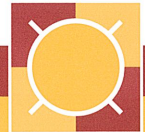


Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
NINTH JUDICIAL DISTRICT

FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
WITH ACCOMPANYING AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2011



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

**FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
WITH ACCOMPANYING AUDITORS' REPORTS**

YEAR ENDED JUNE 30, 2011

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STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
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June 30, 2011

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STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Directory of Officials
June 30, 2011

<u>Name</u>	<u>Officials</u>	<u>Title</u>
Matthew E. Chandler		District Attorney
Kevin Spears		Chief Financial Officer

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor and
The Office of the District Attorney
Ninth Judicial District
Clovis, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and the victims assistance special revenue fund information of the Office of the District Attorney, Ninth Judicial District (District) as of and for the year ended June 30, 2011, 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, and the standards applicable to financial statements audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the State of New Mexico, Office of the District Attorney, Ninth Judicial District are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2011 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In 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 of the District, as of June 30, 2011, and the respective changes in financial position, and the budgetary comparison for the general fund and the victim assistance special revenue 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 December 13, 2011 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.

The District has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements and the budgetary comparisons. The introductory section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
December 13, 2011

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Statement of Net Assets
June 30, 2011

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current assets	
Petty cash	\$ 100
Investments in State Treasurer's General Fund investment pool (Note 2)	142,963
Due from other governments	<u>2,658</u>
Total current assets	<u>145,721</u>
Noncurrent assets	
Capital assets	581,280
Less: accumulated depreciation	<u>(537,141)</u>
Total noncurrent assets	<u>44,139</u>
Total assets	<u><u>\$ 189,860</u></u>
 Liabilities	
Current liabilities	
Accounts payable	\$ 15,330
Accrued compensated absences	78,025
Accrued payroll	78,223
Due to State General Fund	<u>45,891</u>
Total current liabilities	217,469
Noncurrent liabilities	
Accrued compensated absences	<u>31,137</u>
Total liabilities	<u>248,606</u>
 Net Assets	
Invested in capital assets	44,139
Restricted for:	
VOCA	142,020
Unrestricted	<u>(244,905)</u>
Total net assets	<u>(58,746)</u>
Total liabilities and net assets	<u><u>\$ 189,860</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Statement of Activities
For the Year Ending June 30, 2011

Exhibit A-2

Governmental activities:

Program expenses:

General government	
Administrative services	\$ 2,707,999
Depreciation	18,723
	2,726,722
Total governmental activities	2,726,722

Program revenues:

VOCA grant	3,491
Miscellaneous	607
	4,098
Total program revenues	4,098
Net program expense	(2,722,624)

General revenues and transfers:

State general fund appropriation	2,601,800
Reversion to the state general fund - FY 2011	(16,508)
	2,585,292
Subtotal, general revenues	2,585,292

Changes in net assets	(137,332)
-----------------------	-----------

Net assets, beginning	162,270
Restatement (Note 12)	(83,684)
	78,586
Net assets, beginning, restated	78,586

Net assets, ending	\$ (58,746)
--------------------	-------------

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit B-1

	General Fund	Victims Assistance Program	Total
<i>Assets</i>			
Petty Cash	\$ 100	\$ -	\$ 100
Investment in State Treasurer			
General Fund Investment Pool (Note 2)	-	146,776	146,776
Other receivables	-	2,658	2,658
<i>Total assets</i>	\$ 100	\$ 149,434	\$ 149,534
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Deficit Investment in State Treasurer	\$ 3,813	\$ -	\$ 3,813
General Fund Investment Pool (Note 2)			
Accounts payable	7,916	7,414	15,330
Accrued payroll and related expenses	78,223	-	78,223
Due to State General Fund	45,891	-	45,891
<i>Total liabilities</i>	135,843	7,414	143,257
<i>Fund balances</i>			
<i>Spendable:</i>			
Restricted	-	142,020	142,020
Unassigned	(135,743)	-	(135,743)
<i>Total fund balances</i>	(135,743)	142,020	6,277
<i>Total liabilities and fund balances</i>	\$ 100	\$ 149,434	\$ 149,534

