
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds				52,901
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds				<u>(128,106)</u>
Net assets of governmental activities				<u>\$ 186,811</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICITS) - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	Major Funds			Total Governmental Funds
	16000 General Fund	26500 Victims' Assistance Fund	26600 Narcotics Prosecution Fund	
REVENUES				
Federal grants	\$ 418,124	103,227	117,157	638,508
Total revenues	418,124	103,227	117,157	638,508
EXPENDITURES				
Current				
General government:				
Personal services and benefits	2,301,369	101,923	94,583	2,497,875
Contractual services	86,023	-	-	86,023
Other costs	226,017	1,304	22,574	249,895
Total expenditures	2,613,409	103,227	117,157	2,833,793
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	2,358,800	-	-	2,358,800
Reversion to State General Fund FY12	(1,253)	-	-	(1,253)
Net other financing sources (uses)	2,357,547	-	-	2,357,547
Net change in fund balance	162,262	-	-	162,261
Fund balance, beginning	99,754	-	-	99,754
Fund balance, ending	\$ 262,016	-	-	262,016
Net change fund balance in governmental funds			\$	162,261
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:				
Capital asset additions				32,151
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.				
				(19,841)
Other reclassifications are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting to show the revenue earned from current year grants.				
				(316,663)
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The increase in compensated absences is included in the statement of activities.				
				(3,962)
Differences due to rounding				2
Change in net assets - governmental activities			\$	(146,052)

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND (16000)
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal grants	\$ -	418,124	418,124	-
Miscellaneous revenue	-	-	-	-
Total revenues	-	418,124	418,124	-
EXPENDITURES				
Current:				
General government				
Personal services	2,192,000	2,431,561	2,302,497	129,064
Contractual services	19,200	149,200	86,023	63,177
Other costs	147,600	295,917	226,017	69,900
Capital outlay	-	-	-	-
Total expenditures	2,358,800	2,876,678	2,614,537	262,141
Excess (deficiency) of revenues over (under) expenditures	(2,358,800)	(2,458,554)	(2,196,413)	262,141
OTHER FINANCING SOURCES (USES)				
Interagency transfers in (out)				
State general fund appropriations FY12	2,358,800	2,358,800	2,358,800	-
Reversion to state general fund	-	-	(1,253)	(1,253)
Total interagency transfers	2,358,800	2,358,800	2,357,547	(1,253)
Net change in fund balance	-	(99,754)	161,134	
Fund balance budgeted	\$ -	99,754		
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total Budget Basis Expenditures for FY12			\$ 2,614,537	
Amounts expensed in prior year and paid out of FY12 budget			(1,128)	
Total GAAP Basis Governmental Fund Expenditures for the fiscal year ended June 30, 2012			\$ 2,613,409	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
VICTIMS' ASSISTANCE FUND (26500)
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal grants	\$ 40,900	103,275	103,227	(48)
Miscellaneous revenue	-	-	-	-
	40,900	103,275	103,227	(48)
EXPENDITURES				
Current:				
General government				
Personal services	40,900	101,971	101,923	48
Contractual services	-	-	-	-
Other costs	-	1,304	1,304	-
Capital outlay	-	-	-	-
	40,900	103,275	103,227	48
Excess (deficiency) of revenues over (under) expenditures	-	-	-	48
OTHER FINANCING SOURCES (USES)				
Interagency transfers in (out)				
State general fund appropriations FY12	-	-	-	-
Reversion to state general fund	-	-	-	-
Total interagency transfers	-	-	-	-
Net change in fund balance	-	-	-	
Fund balance budgeted	\$ -	-		
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total Budget Basis Expenditures for FY12			\$ 103,227	
Amounts expensed in current year and paid out of FY13 budget			-	
Amounts expensed in prior year and paid out of FY12 budget			-	
Total GAAP Basis Governmental Fund Expenditures for the fiscal year ended June 30, 2012			\$ 103,227	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
NARCOTICS PROSECUTION FUND (26600)
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal grants	\$ 127,100	128,397	117,157	(11,240)
Total revenues	127,100	128,397	117,157	(11,240)
EXPENDITURES				
Current:				
General government				
Personal services	127,100	104,384	94,583	9,801
Contractual services	-	-	-	-
Other costs	-	24,013	22,574	1,439
Capital outlay	-	-	-	-
Total expenditures	127,100	128,397	117,157	11,240
Excess (deficiency) of revenues over (under) expenditures	-	-	-	11,240
OTHER FINANCING SOURCES (USES)				
Interagency transfers in (out)				
State general fund appropriations FY12	-	-	-	-
Reversion to state general fund	-	-	-	-
Total interagency transfers	-	-	-	-
Net change in fund balance	-	-	-	
Fund balance budgeted	\$ -	-		
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total Budget Basis Expenditures for FY12			\$ 117,157	
Amounts expensed in current year and paid out of FY13 budget			-	
Amounts expensed in prior year and paid out of FY12 budget			-	
Total GAAP Basis Governmental Fund Expenditures for the fiscal year ended June 30, 2012			\$ 117,157	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
As of June 30, 2012**

