

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

**Financial Statements and Schedules
With Independent Auditors Report Thereon**

For the Fiscal Year Ended June 30, 2012

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

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

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

Official Roster

June 30, 2012

Attorney

Ronald W. Reeves

Administrative Officials

Jennifer Sena, CFO
Susan Ragland, Office Manager

INDEPENDENT AUDITOR'S REPORT

Ronald W. Reeves, District Attorney
Office of the District Attorney
Tenth Judicial District

Hector H. Balderas
New Mexico State Auditor

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

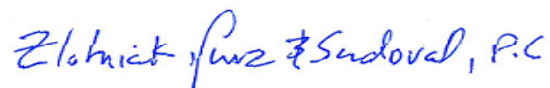
As discussed in Note 1, the financial statements of the Office are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire state of New Mexico as of June 30, 2012 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, the major fund, and the aggregate remaining fund information of the Office as 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 a report dated September 20, 2012 on our consideration of the Office's internal control over financial reporting and our tests of its compliance with certain provision 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 Office has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed under "supplementary section" 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.



Zlotnick, Laws & Sandoval, P.C.

September 20, 2012

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

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Investment in the State General Fund Investment Pool	\$ 56,835
Capital assets, net	<u>58,112</u>
Total assets	<u>\$ 114,947</u>
LIABILITIES	
Accounts payable	\$ 4,219
Accrued payroll	35,202
Due to State General Fund (Note 6)	1,920
Compensated absences (Note 7)	
Due within one year	19,549
Due in more than one year	<u>19,841</u>
Total liabilities	<u>80,731</u>
NET ASSETS	
Invested in capital assets	58,112
Unrestricted	<u>(23,896)</u>
Total net assets	<u>34,216</u>
Total liabilities and net assets	<u>\$ 114,947</u>

The accompanying notes are an integral part of these financial statements

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

Statement of Activities

June 30, 2012

	<u>Governmental Activities</u>
Expenses:	
Judicial:	
Administrative Services	\$ 933,402
Depreciation	<u>37,235</u>
Total program expenses	970,637
 Program revenues	 <u>-</u>
Net program expenses	<u>(970,637)</u>
 General revenues and transfers:	
General fund appropriation	931,400
Gain on the sale of assets	5,195
Transfer out – Reversion to State General Fund	<u>(1,920)</u>
Total general revenues and transfers	<u>934,675</u>
 Change in net assets	 (35,962)
 Net Assets--beginning of the year	 <u>70,178</u>
 Net assets--end of the year	 <u>\$ 34,216</u>

The accompanying notes are an integral part of these financial statements

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

**Balance Sheet
Governmental Fund**

June 30, 2012

	<u>General</u>
ASSETS	
Investment in the State General Fund Investment Pool	\$ <u>56,835</u>
Total assets	\$ <u><u>56,835</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 4,219
Accrued payroll	35,202
Due to State General Fund (Note 6)	<u>1,920</u>
Total liabilities	<u>41,341</u>
Fund balances:	
Unassigned	<u>15,494</u>
Total fund balances	<u>15,494</u>
Total liabilities and fund balances	\$ <u><u>56,835</u></u>

The accompanying notes are an integral part of these financial statements

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

**Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Fund**

June 30, 2012

Total fund balances - Governmental Funds	\$	15,494
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Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consists of:

Property and equipment	\$	164,566	
Accumulated depreciation		<u>(106,454)</u>	
Total capital assets			58,112

The compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(39,390)</u>
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Net assets of governmental activities	\$	<u><u>34,216</u></u>
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The accompanying notes are an integral part of these financial statements

