

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY**

**Financial Statements
June 30, 2012**

(With Independent Auditor's Report Thereon)

**ROBERT J. RIVERA, CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS
SANTA FE, NEW MEXICO 87505-4761**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
June 30, 2012**

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**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
June 30, 2012**

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**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
June 30, 2012**

Official Roster

<u>Name</u>	<u>Title</u>
Donald Gallegos	District Attorney
Daniel R. Romero	Chief Deputy District Attorney
Cindy Gallegos	Chief Financial Officer

FINANCIAL SECTION

ROBERT J. RIVERA, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

Donald Gallegos, District Attorney
Office of the District Attorney
Eighth Judicial District
and
Mr. Hector Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund of the State of New Mexico, Eighth Judicial District Attorney (District), a component unit of the State of New Mexico, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1. A. to the financial statements, the financial statements of the State of New Mexico, Eighth Judicial District Attorney are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparison statements of the State of New Mexico that are attributable to the transactions of the District. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2012, and the changes in its financial position and its cash flows, where applicable, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (general fund), and the aggregate remaining fund information of the State of New Mexico, Eighth Judicial District Attorney, as

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of June 30, 2012, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated October 10, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements and on the individual fund financial statements and the budgetary comparisons. The additional schedules listed as "other supplemental information" (schedules 1 and 2) in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 10, 2012

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2012

The Eighth Judicial District Attorney's discussion and analysis is designed to provide an overview of the District Attorney's activities and programs resulting in financial planning and expenditure of the annual budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts - Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information that presents schedules, and other reports. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending.

The financial statements also includes notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with supporting schedules. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The two government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating respectively.

The District has only one activity - Judicial Services - which is a governmental activity. The District does not have any business-type activities or any component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's significant governmental funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of spending for particular purposes.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2012

This District has two types of funds:

- General Fund - All of the District's services are reflected in the general appropriation fund and provide information to help the user determine whether there are more or fewer financial resources that can be used to finance the District's program. This fund is a reverting fund. All money remaining at the end of the fiscal year, except for other revenue sources which are designated for subsequent year's expenditures, will be reverted to the state's general fund.
- Worthless Check and Pre-Prosecution Diversion Agency Fund - This fund is for fees collected for worthless check and pre-prosecution diversion fees and distributed to victims and the Administrative Office of the District Attorney. This is an agency fund and all monies received are paid out to the parties mentioned.

GOVERNMENT-WIDE HIGHLIGHTS - FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed Financial Comparison for current and prior fiscal year.

	<u>Current Year- June 30, 2012</u>	<u>Prior Year- June 30, 2011</u>	<u>Increase or (Decrease)</u>
Assets			
Current assets	\$ 150,519	\$ 131,097	\$ 19,422
Capital assets, net	39,293	42,024	(2,731)
Total assets	<u>189,812</u>	<u>173,121</u>	<u>16,691</u>
Liabilities			
Current liabilities	196,212	181,881	14,331
Long-term liabilities	18,081	34,325	(16,244)
Total liabilities	<u>214,293</u>	<u>216,206</u>	<u>(1,913)</u>
Net assets			
Invested in capital assets	39,293	42,024	(2,731)
Restricted	-	-	-
Unrestricted (deficit)	(63,774)	(85,109)	21,335
Total net assets	<u>\$ (24,481)</u>	<u>\$ (43,085)</u>	<u>\$ 18,604</u>
Program revenue and expenses			
Program revenue	\$ 10,572	\$ 11,500	\$ (928)
Program expenses	(2,357,780)	(2,497,338)	139,558
Net revenue (expense)	<u>(2,347,208)</u>	<u>(2,485,838)</u>	<u>138,630</u>
General revenues (expenses)			
General fund appropriations	2,346,200	2,448,000	(101,800)
Other sources	8,025	-	8,025
Miscellaneous	60	533	(473)
Total general revenue (expenses)	<u>2,354,285</u>	<u>2,448,533</u>	<u>(94,248)</u>
Reversion to State General Fund	(60)	(533)	473
Gain/(Loss) on disposal of capital assets	-	10,824	(10,824)
Change in net assets	7,017	(27,014)	34,031
Adjusted beginning net assets	<u>(31,498)</u>	<u>(16,071)</u>	<u>(15,427)</u>
Ending net assets	<u>\$ (24,481)</u>	<u>\$ (43,085)</u>	<u>\$ 18,604</u>

