



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

## SIXTH JUDICIAL DISTRICT ATTORNEY

FINANCIAL STATEMENTS

For The Year Ended June 30, 2013



**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
Independent Auditors' Report and  
Financial Statements  
For The Year Ended June 30, 2013**

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**STATE OF NEW MEXICO**  
**SIXTH JUDICIAL DISTRICT ATTORNEY**  
**Independent Auditors' Report and**  
**Financial Statements**  
**For The Year Ended June 30, 2013**

**OFFICIAL ROSTER**  
**June 30, 2013**

<b>Name</b>	<b>Title</b>
Francesca M. Estevez	District Attorney
George G. Zsoka	Chief Deputy District Attorney
Janice Schryer	Chief Deputy District Attorney
VACANT	Deputy District Attorney
David A. Thomsen	Deputy District Attorney
John Holguin	Deputy District Attorney
VACANT	Deputy District Attorney
Michael Martin	Deputy District Attorney
David K. Clements	Deputy District Attorney
VACANT	Deputy District Attorney
William C. Nedbalek	Deputy District Attorney
VACANT	Senior Trial Attorney
Armand Velez	Deputy District Attorney
Shaharazad McDowell	Deputy District Attorney

**Administrative Officials**

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Yolanda M. Villa	Chief Financial Officer
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**INDEPENDENT AUDITORS' REPORT**

Ms. Francesca M. Estevez, District Attorney  
Sixth Judicial District Attorney  
Silver City, New Mexico  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

**Report on the Financial Statements**

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 DA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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 from material misstatement.

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

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

**Opinions**

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 DA, as of June 30, 2013, and the respective changes in financial position each thereof and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 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.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the DA's financial statements and the budgetary comparisons. The "other supplemental information" as identified in the table of contents required and presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional schedule listed as "other supplemental information" in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional statement and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013 on our consideration of the DA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DA's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, script font.

Hinkle + Landers, PC  
Albuquerque, NM  
December 4, 2013

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2013**

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, 2013. 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 position 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 position is 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 narcotics prosecution fund, all of which are considered to be major funds, is



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SIXTH JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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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 Position  
Governmental Activities**

	June 30, 2013	June 30, 2012
Assets:		
Current and other assets	\$ 294,654	381,535
Capital assets, net of accumulated depreciation	86,126	52,901
	<hr/>	<hr/>
Total assets	380,780	434,436
Liabilities:		
Current liabilities	197,176	218,199
Long-term liabilities	43,715	29,426
	<hr/>	<hr/>
Total liabilities	240,891	247,625
Net Position:		
Investment in capital assets	86,126	52,901
Restricted for program expenses	-	-
Unrestricted	53,763	133,910
	<hr/>	<hr/>
Total net position	\$ 139,889	186,811
	<hr/> <hr/>	<hr/> <hr/>

Net position 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 \$139,889 at

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2013**

the close of the most recent fiscal year. The District Attorney's activities during the fiscal year decreased the net assets by \$46,922. 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 \$86,126, and unrestricted net assets of \$53,763. 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 \$86,881 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, 2013, equaled \$197,178. This is a decrease of \$21,021, and is due primarily to a decrease in accrued payroll-related liabilities.

The statement of activities shows an overall increase in revenues as compared to fiscal year 2012. Operating grants and contributions decreased by \$89,819 due to a decrease in federal grants, and the state general fund appropriation also increased by \$118,400. The overall increase in revenues was \$28,581.