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit B-1

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 6,277
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,139
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(109,162)</u>
Total net assets	<u><u>\$ (58,746)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit B-2

Office of the District Attorney

Ninth Judicial District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ending June 30, 2011

	General Fund	Victim Assistance Program	Total
<i>Revenues</i>			
Federal flowthrough	\$ -	\$ 3,491	\$ 3,491
Miscellaneous	607	-	607
<i>Total revenues</i>	<u>607</u>	<u>3,491</u>	<u>4,098</u>
<i>Expenditures</i>			
Current			
Administrative Services:			
Personnel services	2,472,004	39,555	2,511,559
Contractual services	9,716	-	9,716
Capital outlay	-	-	-
Other	117,453	66,726	184,179
<i>Total expenditures</i>	<u>2,599,173</u>	<u>106,281</u>	<u>2,705,454</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,598,566)</u>	<u>(102,790)</u>	<u>(2,701,356)</u>
<i>Other financing sources (uses)</i>			
General fund appropriation	2,601,800	-	2,601,800
Reversion to the state general fund	(16,508)	-	(16,508)
<i>Total other financing sources (uses)</i>	<u>2,585,292</u>	<u>-</u>	<u>2,585,292</u>
<i>Net change in fund balances</i>	(13,274)	(102,790)	(116,064)
<i>Fund balances - beginning</i>	100	231,030	231,130
<i>Restatement (Note 12)</i>	(122,569)	13,780	(108,789)
<i>Fund balances - beginning, restated</i>	<u>(122,469)</u>	<u>244,810</u>	<u>122,341</u>
<i>Fund balances - ending</i>	<u>\$ (135,743)</u>	<u>\$ 142,020</u>	<u>\$ 6,277</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit B-2

Office of the District Attorney

Ninth Judicial District

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2011

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

Net change in fund balances - total governmental funds \$ (116,064)

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:

Depreciation expense (18,723)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts, and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
statement of activities:

Decrease in the reserve for compensated absences (2,545)

Change in net assets of governmental activities \$ (137,332)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Office of the District Attorney

Ninth Judicial District

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget (GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Miscellaneous	\$ -	\$ -	\$ 607	\$ 607
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>607</u>	<u>607</u>
<i>Expenditures</i>				
<i>Current</i>				
Personal services	2,469,300	2,469,300	2,472,004	(2,704)
Contractual services	10,500	10,500	9,716	784
Other	122,000	122,000	117,453	4,547
<i>Total expenditures</i>	<u>2,601,800</u>	<u>2,601,800</u>	<u>2,599,173</u>	<u>2,627</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,601,800)</u>	<u>(2,601,800)</u>	<u>(2,598,566)</u>	<u>3,234</u>
<i>Other financing sources (uses)</i>				
State general fund appropriation	2,601,800	2,601,800	2,601,800	-
Reversion to state general fund	-	-	(16,508)	(16,508)
<i>Total other financing sources (uses)</i>	<u>2,601,800</u>	<u>2,601,800</u>	<u>2,585,292</u>	<u>(16,508)</u>
<i>Net change in fund balances</i>	-	-	<u>\$ (13,274)</u>	<u>\$ (13,274)</u>
<i>Fund balances - beginning of year</i>	<u>79,600</u>	<u>79,600</u>		
<i>Fund balances - end of year</i>	<u>\$ 79,600</u>	<u>\$ 79,600</u>		

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Office of the District Attorney

Ninth Judicial District

Victim Assistance Program

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Federal flowthrough	\$ -	\$ 148,616	\$ 3,491	\$ (145,125)
<i>Total revenues</i>	<u>-</u>	<u>148,616</u>	<u>3,491</u>	<u>(145,125)</u>
<i>Expenditures</i>				
<i>Current</i>				
Personal services	-	45,000	39,555	5,445
Contractual services	-	-	-	-
Other	-	103,616	66,726	36,890
<i>Total expenditures</i>	<u>-</u>	<u>148,616</u>	<u>106,281</u>	<u>42,335</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(102,790)</u>	<u>(102,790)</u>
<i>Other financing sources (uses)</i>				
State general fund appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	<u>\$ (102,790)</u>	<u>\$ (102,790)</u>
<i>Fund balances - beginning of year</i>	<u>(111,193)</u>	<u>(111,193)</u>		
<i>Fund balances - end of year</i>	<u>\$ (111,193)</u>	<u>\$ (111,193)</u>		

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The District has no business-type activities; therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature. The two funds of the District do not have interfund activity. Therefore, there are no eliminations in the government-wide financial statements.