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2012**

GOVERNMENT-WIDE HIGHLIGHTS (Cont'd)

Overall Financial Position and Results of Operations:

The overall financial position of the District Attorney's office has increased by \$18,604. The increase is not significant. The increase in government-wide assets of \$16,691 is mostly attributable to an increase in cash of \$19,933. Current liabilities increased by \$14,331. This is mainly attributable to a decrease in accounts payable of (\$7,603), an increase in the payroll taxes payable and payroll benefits payable of \$14,140, and an increase in current compensated absences payable of \$6,937. Long-term liabilities decreased by (\$16,244).

Revenues decreased by (\$95,176) (3.9%) and expenses decreased by (\$139,558) (5.6%). The changes were caused by a budget reduction enacted by the legislature and the governor.

Individual Fund Highlights:

The fund balance of the General Fund decreased by (\$1,848) during the current year. This change is insignificant.

The budget was adopted on a budget basis and appropriations lapse at year end.

Budgetary Analysis

Differences between the original and final amended budgets for expenditure in the General Fund resulted in a 2.2% increase. The change was not significant; however, the increase resulted from a budget increase of \$10,572 from court forfeitures awarded to the District Attorney's Office.

The operating budget from fiscal year 2011 to fiscal year 2012 decreased by (\$137,738) which was a 5.4% decrease. The decrease was mainly attributed to a decrease of \$101,800 in State General Fund appropriation to the District Attorney's Office.

Capital Assets and Long-Term Debt

The District's capital assets consist of furniture and equipment, a portable building and vehicles. Capital assets, net of accumulated depreciation, was \$39,293 at June 30, 2012, a decrease of (\$14,318) from fiscal year 2011. The District does not own any real property or infrastructure assets.

The long-term debt consists of compensated absences that are due to employees for sick and annual leave accrued. In fiscal year 2012, the ending debt accumulated was \$104,119. That is a decrease of \$23,183 from fiscal year 2011, resulting mainly from employee turnover with large leave balances at termination from employment.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2012**

GOVERNMENT-WIDE HIGHLIGHTS (Cont'd)

Other Financial Highlights

Pursuant to state statute the District maintains two bank accounts. These accounts are for collecting and disbursing fees for worthless check and pre-prosecution fees. All monies in the accounts are held in trust.

The District will continue to operate under the same financial procedures and policies as it has in the past. No federal or state grants are expected.

Currently Known Facts, Decisions, or Conditions

There are no know facts, decisions or conclusions that are expected to have a significant effect on the financial position, results of operations or other changes at June 30, 2012 or for FY2012.

AGENCY HIGHLIGHTS

The Eighth Judicial District Attorney's office is comprised of Taos, Colfax and Union Counties. The District Attorney oversees all functions of each county and the administrative office is located in Taos, New Mexico. There are 83 miles separating the Colfax and Union County offices. From Taos, the District attorney travels approximately 95 miles to Colfax County and 162 miles to Union County.

Our agency has 32 full-time employees and one part-time employee, and two and one-half vacant positions. Again, our agency receives its revenues mainly from the general fund appropriations. This agency has 34 employees.

In addition to prosecuting felony and misdemeanor cases, the Eighth Judicial District Attorney's office also handles civil, mental and drug commitment cases, violations of the New Mexico Subdivision Acts and violations of the Acequia laws.

The District Attorney's office has participated in community outreach projects such as the New Mexico Department of Labor Career Day, Acequia Festival, Graffiti Clean-up and many school related activities.