**Condensed Statement of Activities  
Governmental Activities**

	June 30, 2013	June 30, 2012
Revenues & other financing sources:		
Program revenues:		
Operating grants and contributions	\$ 232,026	321,845
Miscellaneous reimbursement	-	-
General revenues:		
State general fund appropriations	2,477,200	2,358,800
Total revenues	<u>2,709,226</u>	<u>2,680,645</u>
Expenses & other financing uses:		
Public safety	2,753,101	2,825,446
Reversion to State General Fund	3,047	1,253
Total expenses	<u>2,756,148</u>	<u>2,826,699</u>
Change in net position	<u>\$ (46,922)</u>	<u>(146,054)</u>

	June 30, 2013	June 30, 2012
<b>Operating Expenses</b>		
Personnel services	89%	89%
Operating costs	1%	3%
Contractual services	9%	8%
Reversions	0%	0%
Depreciation	0%	1%

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2013**

**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 \$90,949, and \$114,339, respectively, for the year ended June 30, 2013. The Narcotics Prosecution fund has grant receivables of \$24,072 at year end, which will be used to cover its liabilities of \$54,677 at June 30, 2013. The Victims' Assistance fund has grant receivables of \$7,914 which also will be used to cover its liabilities of \$12,044 at June 30, 2013.

**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 decreased personal services by \$114,110, increased contract services by \$1,810, and increased other services by \$139,038.

Budget adjustments for the Victims' Assistance fund during the year resulted from additional federal funding of \$56,894. The budget adjustments were required to increase personal services by \$56,819 and other services were increased by \$75. Budget adjustments to the Narcotics Prosecution Fund resulted from additional federal funding of \$25,343. The budget adjustment required was to increase personal services by \$25,343.

**CAPITAL ASSETS**

The District Attorney's investment in capital assets at June 30, 2013, amounted to \$86,126 (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, 2013	June 30, 2012
Building improvements	\$ 14,004	14,405
Furniture and fixtures	31,276	13,797
Equipment	-	-
Vehicles	40,846	24,699
Total capital assets, net	\$ 86,126	52,901

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

**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 in all of 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. The Sixth Judicial District Attorney is responsible for three offices in three counties which are approximately one hour's drive from one county to the other, and which have a total of eleven courts.

Adding to the Sixth Judicial District DA's uniqueness in the proximity of the international border and its woes, the depressed economic times, and the traditionally poor standard of living in our three county

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District. This contributes to criminal activity. Within the district is the Town of Columbus, listed as one of the "Eight most dangerous border towns in America" where an estimated 10 percent of the 2,000-person population may be involved in illegal activity." "CNN June 2012, Columbus, NM: The former mayor, police chief and a village trustee all pleaded guilty last year to federal charges of trafficking highly sought AK-47 style pistols to Mexican cartels. Some of the weapons were later seized at murder scenes across the border."

The New Mexico SAVIN (State Automated Victim Information Notification) System has helped the Advocates somewhat, but their case loads with victims remains 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.

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.

***The Prosecution Initiative.*** A continuing shortage of two attorneys as well as turnover has made FY13 a challenge for all staff. Being short staffed has caused a great stress among the attorneys. They struggle to find time to be in multiple hearings each day, with limited time to prepare for trials or hearings without asking other attorneys to take on part of their load. The number of cases prosecuted in FY13 was 2,051, which was an increase of 4% from FY12. Total cases referred to the district in FY13 were 2,547, which was an increase of 5.25% from FY12.

Prosecutor staffing reductions resulted in filing a standard revision, enacted in January 2013, which reduced the felony workload by the filing of low-level felony offenses as misdemeanors and rejected the prosecution of certain misdemeanor offenses in order to accommodate the prosecution of the previous low-level felonies. While that revision was successful in numerically reducing both case referrals and case filings, there is still an actual increase in the prosecutor-to-case workload ratio due to prosecutor staffing reductions.

***Victim Advocate Program.*** The Victim Advocate Program in the Sixth Judicial District Attorney's office is a vital link to communication between the victim of the crime and the prosecutors/courts. It is through the Victim Advocate that every victim of enumerated crimes is made aware of "Victim's Rights." The Victim Advocate finds guidance and support in exercising those rights for the victims and families. It is through the Victim Advocate that victim alienation from the judicial system is reduced. This reduction is the result of the Victim Advocate's early contact with the victims and intervention at the time of the incident through court proceedings, to final dispositions, and continuing to post-conviction notifications. The Sixth Judicial District Attorney's Office is fortunate that federal grants with VOCA and VAWA have assisted in sustaining this successful program.