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. The program revenues are directly associated with the function. The only program revenues are operating grants that consist of a VOCA grant and a Southwest Border Grant to be utilized in the Victim Assistance Program.

B. Basis of Presentation – Fund Accounting

Fund Financial Statements

The governmental fund and agency fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days of year-end in order to pay current liabilities. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation – Fund Accounting (continued)

Fund Financial Statements (continued)

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

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

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

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The SHARE number and description of the General Fund of the District is #163 – District Regular.

Special Revenue Funds

The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the special revenue fund for operations of the Court.

Victim Assistance Program – The district receives a federal VOCA grant #02-VA-GX-0035 and a Southwest Border Grant to provide assistance to victims of crime. The SHARE number of the Victim Assistance Program is #942. The funds received under these grants are non-reverting.

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

C. Assets, Liabilities and Equity

Cash and investments

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

Accounts Receivable

Accounts receivable is made up of a VOCA grant reimbursement from the Crime Victims Reparation Commission, agency code 78000 and fund code 91600.

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

Capital Assets

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

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture, fixtures and equipment (including software)	3-12 years
Vehicles	5 years

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

Long-Term Liabilities

Compensated Absences – The District's policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

Equity

Government-Wide Statements:

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

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 either by (1) external groups such as creditors, grantors, contributors or laws or regulations by other governments; or (2) law through constitutional provisions or enabling legislation.

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 Nonspendable, restricted, committed, assigned and unassigned, as per GASB Statement 54, effective for financial statements for periods beginning after June 15, 2010.

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

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

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

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

1. No later than September 1, the District submits to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The District Attorney's budget for the fiscal year ending June 30, 2011, 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.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The District Attorney submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA – Budget Division reviews and approves the operating budget which becomes effective in July 1.
5. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was properly amended.
6. Legal budget control for expenditures and encumbrances is by category of line item.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
8. 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.
9. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2011. The District Attorney's General Fund is a reverting fund (funds revert back to the State General Fund).
10. Appropriations lapse at the end of the year except for those amounts encumbered.

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

11. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion. Budgetary comparisons presented for the General Fund and Special Revenue Fund in this report are on the modified accrual budgetary basis, which does not conform to the accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
12. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget.
13. 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, 2011.
14. The legal level of budgetary control is at the appropriation unit level.

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

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (2,601,800)	\$ (2,601,800)
Victim Assistance Program	-	-

E. Accrued Compensated Absences

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

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

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

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: INVESTMENTS WITH THE STATE TREASURER

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

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. Below are required disclosures regarding credit and interest risk.

Credit Risk for Investments

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

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At June 30, 2011, cash and investments consisted of the following:

<u>Account Name</u>	<u>Share Fund #</u>	<u>Maturities</u>	<u>Balance Per Treasurer</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<u>General Fund:</u>					
Petty Cash					
Investments in the State Treasurer's General Fund Investment Pool	16300	<180 days	\$ - 274,844	\$ 100 (278,657)	\$ 100 (3,813)
<u>Special Revenue Fund:</u>					
Investments in the State Treasurer's General Fund Investment Pool VOCA Fund	94200	<180 days	<u>132,366</u> <u>\$ 407,210</u>	<u>14,410</u> <u>\$ (264,147)</u>	<u>146,776</u> <u>\$ 143,063</u>

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 3: CAPITAL ASSETS

Capital asset and depreciation activity as of and for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Furniture, fixtures, and equipment	\$ 290,246	\$ -	\$ -	\$ -	\$ 290,246
Vehicles	291,034	-	-	-	291,034
	<u>581,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>581,280</u>
Less accumulated depreciation					
Furniture, fixtures, and equipment	283,012	-	3,563	-	286,575
Vehicles	260,511	(25,105)	15,160	-	250,566
Total accumulated depreciation	<u>543,523</u>	<u>(25,105)</u>	<u>18,723</u>	<u>-</u>	<u>537,141</u>
Capital assets, net	<u>\$ 37,757</u>	<u>\$ 25,105</u>	<u>\$ (18,723)</u>	<u>\$ -</u>	<u>\$ 44,139</u>

Current depreciation expense is \$18,723.