Training for law enforcement has been a priority for this office. A series of training ranging from basic report writing to advanced investigations has been offered and well received by law enforcement agencies. Forums on specific subjects have been offered to the public as well.

This administration has made a commitment to technological advances and to applying these advances in investigations and prosecution. We have brought technology to the courtroom by using Power Point presentations to present audit/visual aides to juries. We have also used digital recreation software to recreate crime scenes. Resources will continue to be sought and budgeted to keep up with technological trends. We are always seeking ways to improve our community to reduce crime and seek justice in our district.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2012**

USING THIS ANNUAL REPORT:

With the implementation of GASB 34, the presentation of financial statements is significantly different. The primary focus in state government's financial statements for the last 20 years (summarized fund type information) has been discarded with the implementation of GASB 34. The focus is now on government-wide reporting and major individual funds to broaden a basis for comparison and enhance accountability.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of this agency's finances and to demonstrate the agency's accountability for the funds it receives. If you have any questions about this report, or need additional information, contact:

**Eighth Judicial District Attorney's Office
105 Albright Street, Suite L
Taos, New Mexico 87571
(575) 758-8683**

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
<u>Assets</u>	
Investment in the State Treasurer General Fund Investment Pool	\$ 148,370
Prepaid postage expense	2,149
Total current assets	150,519
Capital assets	306,868
Less accumulated depreciation	(267,575)
Total capital assets, net of depreciation	39,293
Total assets	189,812
<u>Liabilities and Net Assets</u>	
Liabilities:	
Current liabilities:	
Accounts payable	20,530
Accrued salaries payable	19,603
Payroll taxes payable	25,432
Payroll benefits payable	44,549
Due to State General Fund (note 5)	60
Compensated absences payable - current	86,038
Total current liabilities	196,212
Noncurrent liabilities:	
Compensated absences payable	18,081
Total liabilities	214,293
Net Assets:	
Investment in capital assets	39,293
Restricted	-
Unrestricted (deficit) (note 7)	(63,774)
Total net assets	\$ (24,481)

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Statement of Activities
For the Year Ended June 30, 2012**

	Governmental Activities
Expenses:	
Judicial:	
Administrative services	\$ 2,335,437
Depreciation expense	22,343
Total program expenses	2,357,780
Program revenue:	
Court fines and forfeitures	10,572
Total program revenue	10,572
Net program expense	(2,347,208)
General revenues, transfers and special items:	
Miscellaneous revenue	60
Donated capital assets	8,025
State General Fund appropriations (net of reversions)	2,346,140
Total general revenues, transfers and special items	2,354,225
Change in net assets	7,017
Net assets, beginning (as reported)	(43,085)
Restatements:	
Prior-period adjustment (note 12)	11,587
Net assets, beginning (as restated)	(31,498)
Net assets, ending	\$ (24,481)

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund
<u>Assets</u>	
Investment in the State Treasurer General Fund Investment Pool	\$ 148,370
Prepaid postage expense	2,149
	\$ 150,519
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 20,530
Accrued salaries payable	19,603
Payroll taxes payable	25,432
Payroll benefits payable	44,549
Due to State General Fund (note 5)	60
	110,174
Fund Balance:	
Non-spendable - prepaid postage	2,149
Restricted	-
Committed	-
Assigned	-
Unassigned	38,196
	40,345
Total fund balance	40,345
Total liabilities and fund balance	\$ 150,519

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2012

Total fund balance for the governmental funds (balance sheet - Exhibit C)	\$ 40,345
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	39,293
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(104,119)</u>
Net assets of governmental activities (statement of net assets - Exhibit A)	\$ <u>(24,481)</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