***Southwest Border Prosecution Initiative.*** In FY13, the DA's office received another award of funds. Again, these funds cannot be used to supplement wages for general fund positions. Funds will continue to be saved to cover expected further shortfalls in FY14 and in FY15.

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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**2014 Legislative Sessions.** The Base Budget increase is primarily to fund five vacant attorney positions with benefits at mid-range and three support staff positions with benefits at mid-range to provide some relief to our over-pressed staff. There is no longer any room within the Sixth Judicial District Attorney's Office to juggle, reassign, hire at a lower level, reduce expenditures, or cut back in any financial way. In addition the agency is requesting less than \$20,000 to cover the expenses of developing the employees and supervisors by sending them to training courses in and out-of-state.

**Summary.** The Mission of the Sixth Judicial District Attorney's Office continues to be to effectively prosecute violations of the law, while protecting the rights and interests of our citizens and the State.

**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 monies 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 POSITION  
As of June 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 25
State General Fund Investment Pool	262,643
Due from federal government	24,072
Due from other state agencies	<u>7,914</u>
Total current assets	294,654
Capital assets, net	<u>86,126</u>
Total assets	<u><u>\$ 380,780</u></u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Due to state general fund	\$ 3,047
Due to other state agencies	206
Accounts payable	65,070
Accrued payroll	36,219
Accrued payroll-related liabilities	18,223
Compensated absences - expected to be paid within one year	<u>74,411</u>
Total current liabilities	197,176
<b>Non-current liabilities</b>	
Compensated absences - expected to be paid after one year	<u>43,715</u>
Total liabilities	<u>240,891</u>
<b>NET POSITION</b>	
Unrestricted	53,763
Investment in capital assets	<u>86,126</u>
Total net position	<u>139,889</u>
Total liabilities and net position	<u><u>\$ 380,780</u></u>

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, 2013**

	<u><b>Governmental Activities</b></u>
<b>EXPENSES</b>	
<b>Public safety</b>	
Personnel services and employee benefits	\$ (2,446,181)
Contractual services	(39,149)
Other	(258,016)
Depreciation	(9,755)
Total program expenses	<u>(2,753,101)</u>
 <b>REVENUES</b>	
<b>Program revenues</b>	
Operating grants and contracts	232,026
Miscellaneous revenue	-
Net program (expenses)/revenue and changes in net position	<u>(2,521,075)</u>
 <b>General revenues</b>	
Transfers:	
State General Fund appropriation	2,477,200
Reversion to State General Fund FY13	(3,047)
Total net transfers	<u>2,474,153</u>
 Change in net position	 <u>(46,922)</u>
Net position, beginning	<u>186,811</u>
Net position, ending	<u>\$ 139,889</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, 2013**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>16000 General Fund</u>	<u>26500 Victims' Assistance Fund</u>	<u>26600 Narcotics Prosecution Fund</u>	
<b>ASSETS</b>				
Cash	\$ 25	-	-	25
State General Fund Investment Pool	227,908	4,130	30,605	262,643
Due from other funds	62,682	-	-	62,682
Due from federal government	-	-	24,072	24,072
Due from other state agencies	-	7,914	-	7,914
Total assets	<u>290,615</u>	<u>12,044</u>	<u>54,677</u>	<u>357,336</u>
<b>LIABILITIES</b>				
Due to other funds	-	10,441	52,241	62,682
Due to state general fund	3,047	-	-	3,047
Due to other state agencies	-	206	-	206
Accounts payable	65,072	-	-	65,072
Accrued payroll	34,064	880	1,274	36,218
Accrued payroll-related liabilities	16,544	517	1,162	18,223
Current liabilities	<u>118,727</u>	<u>12,044</u>	<u>54,677</u>	<u>185,448</u>
<b>FUND BALANCE</b>				
Petty cash - unassigned	25	-	-	25
Unassigned	171,863	-	-	171,863
Total fund balance	<u>171,888</u>	<u>-</u>	<u>-</u>	<u>171,888</u>
Total liabilities and fund balance	<u>\$ 290,615</u>	<u>12,044</u>	<u>54,677</u>	<u>357,336</u>
Total fund balance governmental funds <span style="float: right;">\$ 171,888</span>				
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds				86,126
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				(118,126)
Differences due to rounding				<u>1</u>
Net position of governmental activities				<u>\$ 139,889</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 - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>16000 General Fund</b>	<b>26500 Victims' Assistance Fund</b>	<b>26600 Narcotics Prosecution Fund</b>	
<b>REVENUES</b>				
Federal grants	\$ 26,738	90,949	114,339	232,026
Total revenues	26,738	90,949	114,339	232,026
<b>EXPENDITURES</b>				
Current				
General government:				
Personal services and benefits	2,250,948	90,874	114,339	2,456,161
Contractual services	39,149	-	-	39,149
Other costs	300,922	75	-	300,997
Total expenditures	2,591,019	90,949	114,339	2,796,307
Excess (deficiency) of revenues over (under) expenditures	(2,564,281)	-	-	(2,564,281)
<b>OTHER FINANCING SOURCES (USES)</b>				
State general fund appropriations	2,477,200	-	-	2,477,200
Reversion to State General Fund FY13	(3,047)	-	-	(3,047)
Net other financing sources (uses)	2,474,153	-	-	2,474,153
Net change in fund balance	(90,128)	-	-	(90,128)
Fund balance, beginning	262,016	-	-	262,016
Fund balance, ending	\$ 171,888	-	-	171,888
Net change fund balance in governmental funds			\$	(90,128)
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				42,980
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.				(9,755)
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.				-
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.				9,980
Differences due to rounding				1
Change in net position - governmental activities			\$	(46,922)