NOTE 4: INTERAGENCY TRANSFERS

The District had the following transfer for the fiscal year ending June 30, 2011:

<u>Transfer From</u>	<u>SHARE Fund No.</u>	<u>Transfer To</u>	<u>SHARE Fund No.</u>	<u>Agency No.</u>	<u>Amount</u>
State General Fund	85300	General Fund	16300	34101	\$ 2,601,800

NOTE 5: COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Compensated Absences Payable	<u>\$ 106,617</u>	<u>\$ 80,570</u>	<u>\$ 78,025</u>	<u>\$ 109,162</u>	<u>\$ 78,025</u>

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

NOTE 6: DEFICIT NET ASSETS

The implementation of GASB #34, which requires restatement of beginning balances for capitalized assets, net of accumulated depreciation, and inclusion of long-term debt results in an unrestricted net asset deficit of \$244,905. This deficit is created primarily by compensated absences which will be paid from subsequent years State General Fund appropriations and the above.

STATE OF NEW MEXICO
Office of the District Attorney
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Notes to the Financial Statements
June 30, 2011

NOTE 7: PERA RETIREMENT PLAN

Substantially all of the Ninth Judicial 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, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Ninth Judicial District is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Ninth Judicial District are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ending June 30, 2011, 2010, and 2009 were \$263,293, \$283,390, and \$307,713, respectively, equal to the amount of the required contributions for each year.

NOTE 8: POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit 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.

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.

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 8: POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (continued)

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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	0.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are also 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, 2011, 2010, and 2009 were \$28,881, \$23,915 and \$23,426, respectively, which equal the amount of the required contributions for each year.

NOTE 9: RISK OF LOSS

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

NOTE 10: REVERSIONS

The Due to State General Fund in the Statement of Net Assets includes \$45,891 from 2011 that will be remitted to the State General Fund. The reversion amounts include only state appropriations. Grant revenues accounted for in the special revenue fund are non-reverting.

NOTE 11: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

Governmental Funds

A. There was one fund that maintained a deficit fund balance as of June 30, 2011.

General Fund	\$135,743
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B. There was one fund that exceeded approved budgetary authority for the year ended June 30, 2011:

General Fund	\$ 2,704
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STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Notes to the Financial Statements
June 30, 2011

NOTE 12: RESTATEMENT

Fund balance was restated in the General fund by \$132,143 due to errors in prior years of payroll accruals and by \$(9,574) due to an error in the prior year in the posting of a receivable. Fund balance was restated in the VOCA fund by \$13,780 due to errors in prior years of payroll accruals. Net assets was restated by \$(83,684) due to \$25,105 in accumulated depreciation errors in prior years and the remainder due to the \$(108,789) in restatements caused by accrued payroll and accounts receivable errors.

NOTE 13: CONCENTRATIONS

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

COMPLIANCE SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector Balderas
New Mexico State Auditor
Matthew Chandler, District Attorney
Office of the District Attorney
Ninth Judicial District
Clovis, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparisons of the general fund and victim assistance program fund of the Office of the District Attorney, Ninth Judicial District (District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

Internal Control Over Financial Reporting

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

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

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2011-1 to be a material weakness.

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*.

We noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as item FS 2010-2.

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
December 13, 2011

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Schedule of Findings and Responses
June 30, 2011

Schedule I

A. FINDINGS

FS 2010-2 – Overspending of Certain Budget Line Items (Other)

Condition: During our examination we noted that one function line item in the General Fund had expenditures in excess of budgeted amounts of \$2,704.