	General Fund
Revenues:	
Court fines and forfeitures	\$ 10,572
Miscellaneous revenue	60
Total revenues	10,632
Expenditures:	
Current:	
Judicial:	
Personal services and employee benefits	2,176,029
Contractual services	17,134
Other costs	165,457
Total expenditures	2,358,620
Excess (deficiency) of revenues over expenditures	(2,347,988)
Other financing sources (uses):	
State General Fund appropriations - transfers in	2,346,200
Reversion to State General Fund FY 2012 (note 5)	(60)
Total other financing sources (uses)	2,346,140
Net change in fund balance	(1,848)
Fund balance, beginning of year	42,193
Fund balance, end of year	\$ 40,345

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2012

Net change in fund balance - Governmental Fund		
(Statement of Revenues, Expenditures and Changes in Fund Balance-Exhibit E)	\$	(1,848)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay - donated	\$	8,025	
Depreciation expense		<u>(22,343)</u>	
Excess of capital outlay expense over depreciation			(14,318)
Net change in long term and current portion of compensated absences			<u>23,183</u>
Change in net assets of governmental activities (Statement of Activities-Exhibit B)	\$		<u>7,017</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Statement of Revenues and Expenditures
Budget and Actual (Budget Basis)
Major Governmental Funds
General Fund (Fund 16200)
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Court fines and forfeitures	\$ -	\$ 10,572	\$ 10,572	\$ -
State General Fund appropriations	2,346,200	2,346,200	2,346,200	-
Miscellaneous revenue	-	-	60	60
Total revenues	2,346,200	2,356,772	<u>\$ 2,356,832</u>	<u>\$ 60</u>
Prior-year cash	-	40,959		
Total budgeted revenue	<u>\$ 2,346,200</u>	<u>\$ 2,397,731</u>		
 Expenditures:				
Current:				
Judicial:				
Personal services and employee benefits	\$ 2,192,700	\$ 2,176,400	\$ 2,176,029	\$ 371
Contractual services	10,600	22,000	17,134	4,866
Other costs (includes capital outlay)	142,900	199,331	166,372	32,959
Total expenditures	<u>\$ 2,346,200</u>	<u>\$ 2,397,731</u>	<u>\$ 2,359,535</u>	<u>\$ 38,196</u>
 Reconciliation of Budgetary Basis to GAAP Basis:				
Budgetary Basis			<u>\$ 2,356,832</u>	<u>\$ 2,359,535</u>
Prepaid postage			-	(915)
GAAP Basis			<u>\$ 2,356,832</u>	<u>\$ 2,358,620</u>

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2013 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash in banks (note 3)	
Pre-prosecution Program	\$ 786
Worthless Check Program	155
	<hr/>
Total assets	941

Liabilities

Due to other state agencies	941
	<hr/>
Total liabilities	941
	<hr/>
Total net assets	\$ -
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies

The financial statements of the Eighth Judicial District Attorney (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. They are applied to the government-wide financial statements. The more significant of the District's accounting policies are described below:

Financial Reporting Entity

The Office of the District Attorney, Eighth Judicial District (District) operates under Article 6, Section 24, NMSA 1978 Compilation. The District Attorney provides law enforcement as its primary service. Financing of the District is by state appropriation.

The Office of the District Attorney is a component unit of the State of New Mexico and these financial statements include all funds and activities over which the District Attorney has oversight responsibility. The District has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The District is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The District has no component units that are required to be reported in its financial statements.

The District is a user organization of the *Statewide Human Resource, Accounting, and Management Reporting System (SHARE)*. The service organization is the Department of Finance and Administration (DFA).

A. Basis of Accounting - GASB Statement #34

The basic financial statements include both government-wide and fund financial statements. The reporting model focus is on either the District as a whole or major individual funds. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

B. Basis of Presentation - Fund Accounting

Government-Wide Financial Statements (Basic Financial Statements)

The statement of net assets and the statement of activities are the District's basic financial statements and display information about the District, the primary government, as a whole, without displaying individual funds or fund types. Generally these statements distinguish between activities that are governmental and those that are considered business-type activities. The District has no business-type activities, therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature. Interfund receivables and

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation - Fund Accounting (Cont'd)

Government-Wide Financial Statements (Basic Financial Statements) (Cont'd)

payables between funds within the governmental activities are eliminated in the Statement of Net Assets. The government-wide statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. The revenue recognition policy for grants is when the eligibility requirements have been met, and costs have been incurred.

