



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

ELEVENTH JUDICIAL DISTRICT

ATTORNEY DIVISION 1

Financial Statements

For The Year Ended June 30, 2012

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ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I

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ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
Official Roster
As of June 30, 2012

Name	Title
Robert "Rick" P. Tedrow	District Attorney
Dustin O'Brien	Chief Deputy District Attorney
Heather Smallwood	Deputy District Attorney
Steven Johnston	Associate Trial Attorney
Suzan Rosenbaugh	Prosecution Specialist
Lori Holesinger	Human Resources Coordinator
Ryan (Kip) Keil	Senior Trial Attorney
Shellie Patscheck	Associate Trial Attorney
Evan Cochnar	Associate Trial Attorney
Paul S. Wainwright	Deputy District Attorney
Robert Gentile	Deputy District Attorney
David Duncan	Deputy District Attorney
David P. Cowen	Sr. Trial Attorney
Kenneth Stalter	Sr. Trial Attorney
Jodie Gabehart	Human Resources Administrator
Rachon Amick	Financial Specialist Supervisor
Melissa Mathews	Senior Secretary
Darla Evans	IS Assistant
Joely Baker	Clerk Specialist
Roy Dean Beck	Special Program Director
Tracey King	Program Assistant
Starla Heth	Supervising Secretary
Kelli Palmer	Senior Secretary
Harry Veenstra	Program Administrator
Debra Eaton	Senior Secretary
Vicki Pauly	Clerk Specialist
Ja'Nece Avery	Clerk Specialist
Amy Roberts	Senior Secretary
Richard Brent Capshaw	Chief Deputy District Attorney
Delia Otero	Prosecution Specialist
Herberta Shorty	Senior Secretary
Connie Everett	Senior Secretary
Melissa Gurule	Prosecution Specialist
Chelsie Utrup	Senior Secretary
KayaRyan Brown	Administrative Secretary
Emily Schwartz	Senior Secretary
Erica Wells	Administrative Secretary
Jessica Gomez	Administrative Secretary
Linda Robinson	Senior Secretary
Mary Ann Bixler	Victim Advocate Coordinator
Dawn Alcon	Victim Advocate
Brittany Hill	Victim Advocate
April Reed	Victim Advocate

ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
Official Roster, Continued
As of June 30, 2012

Name	Title
Thomas Brown	Lead Investigator
Gary Weaver	Senior Investigator
Olga Soto	Investigator
Laura Smith	Administrative Secretary
Orlinda Ashley	Senior Secretary
Amy Haun	Chief Financial Officer
Virginia Atchley	Prosecution Specialist
Eric Jose	Clerk Specialist
Pamela Padilla	Victim Advocate
Rayannagail Yazzie	Victim Advocate
Dena Irvin	Clerk Specialist
Ryan Petrie	Clerk Specialist
Kellie Mason	Clerk Specialist
Toria Kovacs	Clerk Specialist
Leslie Otteson	Clerk Specialist
Gabriel Montoya	Clerk Specialist
James Holland	Clerk Specialist
Dymon Irvin	Clerk Specialist
Aaron Montoya	Clerk Specialist
Joseph Petrelli	Assistant Trial Attorney
Sharmarine Light	Senior Secretary
Terica Hill	Senior Secretary
Michelle Gabaldon	Clerk Specialist
Ashley Phillips	Clerk Specialist
Lauren Hammond	Clerk Specialist
Suzanne Fortner	Clerk Specialist
L. Gaye Grogan	Program Administrator
Dalene Marsh	Senior Trial Attorney



INDEPENDENT AUDITORS' REPORT

Mr. Robert P. Tedrow, District Attorney,
State of New Mexico, Office of the District Attorney
Eleventh Judicial District, Division I
and
Mr. Hector H. Balderas, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Office of the District Attorney, Eleventh Judicial District, Division I of the State of New Mexico (DA) and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund, as of and for the year ended June 30, 2012, which collectively comprise the DA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the DA's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 the 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 DA are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of each major fund of the State of New Mexico that is attributable to the transactions of the DA. 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 previously 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 DA, as of June 30, 2012, and the respective changes in financial position and respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012 on our consideration of the DA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the schedule of changes in assets and liabilities - agency funds, and the budgetary comparison for the general fund. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", and is not a required part of the financial statements. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Hinkle + Landers, PC
December 12, 2012

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT DIVISION I
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012
Unaudited**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statement consists of the following: government-wide financial statements, governmental funds statements and a reconciling statement for all as well as a Schedule of Expenditures of Federal Awards (SEFA).