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, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Federal grants	\$ -	26,738	26,738	-
Miscellaneous revenue	-	-	-	-
	-	-	-	-
Total revenues	-	26,738	26,738	-
<b>EXPENDITURES</b>				
Current:				
General government				
Personal services	2,305,900	2,291,790	2,250,948	40,842
Contractual services	19,200	41,010	39,149	1,861
Other costs	152,100	433,154	300,922	132,232
Capital outlay	-	-	-	-
	-	-	-	-
Total expenditures	2,477,200	2,765,954	2,591,019	174,935
Excess (deficiency) of revenues over (under) expenditures	(2,477,200)	(2,739,216)	(2,564,281)	174,935
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Interagency transfers in (out)</b>				
State general fund appropriations FY13	2,477,200	2,477,200	2,477,200	-
Reversion to state general fund	-	-	(3,047)	(3,047)
Total interagency transfers	2,477,200	2,477,200	2,474,153	(3,047)
Net change in fund balance	-	(262,016)	(90,128)	
Fund balance budgeted	\$ -	262,016		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total Budget Basis Expenditures for FY13			\$ 2,591,019	
Amounts expensed in prior year and paid out of FY13 budget			-	
<b>Total GAAP Basis Governmental Fund Expenditures for the fiscal year ended June 30, 2013</b>			<b>\$ 2,591,019</b>	

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, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Federal grants	\$ 42,800	99,694	90,949	(8,745)
Miscellaneous revenue	-	-	-	-
	42,800	99,694	90,949	(8,745)
<b>EXPENDITURES</b>				
Current:				
General government				
Personal services	42,800	99,619	90,874	8,745
Contractual services	-	-	-	-
Other costs	-	75	75	-
Capital outlay	-	-	-	-
	42,800	99,694	90,949	8,745
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Interagency transfers in (out)</b>				
State general fund appropriations FY13	-	-	-	-
Reversion to state general fund	-	-	-	-
Total interagency transfers	-	-	-	-
Net change in fund balance	-	-	-	
Fund balance budgeted	\$ -	-		
 <b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total Budget Basis Expenditures for FY13			\$ 90,949	
Amounts expensed in current year and paid out of FY14 budget			-	
Amounts expensed in prior year and paid out of FY13 budget			-	
<b>Total GAAP Basis Governmental Fund Expenditures for the fiscal year ended June 30, 2013</b>			<b>\$ 90,949</b>	