	<u>Agency Fund</u>
Assets	
Cash	\$ <u>28,642</u>
Total assets	\$ <u><u>28,642</u></u>
Liabilities	
Deposits held in custody for others	\$ <u>28,642</u>
Total liabilities	\$ <u><u>28,642</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NATURE OF BUSINESS AND REPORTING ENTITY

The Sixth Judicial District Attorney (the DA) is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The DA is elected to a four-year term. Functions of the DA are defined in Section 36-1-1 through 36-1-26 NMSA 1978 as amended. The DA serves all of Grant, Luna, and Hidalgo Counties. It is the duty of the DA to prosecute all criminal cases filed in this district magistrate and district courts. The DA also fulfills various other duties as called upon by statute. Section 36-1A-1 through Section 16-1A-15 cited as the "DA Personnel and Compensation Act" established for all DAs a uniform equitable and binding system of personnel administration.

The DA is legally separate and fiscally independent of other state agencies, has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The DA is included in the State of New Mexico Comprehensive Annual Financial Report.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statement 14. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the DA is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units identified or excluded from the reporting entity.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements

The financial statements of the DA have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the DA's accounting policies are described below.

For its government-wide activities, the DA has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with 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*.

The government-wide focus is more on the sustainability of the DA as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a *current financial resource* and *modified accrual basis* of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the DA's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different focus and basis of accounting than the government-wide statements' governmental column, a reconciliation accompanies each statement, which briefly explains the adjustment necessary to transform the fund based financial statements in to the governmental column on the government-wide presentation.

2. Basis of Presentation

The financial transactions of the DA are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses.

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by the type and reported by generic classification the accompanying financial statements.

The reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The DA has elected to consider all special revenue funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, per GASB Statement No. 54, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

The following are the DA's major funds:

Governmental Funds:

General Fund (16000)-The general fund is the operating fund of the DA. It is used to account for all financial resources except those required to be accounted for in another fund. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame. This fund is also used to account for federal grant proceeds from the US Department of Justice (Southwest Border Prosecution Initiative [SWBI]). The fund balance created from these proceeds will not revert to the State of New Mexico's general fund as the source of revenues is the federal government.

The DA receives all State of New Mexico appropriations in their General Fund. The DA's Special Revenue Funds, as noted below, receive funds from various grants and contracts and therefore the funds are not subject to reversion to the State of New Mexico.

Victims' Assistance Program Fund (26500) –The Victims' Assistance fund is used to account for the grant proceeds from the Victims of Crime Act (VOCA), and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the state of New Mexico Crime Victims Reparation Commission to maintain a separate fund. The fund balance will not revert to the state of New Mexico's general fund, as the source of revenues is the federal government.

Narcotics Prosecution Fund (26600) - The Narcotics Prosecution fund is used to account for the grant proceeds from the Office of National Drug Control Policy - High Intensity Drug Trafficking Area grant, and the Border Operations Task Force, 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 fund balance will not revert to the state of New Mexico's general fund as the source of revenues is the federal government.

Fiduciary Funds:

Agency Funds

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

The DA has one agency fund to account for court ordered victim restitution payments that are collected from the defendant and subsequently distributed per a restitution order. Fees may be charged to individuals in the pre-prosecution program, and in accordance with agreements between the program participant and the DA attorney, these fees are remitted to the State Treasurer for the account of the Administration Office of the DAs.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and the fiduciary financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

The statement of net assets and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support the DA's programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the DA, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds."

4. Budgetary Data

The New Mexico State Legislature makes annual appropriations to the DA. 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 DA follows these procedures in establishing the budgetary date reflected in the financial statements:

1. By September 1st, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
4. Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
7. The DA'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.
8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The DA submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
11. Except as noted in Note G, 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.
12. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2012. The DA's General Fund is a reverting fund (funds revert back to the State General Fund), with the exception of funds appropriated for the Southwest Border Prosecution Initiative.
13. Appropriations lapse at the end of the year except for those amounts encumbered.
14. 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 amount subject to reversion. Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to 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.
15. 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.
16. The legal level of budgetary control is at the appropriation program level.