Basic Financial Statements

(Statement of Net Assets and Statement of Activities)

Basic financial statements report information about the 11th Judicial District Attorney, Div. 1, as a whole; using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The basic financial statements report the 11th Judicial District Attorney, Div. 1's net assets and how they have changed.

Fund Financial Statements

(Balance Sheet & Statement of Revenues, Expenditures and Changes in Fund Balance)

The fund financial statements provide more detailed information about the 11th Judicial District, Div. 1's significant funds. Funds are accounting devices that the 11th Judicial District, Div. 1 uses to keep track of specific sources of funding and spending for particular purposes.

The 11th Judicial District Attorney, Div. 1 operates on State General Fund appropriations, federal grant awards, and local government revenues. Income sources or programs are tracked using department codes.

Analysis of Financial Position (Statement of Net Assets)

Total Assets: Cash of \$1,730,742 on deposit with the State Treasurer, cash on hand of \$250, net receivables of \$59,478 and capital assets of \$90,838. Total assets are \$1,881,308.

Total Liabilities: Accounts Payable \$49,710, reversion \$2,645, accrued payroll \$188,260, and compensated absences payable within one year \$112,966 and after one year \$31,680. Total liabilities are \$385,261.

Net Assets: Total net assets are \$1,496,047. Including \$90,838 invested in capital assets, \$1,405,209 unrestricted cash.

Result of Operations (Statement of Activities)

Total Revenues: Consists of \$3,646,595 for operational purposes. State General Fund appropriations and Federal awards provide the majority of the revenue.

Total Expense: Consists of \$3,778,441 mainly for operational, employee salaries and benefits and operating costs.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT DIVISION I
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012
Unaudited**

**Analysis of District Attorney's Overall Financial Position
and Result of Operations (Condensed)**

	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets	\$ 1,790,470	1,803,224
Capital assets	<u>90,838</u>	<u>133,209</u>
Total assets	<u><u>1,881,308</u></u>	<u><u>1,936,433</u></u>
Liabilities:	<u>385,261</u>	<u>441,636</u>
Net assets:		
Invested in capital assets	90,838	133,096
Restricted	-	-
Unrestricted	<u>1,405,209</u>	<u>1,494,797</u>
Total net assets	<u><u>1,496,047</u></u>	<u><u>1,627,893</u></u>
Total net assets and liabilities	\$ <u><u>1,881,308</u></u>	<u><u>2,069,529</u></u>
Revenue:		
Program revenue	\$ 653,895	368,492
Appropriations (net of reversion)	<u>2,992,700</u>	<u>3,090,630</u>
Total revenues	<u><u>3,646,595</u></u>	<u><u>3,459,122</u></u>
Expenses:		
Personnel services	3,436,940	3,489,784
Contractual services	37,152	39,910
Other Costs	<u>304,349</u>	<u>260,779</u>
Total expenses	<u><u>3,778,441</u></u>	<u><u>3,790,473</u></u>
Increase (Decrease) in net assets	\$ <u><u>(131,846)</u></u>	<u><u>(331,351)</u></u>

Total assets decreased due to lower revenue in 2012 which made it necessary to use fund balance for operational expenses. Total liabilities were slightly less in 2012 primarily due to a decrease in accounts payable, as compared to the prior year. Net assets decreased because there were no additions to capital assets, and there was an increase in spending of unrestricted fund balance occurred in 2012. Revenue and expenses were higher in 2012 primarily because unrestricted fund balance was used as program revenue.

Analysis of Significant Changes in Individual Funds

No significant changes in funds occurred.

Analysis of Significant Budget Variances

The 11th Judicial District Attorney, Div. I's expenses were higher than budgeted mostly due to filling vacancies of positions necessary to the prosecution of crime in San Juan County, a special prosecutor contract with a former employee who had worked on a high profile murder case for several years and severely underfunded operational costs due to severely underfunded state appropriations over the last several budget years. Due to the above circumstances it was necessary to use more fund balance than originally budgeted however, our office received additional federal funding from the Southwest Border Prosecution Initiative grant which almost refurbished the amount used.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT DIVISION I
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2012
Unaudited**

Significant Capital Asset and Long-Term Debt Activity

Capital assets decreased as no additions were made and older assets depreciated.

The only long-term debt is due to compensated absences payable for which the 11th Judicial District Attorney, Div. I will pay out when vacation is taken or employees are terminated.