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, 2013**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Federal grants	\$ 102,700	128,043	114,339	(13,704)
Total revenues	<u>102,700</u>	<u>128,043</u>	<u>114,339</u>	<u>(13,704)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Personal services	102,700	128,043	114,339	13,704
Contractual services	-	-	-	-
Other costs	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>102,700</u>	<u>128,043</u>	<u>114,339</u>	<u>13,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Interagency transfers in (out)</b>				
State general fund appropriations FY13	-	-	-	-
Reversion to state general fund	-	-	-	-
Total interagency transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance budgeted	<u>\$ -</u>	<u>-</u>		
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total Budget Basis Expenditures for FY13			\$ 114,339	
Amounts expensed in current year and paid out of FY14 budget			-	
Amounts expensed in prior year and paid out of FY13 budget			<u>-</u>	
<b>Total GAAP Basis Governmental Fund Expenditures for the fiscal year ended June 30, 2013</b>			<u>\$ 114,339</u>	

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, 2013**

	<u>Agency Fund</u>
<b>Assets</b>	
Cash	\$ <u>19,401</u>
Total assets	\$ <u><u>19,401</u></u>
<b>Liabilities</b>	
Deposits held in custody for others	\$ <u>19,401</u>
Total liabilities	\$ <u><u>19,401</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, 2013**

**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  
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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 non-spendable, 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, 2013**

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, 2013**

The statement of net position 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 1<sup>st</sup>, 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, 2013**

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, 2013 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
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 1<sup>st</sup>, 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, 2013. 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, 2013.
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 Position**

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

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NOTES TO THE FINANCIAL STATEMENTS  
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*Investment in Capital Assets, net of related debt* – is intended to reflect the portion of net position which is 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 position is 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.

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The DA has no deferred outflows of resources during fiscal year 2013 on the government wide or fund financials.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then.

*Unrestricted* – This category reflects the net position 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.

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**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, 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, 2013.

**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 1<sup>st</sup> and January 1<sup>st</sup> of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. At retirement,

**STATE OF NEW MEXICO  
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For the Year Ended June 30, 2013**

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, 2013 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.

**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](http://www.fdic.gov).

As of June 30, 2013, 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:

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- (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 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 un-certificated 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, 2013.

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**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 (SHARE) system in July of 2006. The Department of Finance and Administration (DFA) has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the NM Department of Finance & Administration's website: [www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

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

DFA 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. It is DFA's responsibility to perform the monthly reconciliation of the General Fund Investment Pool.

Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2012 and continues into 2013.

That directive instructed agencies to do the following:

1. Provide copies of the referenced reports to the agency's Independent Public Accountant (IPA) performing the FY13 audit;
2. Explain to the IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
3. Disclose in the agency's notes to the financial statements the facts about the statewide cash reconciliation as of June 30, 2013, and what the agency's policies and procedures were during the FY13 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2013.

To the extent possible the DA does informally reconcile all deposits and transfers that come into its possession. The cash transactions processed by the DA flow through the state general fund investment pool. Since SHARE was implemented, the DA recognized potential concerns related to the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the DA. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll

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expenditures/payroll liabilities by fund, and review of outstanding warrants of the Department. This monthly internal reconciliation of cash receipts and disbursements flowing through the DA's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the DA reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the DA's share in the State General Fund Investment Pool account are accurate.