5. Encumbrances

Any encumbrances outstanding at year-end related to single year appropriations are classified as a liability to recognize amounts subject to reversion to the State General Fund. If the New Mexico State Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

6. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

Invested in Capital Assets, net of related debt - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted net assets are considered restricted by enabling legislation that has been determined to be legally enforceable. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

Unrestricted (Deficit) – This category reflects net assets of the DA, not restricted for any project or other purpose.

7. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

8. Spending Policy

When and expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

9. Cash and Cash Equivalents

The DA has defined cash to include cash on hand and demand deposits.

10. Receivables and Payables

Receivables consist of amounts due from federal, state and local governments. No allowance for doubtful accounts is established, since all amounts are considered collectible in the subsequent fiscal year.

11. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1,

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

2005 remain on the DA's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the DA's depreciation guidelines.

Depreciation on all exhaustible assets is provided on the straight-line basis with no salvage value. The estimated useful life for capital assets is estimated as follows:

<u>Type</u>	<u>Life</u>
Building improvements	39 years
Furniture and fixtures	7 years
Equipment and Machinery	6 years
Vehicles	5 years
Data processing	3 years

There is no debt related to capital assets as of June 30, 2012.

12. Accrued Compensated Absences

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>	<u>Hours of Maximum Accrual</u>
1 pay period - 4 years	4.62	240
Over 4 years - 8 years	5.08	240
Over 8 years - 12 years	5.54	240
Over 12 Years - 16 years	6.00	240
Over 16 years and beyond	6.46	240

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate.

13. Accrued Sick Leave

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2012 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the Governmental Activities Funds.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

14. Interfund Activity

Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

15. Program Revenues

Program revenues include federal and state grants.

B. CASH AND INVESTMENTS POLICY WITH STATE TREASURER AND BANKING INSTITUTIONS

Cash includes cash on hand and cash deposits in three financial institutions, all non-interest bearing demand checking accounts. In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration.

Deposits (cash or cash equivalents) are carried at cost, which approximates market value. FDIC advisory opinion 94-24 states that public funds are entitled to \$100,000 insurance for time or savings deposits (including bank money market accounts) and \$100,000 for demand deposits deposited within the state in compliance with 12 CFR Subsection 330.15. FDIC deposit insurance has temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013. Changes have also been made to other account types. For more information, visit www.fdic.gov.

As of June 30, 2012, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of outstanding checks and deposits-in-transit.

In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978 as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;

- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
 - (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.;
 - (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
 - (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or.
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser. For additional GASB 40 disclosure information regarding cash/investments held by the State Treasurer, see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2012.

General Fund Investment Pool Not Reconciled

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

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
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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 DA's balances at the business unit/fund level is not possible. It is DFA's responsibility to complete, on a monthly basis, a reconciliation with the balances and accounts kept by the state treasurer per Section 6-5-2.I(J) NMSA 1978

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

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

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

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 DA does not have an investment policy that limits investment interest rate risk.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

At year-end, the carrying amounts of the State Treasurer accounts and bank accounts were as follows:

<u>Account Name</u>	<u>Account Number/ Type</u>	<u>Balance per Depository</u>	<u>Deposits In Transit</u>	<u>Out- standing Checks</u>	<u>Balance per Financial Statements</u>
General Fund					
State Treasurer	256-16000	\$ 310,051	-	-	310,051
Petty cash	on-site	25	-	-	25
Victims of Crime Act Fund	256-26500	-	-	-	-
Narcotics Prosecution Fund	256-26600	-	-	-	-
Total governmental funds		<u>310,076</u>	<u>-</u>	<u>-</u>	<u>310,076</u>
Fiduciary Accounts					
Wells Fargo - Silver City	Demand	22,143	-	(3,480)	18,663
Wells Fargo - Deming	Demand	9,592	-	(2,150)	7,442
Western Bank - Lordsburg	Demand	3,224	-	(687)	2,537
Total fiduciary funds		<u>34,959</u>	<u>-</u>	<u>(6,317)</u>	<u>28,642</u>
Total cash and investments		<u>\$ 345,035</u>	<u>-</u>	<u>(6,317)</u>	<u>338,718</u>

The DA's bank balances were fully collateralized in compliance with the State of New Mexico's state statute as follows:

	<u>Wells Fargo Silver City</u>	<u>Wells Fargo Deming</u>	<u>Western Bank Lordsburg</u>
Demand accounts	\$ 22,143	9,592	3,224
FDIC coverage	<u>(22,143)</u>	<u>(9,592)</u>	<u>(3,224)</u>
Total uninsured public funds	<u>\$ -</u>	<u>-</u>	<u>-</u>

C. RECEIVABLES

Receivables consist primarily of grant cost-reimbursements, including of \$56,972 due from the federal government and \$14,487 due from other state agencies. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

D. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables at June 30, 2012 are as follows:

		<u>Due from</u>		
		<u>Fund # 26500</u>	<u>Fund # 26600</u>	<u>Total</u>
Due to Fund #	16000	<u>\$ 10,441</u>	<u>52,241</u>	<u>62,682</u>

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Interfund receivables/payables are amounts due to the general fund for expenses paid out of the general fund that were obligations of the special revenue funds noted above. These amounts are expected to be repaid once outstanding federal receivables are received in the special revenue funds.