Criteria: State budgeting requirement 6.20.2.9 NMSA 1978 sets forth budget preparation standards and states that budgetary control shall be at the function level and that over-expenditure of a function shall now be allowed.

Effect: The District is in violation of State budgeting requirements which require each fund to disburse money for its specific purpose in accordance with their budget. In addition, this money was not available for legislative discretion. The unavailability of the monies could also affect state and federal funding.

Cause: A journal entry to accrue the full amount of accrued payroll and related expenses created the excess in the General Fund.

Auditor's Recommendation: We recommend that the Ninth Judicial District perform a periodic review of the budget. Any anticipated budgetary transfers can be isolated and authorization can be obtained before the overspending of line item expenditures.

View of Responsible Officials and Planned Corrective Action: The transactions that led to this finding were necessary to correct the amount of accrued payroll and related expenses, which affect the statewide bank reconciliation. In the future, we will be performing a more detailed monthly review of all budget items. We will also process accrued payroll transactions as specified in the year end closing instructions to avoid any future issues.

FS 2011-1 – Deficit Fund Balance (Material Weakness)

Condition: The Office of the District Attorney, Ninth Judicial District has a deficit fund balance in their general fund of \$135,743.

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

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

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

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

View of Responsible Officials and Planned Corrective Action: Corrected journal entries were posted to correct transactions related to incorrect reversal of accrued payroll and incorrect calculation of reversion amounts. These entries were necessary to correct our financial statements as well as the statewide bank reconciliation. In the future, the procedure will be to follow CAFR Unit year end instructions regarding the proper posting and timeliness of payroll journal entries and reversals. After attending a mandatory Department of Finance sponsored CFO training and meeting with CAFR Unit officials, the agency Chief Financial Officer has submitted a Supplemental Appropriation Request for this deficit fund balance.

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Schedule of Findings and Responses
June 30, 2011

Schedule I

B. PRIOR YEAR AUDIT FINDINGS

FS 2007-01 Late Audit Report Submission to the State Auditor – Resolved

FS 2010-01 Timeliness of Deposits – Resolved

FS 2010-02 Over Spending of Certain Budget Line Items – Revised and Repeated

FS 2010-03 Reversion of Unreserved Undesignated Fund Balances – Resolved

STATE OF NEW MEXICO
Office of the District Attorney
Ninth Judicial District
Other Disclosures
June 30, 2011

A. AUDITOR PREPARED FINANCIAL STATEMENTS

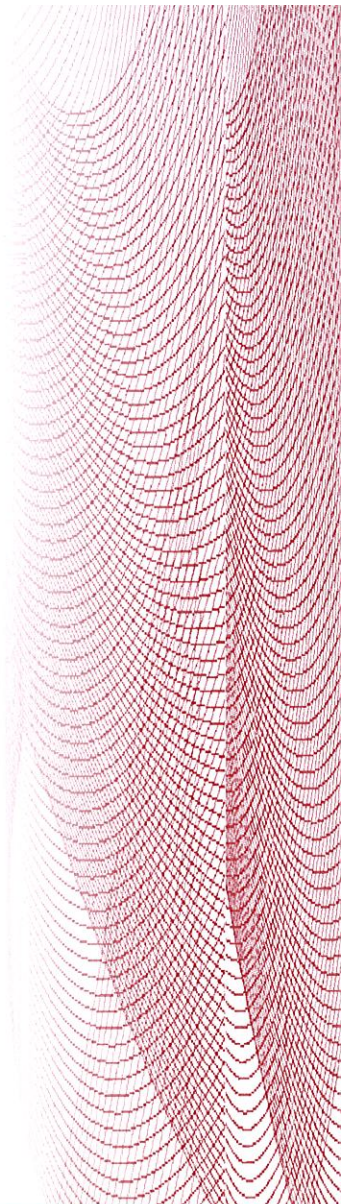
Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of this report were discussed on December 13, 2011. The following individuals were in attendance.

Office of the District Attorney
Matthew E. Chandler, District Attorney
Kevin Spears, Chief Financial Officer

Accounting & Consulting Group, LLP
Shelley Olson, Senior Accountant



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