The government-wide Statement of Activities demonstrates the direct expenses of the single function (Judicial) of the District which is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The District has no indirect expenses and, therefore, indirect expenses are not required to be allocated to functions in the Statement of Activities. Program revenues include:

- 1) Federal and state operating grants provided by a particular function or program. Other revenues not identifiable with a particular function or program are included as general revenue. The general revenues support the net costs of the function or program not covered by program revenues.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included in the balance sheet. The reported fund balance is considered a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the District's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

B. Basis of Presentation - Fund Accounting (Cont'd)

Governmental Fund Financial Statements (Cont'd)

The District's fiduciary fund (agency trust fund) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

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

The accounts of the District are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the District:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The SHARE number and description of the General Fund of the District is #16200 - Eighth Judicial District Attorney.

Fiduciary Fund Types

Fiduciary fund types include trust and agency funds which are used to account for assets held by the District in the capacity of trustee or agent.

Agency Trust Fund - Agency trust funds are used to account for assets held as an agent for other governmental units, individuals and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The agency trust fund is used to account for activities in which the Eighth Judicial District Attorney is acting in an agency capacity for the Administrative Office of the District Attorneys, District Attorney Fund. Cost reimbursements or processing fees are received from clients/offenders as authorized in the Pre-prosecution Diversion Act (31-16A-1 through 31-16A-8 NMSA, 1978) and the Worthless Check Act (Section 30-36-1 through 30-36-10 NMSA, 1978). All amounts collected are payable to the Administrative Office of the District Attorneys.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity

Cash and Investment in the State Treasurer General Fund Investment Pool

The District's cash is in demand deposits and the State Treasurer General Fund Investment Pool. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 3. All funds allotted to the District are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

In accordance with Section 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 the operation of state government in:

- (a) Securities issued by the United States (U.S.) government, or by its departments or agencies, and direct obligations of the U.S., 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 or 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 the 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

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity (Cont'd)

Cash and Investment in the State Treasurer General Fund Investment Pool (Cont'd)

a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;

- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a **contemporaneous transfer of the securities** at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

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

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

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

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity (Cont'd)

Cash and Investment in the State Treasurer General Fund Investment Pool (Cont'd)

General Fund Investment Pool Not Reconciled

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

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

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Eighth Judicial District Attorney's balances at the business unit/fund level is not possible.

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

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. Management believes that these changes will allow for the completion of a timely and accurate reconciliation on a *point-forward basis only*. 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.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity (Cont'd)

Cash and Investment in the State Treasurer General Fund Investment Pool (Cont'd)

General Fund Investment Pool Not Reconciled (Cont'd)

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

The Eighth Judicial District Attorney has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in SHARE are correct and to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2012.

Capital Assets

Capital assets of the District include furniture and equipment, a portable building and vehicles. The District does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,000, to items costing more than \$5,000. The District has adopted this change in an accounting estimate, per Accounting Principles Board (APB) 20. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, will be added to the inventory only if they meet the new capitalization policy. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment in accordance with 2.20.1.9 C (5). The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The District does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the District are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

Furniture and equipment	5 -7 years
Portable building	15 years
Vehicles	5 years

In the fund financial statements, capital assets used in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity (Cont'd)

Long-Term Liabilities

Compensated Absences Payable - Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semi-annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate. In accordance with GASB 16, accrued compensated absences consists of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including related employers' matching FICA and medicare payroll taxes. Accrued vacation and sick leave pay are recorded as a liability and as an expenditure in the government-wide financial statement. In the fund financial statements, governmental funds do not report compensated absences liability payable since expendable available financial resources are not available.