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund**

June 30, 2012

	<u>General Fund</u>
REVENUE	<u>-</u>
Total revenues	<u>-</u>
EXPENDITURES	
Current:	
Personal services and employee benefits	834,247
Contractual services	10,806
Other	83,173
Capital Outlay	<u>1,575</u>
Total expenditures	<u>929,801</u>
Excess (deficiency) of revenues over expenditures	(929,801)
OTHER FINANCING SOURCES (USES)	
State General Fund appropriation	931,400
Reversion to State General Fund – 2012 FY	<u>(1,920)</u>
Total other financing sources and uses	929,480
Net change in fund balances	(321)
Fund balances-beginning of the year	<u>15,815</u>
Fund balances-end of the year	<u>\$ 15,494</u>

The accompanying notes are an integral part of these financial statements

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

**Reconciliation of the Change in Fund Balance of the
Governmental Fund to the Statement of Activities**

June 30, 2012

Net change in fund balances—total governmental funds \$ (321)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense, used vehicles traded for new do not reduce capital outlay and gains and losses on exchanges are not recognized. The following are the differences in the recording of capital asset and capital outlay expenditures:

Depreciation expense	(37,235)
Capital Outlay	1,575
Gain on the sale of assets	5,195

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reportable as expenditures in governmental funds.

(5,176)

Change in net assets of governmental activities \$ (35,962)

The accompanying notes are an integral part of these financial statements

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

**Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Governmental Fund – General Fund**

June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	(Negative)
REVENUES				
State general fund appropriations	\$ 931,400	931,400	931,400	\$ -
Total revenues	931,400	931,400	<u>931,400</u>	<u>\$ -</u>
Fund Balance	<u>-</u>	<u>21,009</u>		
	<u>\$ 931,400</u>	<u>931,400</u>		
EXPENDITURES				
Personal services and employee benefits	\$ 834,800	843,646	834,247	\$ 9,399
Contractual services	11,400	11,400	10,806	594
Other	<u>85,200</u>	<u>91,848</u>	<u>84,748</u>	<u>7,100</u>
	<u>\$ 931,400</u>	<u>946,894</u>	<u>929,801</u>	<u>\$ 17,093</u>

The accompanying notes are an integral part of these financial statements

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

**Statement of Fiduciary Assets and Liabilities
Agency Fund**

June 30, 2012

ASSETS

Cash and cash equivalents	\$ <u> -</u>
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LIABILITIES

Assets held for others	\$ <u> -</u>
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The accompanying notes are an integral part of these financial statements.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The Office is a component unit of the Judicial branch and these financial statements include all funds and activities over which the Office has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office 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 Office has no component units that are required to be reported in its financial statements.

The accounting policies of the Tenth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Office'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 Office as a whole or on 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 Office, 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 Office 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.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting - GASB Statement # 34 (Continued)

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. Grant revenue is recorded when all applicable reimbursement eligibility requirements are met.

Fund Financial Statements

The governmental fund statements are prepared using the current financial resources measurement focus and the 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. 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 Office'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, reconciliations are presented on the page following each statement, which briefly explain the adjustments necessary to transform the fund based financial statements into the government-wide presentation.

The Office's fiduciary fund (an agency fund) is presented in the fund financial statements. The fiduciary 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 Office first uses restricted resources then unrestricted resources.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The accounts of the Office 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 Office:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Office and accounts for all revenues and expenditures of the Office not encompassed within other funds. Any unexpended balance, that is not otherwise reserved, remaining in the General Fund at the end of the fiscal year reverts to the State of New Mexico General Fund. The SHARE fund number and description of the General Fund of the Office is #16400 - Tenth Judicial District Attorney.

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the Office in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Office collects money from qualifying offenders in lieu of prosecution. They also collect money for worthless checks that were accepted by local businesses. The money collected is paid to the injured parties to reimburse them for their loss. In addition, a fee is collected and sent to the Administrative Office of the District Attorney for administration of the program.

C. Assets, Liabilities and Equity

Cash, cash equivalents, and investments

The agency fund's cash and cash equivalents are demand deposits. Deposits are non interest bearing. The total carrying value of the deposits is shown in note 3. All governmental funds allotted to the Office are held on deposit with the State Treasurer and invested in the State Treasurer General Fund Investment Pool. Note 4 describes the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Capital Assets

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

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	4-12 years
Data Processing Equipment	5 - 6 years
Vehicles	5 years

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated.