**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.

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	\$ 227,907	-	-	227,907
Petty cash	on-site	25	-	-	25
Victims of Crime Act Fund	256-26500	4,130	-	-	4,130
Narcotics Prosecution Fund	256-26600	30,606	-	-	30,606
Total governmental funds		<u>262,668</u>	<u>-</u>	<u>-</u>	<u>262,668</u>
Fiduciary Accounts					
Wells Fargo - Silver City	Demand	15,411	50	(3,636)	11,825
Wells Fargo - Deming	Demand	7,961	-	(1,865)	6,096
Western Bank - Lordsburg	Demand	2,346	-	(866)	1,480
Total fiduciary funds		<u>25,718</u>	<u>50</u>	<u>(6,367)</u>	<u>19,401</u>
Total cash and investments		<u>\$ 288,386</u>	<u>50</u>	<u>(6,367)</u>	<u>282,069</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	\$ 15,411	7,961	2,346
FDIC coverage	<u>(15,411)</u>	<u>(7,961)</u>	<u>(2,346)</u>
Total uninsured public funds	<u>\$ -</u>	<u>-</u>	<u>-</u>



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**C. RECEIVABLES**

Receivables consist primarily of grant cost-reimbursements, including of \$24,072 due from the federal government and \$7,914 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, 2013 are as follows:

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

Interfund receivables/payables are from prior years and are amounts due to the general fund for expenses paid out of the general fund that were obligations of the special revenue funds as noted above. These amounts are not expected to be repaid within one year.

**E. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u>		<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance</u>
	<u>2012</u>					<u>2013</u>
Capital assets depreciated:						
Building improvements	\$ 15,605	-	-	-	-	15,605
Furniture and fixtures	43,474	18,931	-	-	-	62,405
Equipment	37,176	-	-	-	-	37,176
Vehicles	210,623	24,049	-	-	-	234,672
Total capital assets depreciated	<u>306,878</u>	<u>42,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>349,858</u>
Less accumulated depreciation for:						
Building improvements	(1,200)	(400)	-	-	-	(1,600)
Furniture and fixtures	(29,677)	(1,452)	-	-	-	(31,129)
Equipment	(37,176)	-	-	-	-	(37,176)
Vehicles	(185,924)	(7,903)	-	-	-	(193,827)
Total accumulated depreciation	<u>(253,977)</u>	<u>(9,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(263,732)</u>
Total capital assets, net	<u>\$ 52,901</u>	<u>33,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,126</u>

The DA recorded depreciation expense of \$9,755 for the year ended June 30, 2013. The depreciation expense is a direct expense of the public safety function.

**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:

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	<u>Balance</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2013</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Annual leave	\$ 125,367	98,966	(111,432)	112,901	69,187
Sick leave	2,494	67,933	(65,202)	5,225	5,224
Comp leave	245	4,674	(4,919)	-	-
Total	<u>\$ 128,106</u>	<u>171,573</u>	<u>(181,553)</u>	<u>118,126</u>	<u>74,411</u>

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

**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, 2013, the following amounts were due to the state general fund:

<u>Fund No.</u>	<u>Amount</u>	<u>Description</u>
16000	\$ 3,047	Due for FY13 reversion
	-	Miscellaneous amounts
	<u>\$ 3,047</u>	Due to state general fund

**H. INTERAGENCY RECEIVABLES/PAYABLES**

Interagency receivables/payables at June 30, 2013, include the following:

<u>Due From</u> <u>Agency/Fund</u>	<u>Due To</u> <u>Agency/Fund</u>	<u>Agency Name</u>	<u>Amount</u>	<u>Purpose of Receivable</u>
		New Mexico Crime Victims Reparation		
25600/26500	78000/91600	Commission	\$ 7,914	Cost-reimbursement grant
Total receivable from other agencies			<u>\$ 7,914</u>	
		New Mexico Crime Victims Reparation		
78000/91600	25600/26500	Commission	\$ 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, 2013 include the following:

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

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	<b>Out</b>	<b>In</b>
Department of Finance and Administration Agency/Fund - 36900/85300 State General Fund Appropriation Laws of 2011, Chapter 179, Section 4	\$ -	2,477,200
Department of Finance and Administration Agency/Fund - 36900/85300 Reversion to State General Fund FY13	\$ <u>3,047</u>	<u>-</u>
	<u>\$ 3,047</u>	<u>2,477,200</u>

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 \$21,099 for the year ended June 30, 2013. The leases are accounted for as operating leases and future minimum payments are as follows:

<b>For The Year Ended June 30</b>	<b>Office Equipment</b>
2014	\$ 17,498
2015	4,779
2016	4,779
2017	797
2018	-
Thereafter	-
<b>Total</b>	<b>\$ <u>27,853</u></b>

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, 2013 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.