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 month - 4 years	10
Over 4 - 8 years	11
Over 8 - 12 years	12
Over 12 -16 years	13
Over 16 years	14

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the District allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

District General Fund resources have been used to liquidate accrued compensated absences in the past.

Equity

Government-Wide Statements

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies (Cont'd)

C. Assets, Liabilities and Equity (Cont'd)

Equity (Cont'd)

Government-Wide Statements (Cont'd)

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net assets with constraints placed on their use by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

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

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the District submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings are incorporated into the state's General Appropriations Act.
3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit.
4. The District submits, no later than September 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budgetary adjustments must be approved by the Director of the DFA - Budget Division and LFC. The current year budget was revised in a legal manner.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

D. Budgets and Budgetary Accounting (Cont'd)

5. Legal budgetary control for expenditures is at the "appropriation unit" level.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The budget for the General Fund is adopted on a modified accrual basis per the General Appropriations Act, Chapter 179, Laws of 2011, Section 3, Paragraph O. Budgetary comparisons presented in this report are on the modified accrual budgetary basis. However, there is statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY 2012 budget. At June 30, 2012, there were none.
8. The original budgets differ from the final budget presented in the budget comparison statement (Exhibit G) by amendments made during the fiscal year.
9. General Fund appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30. All amounts within the General Fund revert to the State General Fund.

In accordance with the requirements of Section 2.2.2 10.A (2) (b) of 2.2.2. NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the allowance made by GASB 34 footnote 53, the budgetary comparison statements for the General Fund has been included as part of the basic financial statements.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Program Revenues

Program revenues include federal and state operating grants designated for District operations and revenue recognition is restricted to meeting the operational requirements of a particular function.

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Cont'd)

G. Reversions

The General Appropriations Act of 2004 established the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration. The General Appropriations Act of 2011 continues the use of the modified accrual basis. In accordance with the department of finance and administration's "*Basis of Accounting-Modified Accrual and the Budgetary Basis*," the District has accrued as payables, amounts owed for goods and services received by June 30, 2012. Any remaining SHARE fund 16200 fund balance not reserved for prepaid postage and not reserved for program expenditures is being reverted to the State General Fund in accordance with Section 6-5-10, NMSA 1978.

2. Collateral Pledged by Financial Institutions

Section 6-10-17, NMSA 1978 compilation, requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. All deposits with financial institutions were covered by FDIC insurance at June 30, 2012.

3. Cash in Banks and Investment in the State Treasurer General Fund Investment Pool

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

At June 30, 2012, cash accounts of the District which are in local banks and in the State Treasurer's General Fund Investment Pool consisted of the following:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Account Number</u>	<u>SHARE Fund #</u>	<u>Balance per Depository</u>	<u>Outstanding Checks</u>	<u>Deposits in Transit</u>	<u>Balance per Books</u>
Governmental Activities:							
State Treasurer	Eighth Judicial D.A. Operations	25800-16200	16200	\$ 148,370	\$ -	\$ -	\$ 148,370
Total Governmental Activities				148,370	-	-	148,370
Fiduciary - Agency Funds:							
First Community Bank	Worthless Checks	Confidential	N/A	2,324	(2,169)	-	155
First Community Bank	Pre-prosecution	Confidential	N/A	14,951	(14,165)	-	786
Total Fiduciary - Agency Funds				17,275	(16,334)	-	941
Total Cash				\$ 165,645	\$ (16,334)	\$ -	\$ 149,311