General Fund Budgetary Highlights

The State of New Mexico, Office of the District Attorney, Eleventh Judicial District, Division I intends to continue to lobby the legislature to increase the funding for the General Fund, and also will continue to seek out sources of federal funds or other grants and MOUs.

The State Legislature makes annual appropriations to the State of New Mexico, Office of the District Attorney, Eleventh Judicial District Division I. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the year, the State of New Mexico, Office of the District Attorney, Eleventh Judicial District Division I revised its budget. These budget amendments fall into two categories:

- Increases or reallocation of appropriations to prevent budget overruns.
- Increases to revenue for grant increases or new funds.

Currently Known Facts Expected to Have a Significant Effect on the Agency Financials

At the time of this report there are no known facts, decisions, or conditions that are expected to have an effect on the financial position or results of operations. The DA will be moving its location in 2013 and plans to use fund balance to finance the move.

Agency Contact Information

11th Judicial District Attorney, Division I
710 E. 20th Street
Farmington, NM 87401
Amy Haun, CFO
505-599-9810 X177

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

ASSETS	<u>Governmental Activities</u>
Current Assets	
Investments in the State General Fund Investment Pool	\$ 1,730,742
Petty cash	250
Due from federal government	21,522
Due from other state agencies	24,206
Due from local governments	<u>13,750</u>
Total current assets	1,790,470
Capital assets, net	<u>90,838</u>
Total assets	<u>\$ 1,881,308</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 49,710
Due to the state general fund	2,645
Accrued salaries and employee benefits	188,260
Compensated absences payable - expected to be paid within one year	<u>112,966</u>
Total current liabilities	353,581
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	<u>31,680</u>
Total liabilities	<u>385,261</u>
NET ASSETS	
Unrestricted	1,405,209
Invested in capital assets	<u>90,838</u>
Total net assets	<u>1,496,047</u>
Total liabilities and net assets	<u>\$ 1,881,308</u>

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
 ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2012**

EXPENSES	<u>Governmental Activities</u>
General government	
Public safety	\$ (3,778,441)
REVENUES	
Program revenues	
Operating grants and contracts	<u>653,895</u>
Net program (expenses)/revenue	<u>(3,124,546)</u>
General revenues	
Transfers	
State general fund appropriation FY12	2,995,300
Reversion to state general fund FY12	<u>(2,600)</u>
Total net transfers	<u>2,992,700</u>
Change in net assets	(131,846)
Net assets, beginning	<u>1,627,893</u>
Net assets, ending	\$ <u><u>1,496,047</u></u>

The accompanying notes are integral to these financial statements

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

ASSETS	(16500) General Fund
State General Fund Investment Pool	\$ 1,730,742
Petty cash	250
Due from federal government	21,522
Due from other state agencies	24,206
Due form local governments	13,750
Total assets	<u>\$ 1,790,470</u>

LIABILITIES	
Accounts payable	\$ 49,710
Accrued salaries and employee benefits	188,260
Deferred revenue	-
Due to State General Fund (reversion FY12)	2,645
Current liabilities	<u>240,615</u>

FUND BALANCE	
Assigned	959,300
Unassigned	590,556
Total fund balance	<u>1,549,856</u>
Total liabilities and fund balance	<u>\$ 1,790,470</u>

Reconciliation of the Governmental Fund Balance To The Statement of Net Assets

Total fund balance governmental funds	\$ 1,549,856
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds	90,838
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds	(144,646)
Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net assets	<u>-</u>
Net assets of governmental activities	<u>\$ 1,496,047</u>

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS
For The Year Ended June 30, 2012**

	(16500) General Fund
REVENUES	
Federal funds	\$ 686,143
Contracts	<u>55,107</u>
Total revenues	<u>741,250</u>
EXPENDITURES	
Current	
General government:	
Personal services and benefits	3,459,746
Contractual services	37,152
Other costs	248,899
Capital outlay	<u>-</u>
Total expenditures	<u>3,745,797</u>
OTHER FINANCING SOURCES (USES)	
State general fund appropriations FY12	2,995,300
Reversion to state general fund FY12	<u>(2,600)</u>
Net other financing sources	<u>2,992,700</u>
Net change in fund balance	(11,847)
Fund balance, beginning	<u>1,561,703</u>
Fund balance, ending	<u>\$ 1,549,856</u>

**Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances
Of Governmental Funds To The Statement Of Activities**

Net change fund balance in governmental funds	\$ (11,847)
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.</p>	
Depreciation expense	(42,258)
Capital expenditures capitalized in the government-wide financial statements	-
<p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
(Increase) decrease in compensated absences	9,614
Grant revenue from the prior year that was earned in the current year and not reported as revenue in the funds	<u>(87,355)</u>
Change in net assets - governmental activities	<u>\$ (131,846)</u>