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 Office's compensated absences policy regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current and noncurrent liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Equity

Government-wide Statements

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

Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Office has no outstanding debt relating to capital assets.

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 of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Office is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Office. These amounts cannot be used for any other purpose unless the Office removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Office's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Office or through the Office delegating this responsibility to the Office manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Office would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

D. Budgets and Budgetary Accounting

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

No later than September 1, the Office 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.

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. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting (Continued)

The Office 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. All subsequent budget adjustments must be approved by the Director of the DFA - Budget Division. The current year budget was revised in a legal manner.

Legal budget control for expenditures is by category. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.

Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.

E. 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 semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 120 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Compensated Absences Payable (Continued)

Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements. Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 month - 3 yrs	10
Over 3 - 7 yrs	11
Over 7 - 11 yrs	12
Over 12 - 15 yrs	13
Over 16 yrs or more	14

The maximum accrued annual leave of 240 hours may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Office 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.

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

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 and disclosures. Accordingly, actual results could differ from those estimates.

G. Interfund Activity

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

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

Notes to Financial Statements

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Program Revenues

Program revenues consist of federal grants. There are no other revenue types included in program revenues.

(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 AND CASH EQUIVALENTS

At June 30, 2012, cash and cash equivalents consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Agency Funds:		
Wells Fargo Bank - Tucumcari	\$ -0-	\$ -0-
Office - Worthless Check Program		

Custodial credit risk is the risk that in the event of a bank failure the Office's deposits may not be returned. The Office does not have any custodial credit risk.

(4) INVESTMENTS

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

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

Notes to Financial Statements

June 30, 2012

(4) INVESTMENTS (continued)

At June 30, 2012 the Office had the following invested in the General Fund Investment Pool:

	<u>Maturity</u>	<u>Account Balance</u>	<u>Fair Value</u>
Governmental Funds:			
Investment in the State General Fund Investment Pool, fund 16400	1 day	\$ 56,835	\$ 56,835

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.

See Note 13.

(5) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$1,920 in 2012 reversions that will be remitted to the state general fund.

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

Notes to Financial Statements

June 30, 2012

(6) CAPITAL ASSETS

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

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Capital Assets:				
Data Processing	\$ 8,865	-	-	8,865
Furniture & Fixtures	18,992	-	-	18,992
Vehicles	174,392	22,575	60,258	136,709
Total	202,249	22,575	60,258	164,566
Accumulated Depreciation:				
Data Processing	8,865	-	-	8,865
Furniture & Fixtures	10,720	3,165	-	13,885
Vehicles	94,087	34,070	44,453	83,704
Total	113,672	37,235	44,453	106,454
Net Assets	\$ 88,577	(14,660)	15,805	58,112

Current depreciation expense is \$37,235.

(7) COMPENSATED ABSENCES PAYABLE

The following is a summary of changes in compensated absences:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12	Due within One Year
Annual Leave	\$ 34,214	\$ 31,073	\$ 25,897	\$ 39,390	\$ 19,549

The Office's General Fund resources have been used to liquidate accrued compensated absences in the past. The Office had no other debt activity during the year.

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

Notes to Financial Statements

June 30, 2012

(8) OPERATING LEASES

The Office leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$6,655 for the year ending June 30, 2012. Annual future minimum lease payments are as follows:

2013	\$	6,056
2014		6,056
2015		6,056
2016		5,200
2017		4,332
Total	\$	<u>27,700</u>

(9) PERA RETIREMENT PLAN

Plan Description

Substantially all of the Tenth Judicial District Attorney'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 10.67% of their gross salary. The Tenth Judicial District Attorney is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Tenth Judicial District Attorney are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 2012, 2011, and 2010 were \$80,424, \$94,158, and \$98,874, respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
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Notes to Financial Statements

June 30, 2012

(10) POST-EMPLOYEMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The Office of the Tenth Judicial District Attorney 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.