E. CAPITAL ASSETS

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

	<u>Balance 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance 2012</u>
Capital assets depreciated:					
Building improvements	\$ 15,605	-	-	-	15,605
Furniture and fixtures	17,072	14,523	-	11,879	43,474
Equipment	94,716	-	(45,661)	(11,879)	37,176
Vehicles	243,436	17,628	(50,441)	-	210,623
Total capital assets depreciated	<u>370,829</u>	<u>32,151</u>	<u>(96,102)</u>	<u>-</u>	<u>306,878</u>
Less accumulated depreciation for:					
Building improvements	(800)	(400)	-	-	(1,200)
Furniture and fixtures	(16,368)	(1,429)	-	(11,880)	(29,677)
Equipment	(94,716)	-	45,661	11,879	(37,176)
Vehicles	(218,354)	(18,012)	50,441	1	(185,924)
Total accumulated depreciation	<u>(330,238)</u>	<u>(19,841)</u>	<u>96,102</u>	<u>-</u>	<u>(253,977)</u>
Total capital assets, net	<u>\$ 40,591</u>	<u>12,310</u>	<u>-</u>	<u>-</u>	<u>52,901</u>

The DA recorded depreciation expense of \$19,841 for the year ended June 30, 2012. The depreciation expense is a direct expense of the public safety function. Deletions recorded in FY12 included fully depreciated equipment. Certain reclassifications were made between asset classes to reflect the actual composition of the Agency's capital assets. There was no effect on the Agency's ending net assets as a result of these changes.

F. COMPENSATED ABSENCES

The amount recorded as a long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave as follows:

	<u>Balance 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2012</u>	<u>Due Within One Year</u>
Annual leave	\$ 122,318	97,936	(94,887)	125,367	95,941
Sick leave	1,826	64,201	(63,533)	2,494	2,494
Comp leave	-	3,145	(2,900)	245	245
Total	<u>\$ 124,144</u>	<u>165,282</u>	<u>(161,320)</u>	<u>128,106</u>	<u>98,680</u>

Prior year compensated absences have been liquidated by the general fund.

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G. DUE TO THE STATE GENERAL FUND

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report. The excess of unexpended funds per budgetary comparisons does not agree to the balance being reverted to the state general fund from the general fund. This is because reverting and non-reverting monies are commingled in the general fund. The non-reverting monies are from federal awards. Even though they are in one fund, the federal award expenditures are accounted for in separate account line items and by separate payroll codes. This procedure ensures proper calculations of unexpended state appropriations in the general fund throughout the year. As of June 30, 2012, the following amounts were due to the state general fund:

<u>Fund No.</u>	<u>Amount</u>	<u>Description</u>
16000	\$ 1,253	Due for FY12 reversion
	(6)	Miscellaneous amounts
	<u>\$ 1,247</u>	Due to state general fund

H. INTERAGENCY RECEIVABLES/PAYABLES

Interagency receivables/payables at June 30, 2012, include the following:

<u>Due From Agency/Fund</u>	<u>Due To Agency/Fund</u>	<u>Agency Name</u>	<u>Amount</u>	<u>Purpose of Receivable</u>
		New Mexico Crime Victims Reparation Commission		
25600/26500	78000/91600		\$ 14,487	Cost-reimbursement grant
Total receivable from other agencies			<u>\$ 14,487</u>	
		New Mexico Crime Victims Reparation Commission		
78000/91600	25600/26500		\$ 206	Refund of expenditures
Total payable to other agencies			<u>\$ 206</u>	

I. INTERAGENCY TRANSFERS

Transfers from and to other state agencies for the year ended June 30, 2012 include the following:

Transfers in or out of the Agency (Fund #16000) are as follows:

	<u>Out</u>	<u>In</u>
Department of Finance and Administration Agency/Fund - 36900/85300 State General Fund Appropriation Laws of 2011, Chapter 179, Section 4	\$ -	2,358,800
Department of Finance and Administration Agency/Fund - 36900/85300 Reversion to State General Fund FY12	1,253	-
	<u>\$ 1,253</u>	<u>2,358,800</u>

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

All interagency transfers made during the year were considered routine and were consistent with the general characteristics of the DA's transfers.