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

4. Capital Assets

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

<u>Capital Assets - Historical Cost</u>	<u>Balance 06/30/2011</u>	<u>Adj's.</u>	<u>Adjusted Balance 06/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/2012</u>
Furniture and equipment	\$ 127,347	\$ -	\$ 127,347	\$ -	\$ (6,884)	\$ 120,463
Portable Buildings	1,500	-	1,500	-	-	1,500
Vehicles	222,270	25,010	247,280	8,025	(70,400)	184,905
Total capital assets	<u>\$ 351,117</u>	<u>\$ 25,010</u>	<u>\$ 376,127</u>	<u>\$ 8,025</u>	<u>\$ (77,284)</u>	<u>\$ 306,868</u>
<u>Related Accumulated Depreciation</u>						
Furniture and equipment	\$ (125,285)	\$ 365	\$ (124,920)	\$ (1,684)	\$ 6,884	\$ (119,720)
Portable Buildings	(1,056)	150	(906)	(150)	-	(1,056)
Vehicles	(182,752)	(13,938)	(196,690)	(20,509)	70,400	(146,799)
Total accumulated depreciation	<u>\$ (309,093)</u>	<u>\$ (13,423)</u>	<u>\$ (322,516)</u>	<u>\$ (22,343)</u>	<u>\$ 77,284</u>	<u>\$ (267,575)</u>
<u>Capital Assets, Net of Accumulated Depreciation</u>						
Net capital assets	<u>\$ 42,024</u>	<u>\$ 11,587</u>	<u>\$ 53,611</u>	<u>\$ (14,318)</u>	<u>\$ -</u>	<u>\$ 39,293</u>

Current depreciation expense is \$22,343.

5. Due to State General Fund

The General Fund receives a State General Fund appropriation annually. Any unexpended funds at the end of the fiscal year revert to the State General Fund. In addition, any other revenue received in the fund which is not specifically appropriated by the legislature also reverts to the State General Fund, except for federal funds. For fiscal year 2012, the Eighth Judicial District Attorney's office was appropriated \$2,346,200 from the State General Fund.

Cash balance, June 30, 2012	\$ 148,370
Add:	
Due from other state agencies, 6/30/2012	-
	<u>148,370</u>
Less:	
Accounts payable, 6/30/2012	\$ (20,530)
Accrued payroll, 6/30/2012	(19,603)
Payroll taxes payable, 6/30/2012	(25,432)
Payroll benefits payable, 6/30/2012	(44,549)
Reserve for Southwest Border Initiative, reauthorized	<u>(38,196)</u>
Due to State General Fund, June 30, 2012 (FY 2012 appropriation)	<u>\$ 60</u>

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

6. Compensated Absences Payable

At June 30, 2012, accrued compensated absences payable for accumulated leave totaled \$104,119. The following is a summary of changes in compensated absences:

	<u>Balance</u> <u>06/30/2011</u>		<u>Increase</u>		<u>(Decrease)</u>		<u>Balance</u> <u>06/30/2012</u>
Current							
Compensated Absences Payable	\$ 92,977	\$	82,373	\$	(89,312)	\$	86,038
Long-Term							
Compensated Absences Payable	<u>34,325</u>		<u>17,251</u>		<u>(33,495)</u>		<u>18,081</u>
Total							
Compensated Absences Payable	<u>\$ 127,302</u>	\$	<u>99,624</u>	\$	<u>(122,807)</u>	\$	<u>104,119</u>

General Fund revenues are used to liquidate compensated absences.

7. Net Assets Deficit

GASB #34 requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in an unrestricted net asset deficit of (\$63,774). This deficit is created by compensated absence liabilities which will be paid from subsequent years State General Fund Appropriations.

8. Operating Leases

The District has various operating leases, primarily for office equipment, which can be terminated if the state legislature does not appropriate money to the District, with no penalty to the District. Operating lease expenditures for these leases for the year ended June 30, 2012, totaled \$20,250.

Minimum future annual rental payments under all operating leases are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2013	\$24,203
2014	21,177
2015	12,483
<u>2016</u>	<u>1,180</u>
Total	<u>\$59,043</u>

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

9. Pension Plan - Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 8.92% (ranges from 3.83% to 16.65% depending upon the plan, i.e., state general, municipal police, municipal fire, municipal detention officer) of their gross salary. The District is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the District's are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contribution to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$205,694, \$238,741, and \$254,119, respectively, which equal the amount of the required contributions for each fiscal year.