The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND (16500)
For The Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ 206,100	709,116	686,143	(22,973)
Contracts and miscellaneous revenue	-	55,000	55,107	107
Total revenues	<u>206,100</u>	<u>764,116</u>	<u>741,250</u>	<u>(22,866)</u>
EXPENDITURES				
Current:				
General government				
Personal services	3,631,500	3,733,461	3,459,746	273,715
Contractual services	16,000	166,100	37,152	128,948
Other costs	141,700	447,655	248,899	198,756
Capital outlay	-	-	-	-
Total expenditures	<u>3,789,200</u>	<u>4,347,216</u>	<u>3,745,797</u>	<u>601,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,583,100)</u>	<u>(3,583,100)</u>	<u>(3,004,547)</u>	<u>578,553</u>
OTHER FINANCING SOURCES (USES):				
State general fund appropriations	2,995,300	2,995,300	2,995,300	-
Less: reversion to state general fund FY12	-	-	(2,600)	(2,600)
Net interagency transfers	<u>2,995,300</u>	<u>2,995,300</u>	<u>2,992,700</u>	<u>(2,600)</u>
Net change in fund balance	<u>(587,800)</u>	<u>(587,800)</u>	<u>(11,847)</u>	<u>575,953</u>
Fund balance budgeted	<u>\$ 765,500</u>	<u>890,500</u>		

The accompanying notes are integral to these financial statements

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

	<u>Agency Fund</u>
ASSETS	
Cash in authorized bank account	\$ <u> 3,178</u>
TOTAL ASSETS	\$ <u> 3,178</u>
LIABILITIES	
Due to others	\$ <u> 3,178</u>
TOTAL LIABILITIES	\$ <u> 3,178</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

NATURE OF BUSINESS AND REPORTING ENTITY

The DA is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The DA is elected to a four-year term. Functions of the DA are defined in Section 36-1-1 through 36-1-26 NMSA 1978 as amended. The Eleventh Judicial District operates from two separate offices located in Farmington and Gallup, and serves all of San Juan and McKinley Counties. On July 1, 1984, the State of New Mexico appropriated money from the General Fund to run the Office of Division I and Division II as separate legal entities. These financial statements include the operation of the Eleventh Judicial Division I (Farmington, New Mexico), a department of the State of New Mexico, the primary government.

It is the duty of the DA to prosecute and defend the state, in all courts of record, in all cases criminal and civil, in which the state or any county in the district may be a party. The DA must represent any county in the district, at the request of the Board of County Commissioners. The DA may also appear before the Board, without being requested to do so, when the Board is sitting as a Board of Equalization. The DA must advise all county and state officers, whenever requested. The DA is required to represent any county in the district before the Supreme Court or the Court of Appeals in all civil cases in which the county may be concerned, but not in suits brought in the name of the state.

Section 36-1A-1 through Section 16-1A-15 cited as the "DA Personnel and Compensation Act" established for all DAs a uniform equitable and binding system of personnel administration.

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statement 14.

The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the DA is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units identified or excluded from the reporting entity.

STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements – GASB Statement No. 34

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

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

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement. The DA allocates its indirect costs to each of its programs based on an indirect cost allocation plan.

2. Basis of Presentation

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

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

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The DA has only one fund, which is the General Fund.

GASB Statement 54

In February 2009 the GSB issued Statement No.54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. GASB 54 also clarifies governmental fund type definitions.

The fund balance amounts for governmental funds included in this report have been reclassified in accordance with GASB 54. As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported according to a hierarchy of classifications established in GASB 54, which are based on the extent to which the DA is bound to honor constraints on the specific purpose for which amounts in that fund can be spent.

GASB 54 fund balance classifications include:

Nonspendable – amounts cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact;

Restricted – amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation;

Committed – amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature and the Executive branches;

Assigned – constrained by the government's intent to be used for specific purposes;

Unassigned – the residual classification for remaining amounts after all other classifications have been considered.

Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as: *Investment in capital assets* (net of related debt), *restricted* and *unrestricted*. *Investment in Capital Assets* (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net assets reflect the portion of net assets that have third party limitations on their use. *Unrestricted (Deficit) Net Assets* represents net assets of the DA that are not restricted for any project or other purpose.