Plan Description

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
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Notes to Financial Statements

June 30, 2012

**(10) POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(continued)**

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 requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee is required to contribute 0.917% of their salary. In the fiscal years ending June 30, 2012 through 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 Employer</u>	<u>Contribution Rate</u>	<u>Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 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.

**STATE OF NEW MEXICO
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Notes to Financial Statements

June 30, 2012

**(10) POST-EMPLOYEMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(continued)**

The Tenth Judicial District Attorney's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$10,998, \$10,330, and \$8,492, respectively, which equal the required contributions for each year.

(11) DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Tenth Judicial District Attorney nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Tenth Judicial District Attorney have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

(12) RISKS OF LOSS

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

(13) GENERAL FUND INVESTMENT POOL NOT RECONCILED

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

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

Notes to Financial Statements

June 30, 2012

(13) GENERAL FUND INVESTMENT POOL NOT RECONCILED (continued)

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 balances at the business unit/fund level is not possible. Section 6-5-2.1(J) NMSA 1978 requires DFA to complete on a monthly basis, reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

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

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

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

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

Notes to Financial Statements

June 30, 2012

(13) GENERAL FUND INVESTMENT POOL NOT RECONCILED (continued)

Since SHARE was implemented, the Office recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Office. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Office's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Office reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting Office's share in the State General Fund Investment Pool account are accurate.

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

**Schedule of Operating Transfers
(Supplementary Information)**

June 30, 2012

AGENCY	SHARE FUND	TITLE	Transfers		
			In	Out	
<u>General Fund (16400):</u>					
(1)	34101	85300	Department of Finance & Administration	\$ 931,400	\$ -
(2)	26000	85300	Department of Finance & Administration	-	1,920
			\$ 931,400	\$ 1,920	

(1) General Fund Appropriation, Laws of 2011, Chapter 179, Section 4.

(2) Reversion to State General Fund

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

**List of Deposits and Investments
(Supplementary Information)**

June 30, 2012

	<u>Account Type</u>	<u>Bank Balances</u>	<u>Book Balance</u>
GENERAL FUND			
Investment in state general fund investment pool	Operating		<u>\$ 56,835</u>
 AGENCY FUND			
Wells Fargo Bank - Checking	Checking	<u>\$ 0</u>	<u>\$ -0-</u>

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

**Schedule of Changes in Assets and Liabilities – Agency Fund
(Supplementary Information)**

June 30, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash in Bank	<u>\$ -</u>	<u>\$ 33,279</u>	<u>\$ 33,279</u>	<u>\$ -</u>
LIABILITIES				
Due to injured parties	<u>\$ -</u>	<u>\$ 33,279</u>	<u>\$ 33,279</u>	<u>\$ -</u>

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

Ronald W. Reeves, District Attorney
Office of the District Attorney
Tenth Judicial District

Hector H. Balderas
New Mexico State Auditor

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

Internal Control Over Financial Reporting

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

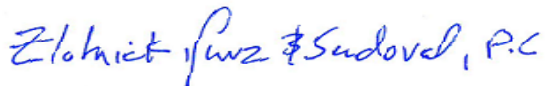
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Office's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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



Zlotnick, Laws & Sandoval, P.C.

September 20, 2012

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

Schedule of Findings and Responses

June 30, 2012

Status of Prior Year's Findings:

None

Current Year's Findings:

None

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

Exit Conference

June 30, 2012

The contents of this report were discussed at an exit conference held September 19, 2012.

The Tenth Judicial District Attorney was represented by:

Ronald W. Reeves, District Attorney
Jennifer Sena, CFO
Lorenzo Emillio, Office Manager

Zlotnick, Laws & Sandoval, P.C. was represented by:

Asa Laws, CPA
Brian Laws, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C.