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**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.

**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, 2013, the DA did not have fund balance meeting any of these criteria.

The DA's fund balance at June 30, 2013 consisted of \$171,888 in its General Fund which was considered unassigned, and is a result of federal grant funds from the Southwest Border Prosecution Initiative. The SWBPI and petty cash funds are non-reverting.

<b>Unassigned -</b>		
Southwest Border Prosecution Initiative (SWBPI)	\$	171,863
Federal grant		
Petty cash		25
	\$	<u><u>171,888</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](http://www.pera.state.nm.us).

**Funding Policy.** Plan members are required to contribute 8.92%% of their gross salary. The Agency is required to contribute 15.09% 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, 2013, 2012 and 2011 were \$256,931, \$234,236, and \$267,789, respectively, which equal the amount of the required contributions for each fiscal year.

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**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 postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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 postemployment 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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For the employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA

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1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Agency's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$34,076, \$32,057 and \$29,359, respectively, which equal the required contributions for each year.

**P. DETERMINATION OF SINGLE AUDIT**

During fiscal year 2013, the DA was awarded federal funds of \$232,026 and spent \$322,149. Therefore, the threshold for a Single Audit as described in OMB A-133 was not met.

**Q. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A. No funds maintained a deficit fund balance as of June 30, 2013.
- B. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

**R. CONCENTRATIONS**

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

**S. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The DA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The DA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The DA has evaluated subsequent events through December 4, 2013, which is the date the financial statements were available to be issued.

**OTHER SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
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SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
For the Year Ended June 30, 2013**

	<u>Balance</u> <u>6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/13</u>
<b>Assets</b>				
Cash - Silver City	\$ 18,663	53,826	(60,558)	11,931
Cash - Deming	7,442	44,960	(46,591)	5,811
Cash - Lordsburg	2,537	9,673	(10,551)	1,659
Total assets	<u>\$ 28,642</u>	<u>108,459</u>	<u>(117,700)</u>	<u>19,401</u>
<b>Liabilities</b>				
Deposits held in custody for others	\$ 28,642	108,459	(117,700)	19,401
Total liabilities	<u>\$ 28,642</u>	<u>108,459</u>	<u>(117,700)</u>	<u>19,401</u>

The accompanying notes are an integral part of these financial statements



**INDEPENDENT AUDITORS' 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. Francesca M. Estevez, District Attorney,  
Sixth Judicial District Attorney

and

Mr. Hector Balderas  
New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 Office of the District Attorney, Sixth Judicial District, of the State of New Mexico (the DA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the DA's basic financial statements, and the related budgetary comparisons of the DA, presented as supplemental information, and have issued our report thereon dated December 4, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the DA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the DA's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies

**Independent Auditors' 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**

December 4, 2013

may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency 13-01.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DA'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 13-01.

**The DA's Responses to Findings**

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

**Purpose of this Report**

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



Hinkle + Landers, PC  
Albuquerque, NM  
December 4, 2013

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2013**

**SUMMARY OF FINDINGS AND RESPONSES**

**PRIOR YEAR – NONE**

**CURRENT YEAR –**

<u>Reference FY-Finding #</u>	<u>Findings</u>	<u>Status of Current and Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>State Audit Rule Finding</u>	<u>Material Weakness</u>	<u>Significant Deficiency</u>
13-01	Cash Control of Fiduciary Funds	Current	Yes	Yes	No	Yes

**13-01 – Cash Control of Fiduciary Funds**

**Type of Finding: Significant Deficiency/State Compliance**

**Statement of Condition**

During testing of transactions, the following control deficiencies were noted related to the cash accounts for Agency Funds:

- Sufficient documentation regarding individual ownership of funds in the Agency Fund bank accounts was not maintained. The Agency did not maintain adequate records of the amounts collected, possibly since inception of the bank account, on behalf of others (i.e., victims, etc.) to determine the amounts due and payable to each individual beneficiary.
- For 23 of the 25 disbursements tested, the disbursements were not made timely per internal policy.
- For 1 of the 25 receipts tested, the receipt was not deposited timely per state statute.