10. Post Employment Benefits - State Retiree Health Care Plan

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

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012**

10. Post Employment Benefits - State Retiree Health Care Plan (Cont'd)

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.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

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

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

The District's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$28,139, \$26,184, and \$32,178, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2012

11. Risk Management and Litigation

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Section 15-7-2, NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure, and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the District are accounted for in the General Fund. Any claims are processed through RMD.

There are no pending or known threatened legal proceedings involving material matters to which the District is a party.

12. Restatement of Net Assets Balance at June 30, 2011

The net assets balance of (\$43,085) at June 30, 2011 has been increased by \$11,587, resulting from capital assets totaling \$25,010 which had previously been excluded from the capital assets inventory. Accumulated depreciation of \$13,423 pertaining to these capital assets had also been excluded from the capital assets inventory, for a net increase to the capital assets balance of \$11,587 at June 30, 2011. The restated net assets balance at June 30, 2011 is (\$31,498).

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Schedule of Operating Transfers
Year Ended June 30, 2012

		From Fund No.	To Fund No.	Transfers	
				In	Out
General Fund					
Fund 16200					
(1)	Department of Finance and Administration State General Fund Appropriation	85300	16200	\$ 2,346,200	\$ -
(2)	Department of Finance and Administration General Fund Reversion - FY 2011	16200	85300	-	533
(3)	Department of Finance and Administration General Fund Reversion - FY 2012 from EAP refunds for FY2012	16200	85300	-	60
				<u>\$ 2,346,200</u>	<u>\$ 593</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Schedule of Changes in Assets and Liabilities
Agency Funds
June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Ending Balance</u>
<u>Pre-prosecution Program</u>				
<u>Assets</u>				
Cash in bank	\$ <u>1,090</u>	\$ <u>79,660</u>	\$ <u>(79,964)</u>	\$ <u>786</u>
<u>Liabilities</u>				
Due to other state agencies (AODA)	\$ <u>1,090</u>	\$ <u>79,660</u>	\$ <u>(79,964)</u>	\$ <u>786</u>
<u>Worthless Check Program</u>				
<u>Assets</u>				
Cash in Bank	\$ <u>320</u>	\$ <u>34,871</u>	\$ <u>(35,036)</u>	\$ <u>155</u>
<u>Liabilities</u>				
Due to other state agencies (AODA)	\$ <u>320</u>	\$ <u>34,871</u>	\$ <u>(35,036)</u>	\$ <u>155</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
Cash in Bank	\$ <u>1,410</u>	\$ <u>114,532</u>	\$ <u>(115,000)</u>	\$ <u>941</u>
<u>Liabilities</u>				
Due to other state agencies (AODA)	\$ <u>1,410</u>	\$ <u>114,531</u>	\$ <u>(115,000)</u>	\$ <u>941</u>

The accompanying notes are an integral part of the financial statements.

ROBERT J. RIVERA, CPA, PC

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

Donald Gallegos, District Attorney
Office of the District Attorney
Eighth Judicial District
and
Mr. Hector Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the State of New Mexico, Eighth Judicial District Attorney (District), a component unit of the State of New Mexico, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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



Compliance and Other Matters

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

This report is intended solely for the information and use of the District's management, others within the agency, the State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 10, 2012

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Schedule of Findings and Responses
June 30, 2012**

I. PRIOR-YEAR AUDIT FINDINGS

a. Repeated in current-year

None

b. Resolved and not included in current-year

None

II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED

None

**STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
Financial Statement Preparation and Exit Conference
June 30, 2012**

Financial Statement Preparation

The financial statements were prepared by the District Attorney's staff with the assistance of the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

Exit Conference

An exit conference was held on October 10, 2012, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Eighth Judicial District Attorney

Donald Gallegos, District Attorney - Eighth Judicial District Attorney
Cindy Gallegos, Chief Financial Officer

Audit Firm (Robert J. Rivera, CPA, PC)

Robert J. Rivera, CPA