



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**ELEVENTH JUDICIAL DISTRICT  
ATTORNEY DIVISION 1**

**FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2013**



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**ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**  
**Official Roster**  
**As of June 30, 2013**

<b>Name</b>	<b>Title</b>
Robert "Rick" P. Tedrow	District Attorney
Dustin O'Brien	Chief Deputy District Attorney
Ryan (Kip) Keil	Deputy District Attorney
Steven Johnston	Associate Trial Attorney
Anne Eley	Senior Trial Attorney
Lori Holesinger	Human Resources Coordinator
John Beckstead	Senior Trial Attorney
Sean FitzPatrick	Associate Trial Attorney
Evan Cochnar	Associate Trial Attorney
Ronald Brambl, Jr.	Deputy District Attorney
Casey Stone	Deputy District Attorney
Kenneth Stalter	Deputy District Attorney
Delia Otero	Prosecution Specialist
Trevor Maveal	Associate Trial Attorney
Christopher Spinner	Senior Trial Attorney
Joseph Petrelli	Senior Trial Attorney
Jodie Gabehart	District Office Manager
Rachon Amick	Finance Specialist Supervisor
Melissa Mathews	Senior Secretary
Emily Schwartz	IS Assistant
Joely Baker	Clerk Specialist
Roy "Dean" Beck	Special Program Director
Gaye Grogan	Program Administrator
Ginny Atchley	Supervising Secretary
Michelle Gabaldon	Senior Secretary
Harry Veenstra	Program Administrator
Debra Eaton	Senior Secretary
Etheline McCray	Clerk Specialist
Ashlee Daniels	Clerk Specialist
Amy Roberts	Senior Secretary
Richard B. Capshaw	Chief Deputy District Attorney
Darla Evans	IS Administrator
Melissa Gurule	Prosecution Specialist
Orlinda Ashley	Administrative Secretary
Terica Hill	Administrative Secretary
Pamela Padilla	Senior Secretary
Erica Wells	Administrative Secretary
Herberta Shorty	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, 2013**

<b>Name</b>	<b>Title</b>
Thomas Brown	Lead Investigator
Mark Norwood	Lead Investigator
Olga Soto	Investigator
Laura Smith	Administrative Secretary
Cylinda Cortez	Senior Secretary
Amy Haun	Chief Financial Officer
Vicki Pauly	Victim Advocate
Melissa Davis	Victim Advocate
Shellie Patscheck	Assistant Trial Attorney
Nathan Rodgers	Clerk Apprentice
Jordan Montoya	Clerk Apprentice
Erin Porter	Clerk Apprentice
Jessica Socie	Clerk Apprentice
Darnell Daniels	Clerk Specialist
KayaRyan Brown	Clerk Specialist
Adan Reyes	Clerk Apprentice
Toria Kovacs	Clerk Apprentice
Krissy Fortner	Clerk Apprentice
Cari Englehart	Clerk Apprentice
Stephen Pope	Clerk Apprentice
Marcus Blais	Senior Trial Attorney
Amber McGaha	Senior Secretary
Shantel Adams	Clerk Specialist
Kayla Williams	Senior Secretary
Ja'Nece Avery	Senior Secretary
LaVergne Kovacs	Program Administrator
Sharmarine Light	Administrative Secretary
David Cowen	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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the Eleventh Judicial District, Division I District Attorney, of the State of New Mexico (DA) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the DA's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the DA, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 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.

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the DA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* in considering the DA's internal control over financial reporting and compliance.



Hinkle + Landers, PC  
Albuquerque, NM  
November 25, 2013

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT DIVISION I  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For The Year Ended June 30, 2013**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements consist 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 Position and Statement of Activities)**

Basic financial statements report information about the 11<sup>th</sup> Judicial District Attorney, Div. 1, as a whole; using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government assets, deferred outflows, liabilities and deferred inflows. 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 11<sup>th</sup> Judicial District Attorney, Div. 1's net position 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 11<sup>th</sup> Judicial District, Div. 1's significant funds. Funds are accounting devices that the 11<sup>th</sup> Judicial District, Div. 1 uses to keep track of specific sources of funding and spending for particular purposes.

The 11<sup>th</sup> 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 Position)**

Total Assets: Cash of \$1,084,657 on deposit with the State Treasurer, cash on hand of \$250, net receivables of \$224,975 and capital assets of \$161,314. Total assets are \$1,471,196.