The government-wide statement of net assets reports no restricted net assets. If there were restricted net assets they should be reviewed for consideration of being restricted by enabling legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should

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be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

3. Basis of Accounting

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

The statement of net assets and the statement of activities are prepared using the *economic resources measurement focus* and the *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support DA programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

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

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, which was also adopted as of July 1, 2001 by the DA, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

4. Budgetary Data

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

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

The DA follows these procedures in establishing the budgetary date reflected in the financial statements:

1. By September 1st, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.

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3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
4. Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
7. The DA's budget for the fiscal year ending June 30, 2012 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year.
8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The DA submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item, and the legal level of budgetary control is at the appropriation program level.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2012. The DA's General Fund is a reverting fund (funds revert back to the State General Fund), with the exception of funds appropriated in the General Fund for the Southwest Border Prosecution Initiative.
13. Appropriations lapse at the end of the year except for those amounts encumbered.
14. The budget for the General Fund is presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General fund in this report is on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
15. 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.

5. Governmental Funds

General Fund (16500)—The general operating fund of the DA is used to account for all financial resources except those required to be accounted for in another fund. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame per HB2 (House Bill) General Appropriation Act of 2012, under Laws, 2008 Ch 3.

The DA receives funds from various grants and contracts, and therefore, the funds are not subject to reversion back to the State of New Mexico. Activity related to these non-reverting grants and contracts is included in the General Fund. In fiscal year 2012, these grants included:

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Southwest Border Prosecution Initiative (SWBPI)—Federal funds to support the prosecution and detention of federally referred cases. In accordance with the BJA guidelines, funds awarded may be used by jurisdictions for any lawful purpose. The program is designed to assist jurisdictions in meeting their financial burdens associated with the prosecution of federally funded cases.

High Intensity Drug Trafficking Area (HIDTA)—To reduce drug availability by eliminating or disrupting drug trafficking organizations, reduce the harmful consequences of drug trafficking and improve the efficiency and effectiveness of law enforcement organizations and their efforts within designated areas.

Victims of Crime Act (VOCA)—Enacted in 1984, the Victims of Crime Act (VOCA) is the central source of federal financial support for direct services to victim of crime. VOCA is administered at the federal level through the U.S. Department of Justice, Office for Victims of Crime, which annually awards a grant to each state, the District of Columbia and U.S. Territories, to support victim assistance services for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other crimes. Each state has a designated VOCA assistance agency to administer VOCA grants. Those state agencies, in turn, sub-grant to organizations that provide direct services to victims of crime. Minimal federal requirements must be met, and each state is given great discretion in awarding specific sub-grants.

Violence Against Women Act (VAWA)— To assist State, Indian tribal governments, tribal courts, State and local courts, and units of local government to develop and strengthen effective law enforcement and prosecution strategies to combat violent crimes against women, and to develop and strengthen victim services in cases involving crimes against women. The program encourages the development and implementation of effective, victims-centered law enforcement, prosecution and court strategies to address violent crimes against women and the development and enhancement of victim services in cases involving violent crimes against women.

Agency Fund (96820)—The DA also has one fiduciary fund (trust and agency funds) which is used to account for assets held by the DA in a trustee capacity, or as an agent for individuals, private organizations, other governmental units. Trust and agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The following are the DA's fiduciary programs at June 30, 2012.

Pre-Prosecution Program—Fees charged to individuals in the pre-prosecution program, in accordance with agreements between the program participant and the DA attorney. Fees are remitted to the State Treasurer for the account of the Administration Office of the DAs.

Worthless Check Fund—Fees charged upon the collection of worthless checks. Fees are paid by persons who write the useless check. Fees are remitted to the State Treasurer for the account of the Administration Office of the DAs.

6. Spending Policy

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

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7. Encumbrances

If the New Mexico State Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

9. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments.

10. Receivables

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

11. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the DA's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The DA does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the DA depreciation guidelines. There is no related debt relating to capital assets.

Data processing equipment	5 years
Furniture and equipment	10 years
Vehicles	5 years

12. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

Years of Service	Hours Earned per Month	Days Earned per Month	Days of Maximum Accrual
1 month – 3 years	10	1 1/4	30
Over 3 – 7 years	12	1 1/2	30
Over 7 – 14 years	14	1 3/4	30
Over 14 years/beyond	16	2	30

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated

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unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the "changes in long term debt" note in this report for the accrued compensated absences payable outstanding as of At June 30, 2012.

13. Accrued Sick Leave

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

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the governmental-wide financial statements. As of June 30, 2012 three employees of the DA's office have accrued leave benefits in excess of 600 hours.