**Criteria**

NM State Statute 6-5-2 requires that all state agencies implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

**Effect**

There is an increased possibility of loss or theft of cash receipts and an increased risk of misstatement due to fraud or error.

**Cause**

The Agency did not maintain adequate records supporting the ownership of amounts collected on behalf of others. Internal policies for timeliness of depositing and disbursing of the amounts collected were not followed consistently.

**Recommendation**

We recommend that Management analyze transactions and case files to determine ownership of funds in the Agency Fund bank accounts and to disburse amounts accordingly. We also recommend that Management deposit and disburse all funds received on behalf of others timely.

**Management’s Response:**

On November 6, 2012, I was elected as the Sixth Judicial District Attorney. In December of 2012, I attempted to meet with employees to begin my transition into office. I was only able to meet with a few employees the last week of December 2012. I was advised by employees that they had concerns

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2013**

regarding the collection and disbursement of restitution funds. I took office as the Sixth Judicial District Attorney on January 1, 2013. My first day as the Sixth Judicial District Attorney was on January 2, 2013. On that day I met with staff of each county and announced impending changes under my tenure as the Sixth Judicial District Attorney. The change relevant to this audit was my intention to eventually stop collecting and dispersing restitution, and to fully review related restitution matters. As I became aware of the status of the fiduciary account for restitution, I took corrective action as follows:

I contracted with Laurelle Chavez, specifically to review all restitution files to determine:

- Ownership of funds:
  - Is a Judgment and Sentence for restitution in each file;
  - who the beneficiary (payee) is;
  - verifiable beneficiary contact information;
- Analyze transactions:
  - any monies received and for whom;
  - date of receipt;
  - date of deposit;
  - date of disbursement and to whom;
- Determine status of suspension funds:
  - Ownership (beneficiary) of suspended funds;
  - and reasons why funds have not been dispersed;

To date Ms. Chavez has organized and begun the process of reviewing restitution files in Hidalgo, Luna and Grant Counties. For those files reviewed, we have formulated a plan to have the CFO:

- Verify discrepancy amount in each restitution file reviewed;
- Verify the owner (beneficiary) of funds;
- Verify contact/disbursements information;
- Contact owner (beneficiary) of funds via letter (USPS) and advise them that we are holding monies on their behalf and to contact our office, otherwise the monies may be subject to be returned to the State of New Mexico pursuant to the statute governing unclaimed property;
- Make arrangements to disperse monies to owner upon verification through contact with owner;
- Fiscal agent shall prepare check and disburse;
- If owner (beneficiary) fails to respond to written notification letter, the CFO shall proceed according to the statute governing unclaimed property.

In conjunction with this process, to impose internal controls and checks and balances, the Sixth Judicial District Court entered an Order for restitution to be paid directly to Adult Probation Office and/or the Juvenile Probation Office, as applicable.

**STATE OF NEW MEXICO  
SIXTH JUDICIAL DISTRICT ATTORNEY  
EXIT CONFERENCE  
For the Year Ended June 30, 2013**

An exit conference was held in a closed session on December 10, 2013. In attendance were the following:

Representing the Sixth Judicial District Attorney:

Francesca M. Estevez	District Attorney
George Zsoka	Chief Deputy District Attorney
Yolanda M. Villa	Chief Financial Officer
Cheryl Wilguess	Office Manager
Andrea Kluth	Financial Specialist

Representing Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	President
Misty L. Crawford, CPA, CGMA	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.