J. OPERATING LEASES

The Agency has operating leases for office equipment, and recorded rental expense of \$19,751 for the year ended June 30, 2012. The leases are accounted for as operating leases and future minimum payments are as follows:

<u>For The Year Ended June 30</u>		<u>Office Equipment</u>
2012	\$	19,222
2013		12,718
2014		-
2015		-
2016		-
Thereafter		-
Total	\$	<u>31,940</u>

All leases may be terminated at any time with sixty-day notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the DA decides that termination is necessary to protect the best interests of the State of New Mexico.

K. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the DA keeps their budget on the modified GAAP basis there is no need to reconcile the budget financial statements to the fund financial statements, with the exception of any accounts payable shown on the governmental funds balance sheet which were paid out of different fiscal year funds. Detail on the reconciling items required for the year ended June 30, 2012 between the budget financial statements and the fund financial statements are provided on the budget financial statements, as noted in the Table of Contents.

L. CONTINGENCIES

The DA is a party to various claims and other legal matters coming about in their normal course of business. The DA does not believe that the results of all claims and other legal matters, individually or in the aggregate will have a material adverse effect on its operations or financial positions.

Risk of loss

The DA is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workers' compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and were not included in this report. However, the DA is not liable for more than the premiums paid.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

M. FUND BALANCE

Under GASB 54 fund balance may consist of: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors contributors, or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; and 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. As of June 30, 2012, the DA did not have fund balance meeting any of these criteria.

The DA's fund balance at June 30, 2012 consisted of \$262,016 in its General Fund which was considered unassigned, and is a result of federal grant funds from the Southwest Border Prosecution Initiative. The SWBPI is non-reverting.

		<u>Unassigned Purposes</u>
General Fund (25600-16000):		
Southwest Border Prosecution Initiative (SWBPI)	\$	262,016
Federal grant		
	\$	<u><u>262,016</u></u>

N. PERA PENSION PLAN

Plan Description: Substantially all of the Agency's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy: Plan members contributed 8.92% of their gross salary. The Agency is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Agency are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Agency's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$234,236, \$267,789, and \$304,419, respectively, which equal the amount of the required contributions for each fiscal year.

O. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

Plan Description. The Agency 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.

**STATE OF NEW MEXICO
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For the Year Ended June 30, 2012**

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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The 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 .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY13	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 Agency's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$32,057, \$29,359 and \$25,464, respectively, which equal the required contributions for each year.

P. DETERMINATION OF SINGLE AUDIT

During fiscal year 2012, the DA was awarded federal funds of \$638,508 and spent \$477,375. Therefore, the threshold for a Single Audit as described in OMB A-133 was not met.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
For the Year Ended June 30, 2012**

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Assets				
Cash - Silver City	\$ 13,890	92,187	(87,414)	18,663
Cash - Deming	12,687	42,228	(47,473)	7,442
Cash - Lordsburg	877	17,154	(15,494)	2,537
Total assets	<u>\$ 27,454</u>	<u>151,569</u>	<u>(150,381)</u>	<u>28,642</u>
Liabilities				
Deposits held in custody for others	\$ 27,454	151,569	(150,381)	28,642
Total liabilities	<u>\$ 27,454</u>	<u>151,569</u>	<u>(150,381)</u>	<u>28,642</u>

The accompanying notes are an integral part of these financial statements

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Ms. Mary Lynne Newell
Sixth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Sixth Judicial District Attorney (the agency) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered agency'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

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

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

November 20, 2012

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters On Based On An Audit Of
Financial Statements Performed In Accordance With
Government Auditing Standards, continued**

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle + Landers, PC
November 20, 2012

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2012**

SECTION II AND III- FINANCIAL STATEMENT FINDINGS

PRIOR YEAR – NONE

CURRENT YEAR - NONE

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
OTHER DISCLOSURES
For the Year Ended June 30, 2012**

An exit conference was held in a closed session on November 20, 2012. In attendance were the following:

Representing the Sixth Judicial District Attorney:

Mary Lynne Newell	District Attorney
George Zsoka	Deputy District Attorney
Yolanda M. Villa	Chief Financial Officer
Andrea Kluth	Financial Specialist

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	President
Erick Robinson, CPA, CFE	Shareholder/Audit Manager

FINANCIAL STATEMENTS

The accompanying financial statements of the Agency have been prepared by Hinkle + Landers, P.C., the Agency's independent public auditors, however, the financial statements are the responsibility of management.