B. CASH AND INVESTMENTS POLICY

All of the DA's investments are on deposit with the State Treasurer in the State Treasurer's General Fund Investment Pool (GFIP). Cash is on deposit with one financial institution, with the exception of petty cash which is maintained on-site. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978 as amended. The State Treasurer, with the advice and consent of the State Board of Finance, can invest money held in demand deposits and investments not immediately needed for operation of state government in:

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

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earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;

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

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

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting (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: www.nmdfa.state.nm.us/CashControl.aspx. The document title is Current State Diagnostic of Cash Control.

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

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the DA's balances at the business unit/fund level is not possible. It is DFA's responsibility to complete, on a monthly

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basis, a reconciliation with the balances and accounts kept by the state treasurer per Section 6-5-2.I(J) NMSA 1978.

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

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

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

To the extent possible the DA does informally reconcile all deposits and transfers that come into its possession. The cash transactions processed by the DA flow through the state general fund investment pool. Since SHARE was implemented, the DA recognized potential concerns related to the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the DA. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities by fund, and review of outstanding warrants of the Department. This monthly internal reconciliation of cash receipts and disbursements flowing through the DA's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the DA reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the DA's share in the State General Fund Investment Pool account are accurate.

Credit Risk for Investments

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

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The DA does not have an investment policy that limits investment interest rate risk.

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Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the DA's deposits may not be returned. In general, state statutes require that all deposits held by financial institutions be collateralized at a minimum level of 50 percent. FDIC advisory opinion 94-24 states that public funds are entitled to \$100,000 insurance for time or savings deposits (including bank money market accounts) and \$100,000 for demand deposits deposited within the state in compliance with 12 CFR Subsection 330.15. The US Congress has temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. Changes have also been made to other account types. For more information, visit www.fdic.gov. Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As noted in the following table, since the financial institutional balances held in the DA's name did not exceed \$250,000, they are fully insured by the Federal Deposit Insurance Corporation (FDIC) and pledged collateral is not required. The DA's credit risk is zero for these bank accounts.

Investments and cash accounts of the DA at June 30, 2012:

Fund Type	Location	Fund No./ Description	Balance Per Depository	Outstanding Deposits (Checks)		Balance Per Financial Statements
General	STO	16500	\$ 1,730,742	-	-	1,730,742
General	On Site	Cash Box	250	-	-	250
Agency	Bank of America	Checking*	11,939	30	(8,791)	3,178
			<u>\$ 1,742,931</u>	<u>30</u>	<u>(8,791)</u>	<u>1,734,170</u>

* denotes interest bearing account

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

C. FEDERAL RECEIVABLES

Federal receivables of \$21,522 are related to cost-reimbursement grant programs. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible and are expected to be collected within one year.

D. REVERSIONS

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report. Non-reverting SWBPI and MOU funds are commingled with the DA's reverting funds. SWBPI and MOU revenues and expenditures are tracked by department within the general fund and this activity is reviewed to determine the calculation of the reversion.

MOU funds referred to above are funds from the DA's memorandum of understanding with the Bloomfield Police Department and the San Juan County Sheriff's Department. These funds are non-reverting pursuant to House Bill 2 citation: Laws of 2012, Chapter 19, Section 5(4)).

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E. INTERAGENCY TRANSFERS

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

		Out	In
Department of Finance and Administration (Fund #853) State General Fund Appropriation Laws of 2010, Chapter 6, Section 4	\$	-	2,995,300
Department of Finance and Administration (Fund #853) FY12 reversion to State General Fund		(2,600)	-
	\$	(2,600)	2,995,300

F. INTERAGENCY RECEIVABLES / PAYABLES

Receivables due from other state agencies as of June 30, 2012, include:

Due to		Due from		
Fund No.	Amount	SHARE FUND	Agency Name	Purpose
16500	\$ <u>24,206</u>	78000	Dept of Finance and Administration (pass- through from New Mexico Crime Victims Reparation Commission)	cost- reimbursement grant

Payables due to other state agencies as of June 30, 2012, include:

Due to		Due from		
Fund No.	Amount	SHARE FUND	Agency Name	Purpose
34100	\$ <u>2,645</u>	16500	Department of Finance and Administration	FY12 Reversion

G. FUND BALANCES

The DA's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2012 includes:

Assigned	
Southwest Border Prosecution Initiative (SWBPI) - Appropriated for term positions	\$ 459,300
Moving and operating expenses	500,000
Unassigned	590,556
	\$ 1,549,856

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The general fund's fund balance is comprised of SWBPI and MOU funds, and of this balance, \$959,300 is considered assigned because it has been budgeted in the DA's fiscal year 2013 budget. Both the SWBPI and MOU funds are non-reverting.

H. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the DA keeps their budget on the modified GAAP basis, a reconciliation of the budget financial statements to the fund financial statements is not necessary. However, a reconciliation is necessary if accounts payable (per balance sheet) are paid out of subsequent year budgeted funds.

I. COMPENSATED ABSENCES

The amount recorded as a long-term liability in the government-wide statements for compensated absences consists of accrued annual leave and accrued sick leave. A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	2011	Additions	Deletions	2012	Due Within One Year
Compensated absences payable	\$ 154,260	103,352	(112,966)	144,646	112,966

Prior year compensated absences have been liquidated by the general fund

J. CONTINGENCIES

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

Risk of loss

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

K. LEASE COMMITMENTS

The DA entered into an operating lease for the use of a telephone system during the fiscal year 2012. Lease expense for the year ended June 30, 2012 was \$19,908. Future lease commitments are as follows:

Year	Lease Payments
2013	\$ 19,264
2014	19,264
2015	19,264
2016	6,421
	\$ 64,213

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ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

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

L. CAPITAL ASSETS

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

Governmental Activities	2011	Additions	Deletions	2012
Capital assets depreciated				
Data processing equipment	\$ 153,789	-	-	153,789
Furniture and equipment	3,406	-	-	3,406
Vehicles	511,658	-	(24,767)	486,891
Total capital assets	668,853	-	(24,767)	644,086
Less accumulated depreciation				
Data processing equipment	(132,985)	(4,845)	-	(137,830)
Furniture and equipment	(3,066)	-	-	(3,066)
Vehicles	(399,706)	(37,413)	24,767	(412,352)
Total accumulated depreciation	(535,757)	(42,258)	24,767	(553,248)
Total capital assets, net	\$ 133,096	(42,258)	-	90,838

The DA is a single function organization and depreciation is recorded to its only activity, public safety. Depreciation expense for the year ended June 30, 2012 was \$42,258.

M. PERA PENSION PLAN

Plan Description: Substantially all of the DA'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 DA is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The DA's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$323,512, \$354,174 and \$395,797, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description. The DA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .97% of their salary. In the fiscal year ending 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>
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.

The DA's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$44,262, \$38,850 and \$32,602, respectively, which equal the required contributions for each year.

O. JOINT POWER AGREEMENT AND MEMORANDUM OF UNDERSTANDING

The DA has no joint power agreements and two memorandums of understanding. as follows:

- 1) Participant: DA and the San Juan County Sheriff Department

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ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2012

	Responsible Party:	DA
	Description:	House DWI prosecution staff at the San Juan County Sheriff's Office
	Term:	Renewable annually, for an indefinite time
	Amount Involved:	\$50,000
	Revenue/Expenditures Reported:	Revenue reported by DA, expense reported by Sheriff's Dept
	Audit Responsibility:	Both parties should have the contract reviewed
	Fiscal Agent:	Not applicable
2)	Participant:	DA and the City of Bloomfield
	Responsible Party:	DA
	Description:	DA staff manages DWI cases for Bloomfield police department
	Term:	Renewable annually, for an indefinite time
	Amount Involved:	\$5,000
	Revenue/Expenditures Reported:	Revenue reported by DA, expense reported by City
	Audit Responsibility:	Both parties should have the contract reviewed
	Fiscal Agent:	Not applicable

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

	<u>Balance June 30, 2011</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Balance June 30, 2012</u>
WORTHLESS CHECKS AND PRE-PROSECUTION DIVERSION				
ASSETS				
Cash in authorized bank account	\$ <u>22,330</u>	<u>187,681</u>	<u>(206,833)</u>	<u>3,178</u>
LIABILITIES				
Due to others	\$ <u>22,330</u>	<u>187,681</u>	<u>(206,833)</u>	<u>3,178</u>

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

<u>Federal Grantor / Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through / Grantor No.</u>	<u>Grant Award Expended</u>
<u>INDIRECT</u>			
U.S. Department of Justice, Passed through New Mexico Department of Public Safety, Southwest Border Prosecution Initiative (SWBPI)	16.000 *	n/a	\$ 525,159
U.S. Department of Justice, Passed through New Mexico Crime Victims Reparation Commission (VOCA)	16.575	2011-VA-GX-0000	55,852
U.S. Department of Justice, Passed through New Mexico Crime Victims Reparation Commission - STOP Violence Against Women (VAWA)	16.588	2010-WF-AX-0047	<u>48,996</u>
Total U.S. Department of Justice			630,007
<u>DIRECT</u>			
Executive Office of the President, passed through the Office of National Drug Control Policy, High Intensity Drug Trafficking Area (HIDTA) Operation Up the Ladder Cooperative Agreement Surplus donated property - vehicle	95.001	G11SN0008A	<u>78,279</u>
Total federal awards expended			\$ <u>708,286</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds			
Federal grant revenue per fund financial statements			\$ 686,143
Fund balance budgeted - General Fund, SWBPI			<u>22,143</u>
Total federal funds available			708,286
Total federal awards expended per SEFA			<u>708,286</u>
Difference			-

* Major Program

Note 1. Basis of Presentation

The above Schedule of Federal Awards includes the federal grant activity of the Eleventh Judicial District Attorney and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

Note 2. Except as noted above the Agency did not receive any non-cash federal assistance, federal loan or loan guarantees, or federal insurance benefits during the fiscal year ended June 30, 2012.

The accompanying notes are an integral part of these financial statements



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

Mr. Robert P. Tedrow, District Attorney,
State of New Mexico, Office of the District Attorney
Eleventh Judicial District, Division I
and
Mr. Hector H. Balderas, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

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

December 12, 2012

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs (#11-01).

The DA's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the DA's response and, accordingly, we express no opinion on it.

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

Hinkle & Landers, P.C.

Hinkle + Landers, PC
December 12, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Mr. Robert P. Tedrow, District Attorney,
State of New Mexico, Office of the District Attorney
Eleventh Judicial District, Division I
And
Mr. Hector H. Balderas, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

Compliance

We have audited the District Attorney, Eleventh Judicial District, Division I of the State of New Mexico (DA)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of DA's major federal programs for the year ended June 30, 2011. The DA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the DA's management. Our responsibility is to express an opinion on the DA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*,⁶ issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the DA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the DA's compliance with those requirements.

In our opinion, the DA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the DA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the DA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance

December 12, 2012

and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the DA, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, P.C.

December 12, 2012

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report issued	Unqualified
Internal control over financial reporting: Material weakness identified ?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Funding Source</u>
16.000	Southwest Border Prosecution Initiative	Department of Justice

Dollar threshold used to distinguish between A and B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2012**

SUMMARY OF FINDINGS

<u>Reference</u>	<u>Findings</u>	<u>Status of Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>Federal Finding</u>	<u>State Auditor Finding</u>
Prior year					
11-01	FRINGE BENEFITS	Revised	No	No	Yes
Current year					
none					

11-01 FRINGE BENEFITS - OTHER

Condition

Although the DA has appropriately accounted for all personal mileage and repeated attempts to add the vehicle have been made with the Department of Finance and Administration (DFA), the DA's commuter vehicle has not been properly accounted for in his W-2.

Subsequent to year end, DFA has agreed to include commuter vehicle information in the DA's W-2.

Criteria

- Internal Revenue Code Sections 61, 32, 162, and 274 and related regulations pursuant to the Tax Reform Act of 1986.
- NMSA 1978, Sections 31-21-7, 33-1-6B and 66-7-372, as amended

Any personal or commuting use of a vehicle must be accounted for based on one of the two following formulas:

1. Cents Per Mile Rule (Reg.1.61-21(e))
2. Lease Valuation Rule (IRS Pub. 15-B, Reg.1.61-21(d)).

In either instance, cost is added on as income in the employee's annual Form W-2.

Effect

The agency is not in compliance with applicable regulations.

Cause

The agency is not including the value of the commuter vehicle in the employee's annual Form W-2.

Recommendation

We recommend that the agency adhere to the federal and state regulations regarding commuter vehicles.

Management Response

The District Attorney has kept a mileage log for personal miles driven in a commuter vehicle during 2012. The taxable benefit amount will be calculated according to IRS rules and regulation and will be included on the 2012 W-2 as a taxable benefit.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
For The Year Ended June 30, 2012**

An exit conference was held in a closed session on December 12, 2012, at the DA's Offices in Farmington, New Mexico. In attendance were the following:

Robert P. Tedrow
Amy Haun

DA
CFO

Farley Vener, CPA, CFE
Maclen Enriquez

Independent Auditor, Hinkle + Landers, PC
Independent Auditor, Hinkle + Landers, PC

FINANCIAL STATEMENTS

The financial statements of the DA as of June 30, 2012, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.