Total Liabilities: Accounts payable \$40,097, due to state general fund \$2,132, accrued payroll \$130,377, and compensated absences \$145,219. Total liabilities are \$317,825.

Net Position: Total net position is \$1,153,370. Including \$161,314 invested in capital assets, and the remainder is unrestricted.

**Result of Operations (Statement of Activities)**

Total Revenues: Consists of \$3,540,325 for operational purposes. State General Fund appropriations and Federal awards provide the majority of the revenue.

Total Expense: Consists of \$3,883,002 mainly for operational, employee salaries and benefits and operating costs.



**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT DIVISION I  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For The Year Ended June 30, 2013**

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

	<u>2013</u>	<u>2012</u>
<b>Assets:</b>		
Current and other assets	\$ 1,309,882	1,790,471
Capital assets	<u>161,314</u>	<u>90,838</u>
<b>Total Assets</b>	<u><u>1,471,196</u></u>	<u><u>1,881,309</u></u>
<b>Liabilities:</b>		
	<u>317,826</u>	<u>385,262</u>
<b>Net position:</b>		
Investment in capital assets	161,314	90,838
Unrestricted	<u>992,056</u>	<u>1,405,209</u>
Total net position	<u>1,153,370</u>	<u>1,496,047</u>
<b>Total Net Position and Liabilities</b>	<u><u>\$ 1,471,196</u></u>	<u><u>1,881,309</u></u>
<b>Revenue:</b>		
Program revenue	\$ 404,983	653,895
Appropriations (net of reversion)	<u>3,135,342</u>	<u>2,992,700</u>
Total revenues	<u>3,540,325</u>	<u>3,646,595</u>
<b>Expenses:</b>		
Personnel services	3,604,752	3,519,927
Contractual services	64,425	64,425
Other Costs	<u>213,825</u>	<u>194,089</u>
Total expenses	<u>3,883,002</u>	<u>3,778,441</u>
<b>Increase (decrease) in net position</b>	<u><u>\$ (342,677)</u></u>	<u><u>(131,846)</u></u>

Total assets decreased due to lower revenue in 2013 which made it necessary to use fund balance for operational and moving expenses. Total liabilities decreased in 2013 primarily due to lower accrued salaries and employee benefits, as compared to the prior year. Revenue decreased due to a decrease in program funding and timing of federal transfers and expenses increased due to circumstances identified below. Net position decreased because of increased spending of unrestricted fund balance in 2013 primarily due to office relocation.

**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 in 2013 due to filling vacancies of positions necessary to the prosecution of crime in San Juan County as well as relocation costs. Due to severely underfunded state appropriations over the last several budget years and no state funding for the move, it was necessary to use a significant amount of fund balance in 2013.

**Significant Capital Asset and Long-Term Debt Activity**

Capital assets increased as additions were purchased.

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

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT DIVISION I  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For The Year Ended June 30, 2013**

**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.

**Agency Contact Information**

11<sup>th</sup> Judicial District Attorney, Division I  
335 South Miller Avenue  
Farmington, NM 87401  
Amy Haun, CFO  
505-599-9810 X14177

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**As of June 30, 2013**

<b>ASSETS</b>	<b><u>Governmental Activities</u></b>
<b>Current Assets</b>	
Investments in the State General Fund Investment Pool	\$ 1,084,657
Petty cash	250
Accounts receivable	44,914
Due from federal government	30,916
Due from other state agencies	135,395
Due from local governments	<u>13,750</u>
Total current assets	1,309,882
Capital assets, net	<u>161,314</u>
Total assets	<b><u><u>\$ 1,471,196</u></u></b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 40,098
Due to the state general fund	2,132
Accrued salaries and employee benefits	130,377
Compensated absences payable - expected to be paid within one year	<u>126,341</u>
Total current liabilities	298,948
<b>Non-current liabilities</b>	
Compensated absences payable - expected to be paid after one year	<u>18,878</u>
Total liabilities	<u>317,826</u>
<b>NET POSITION</b>	
Unrestricted	992,056
Investment in capital assets	<u>161,314</u>
Total net position	<u>1,153,370</u>
Total liabilities and net position	<b><u><u>\$ 1,471,196</u></u></b>

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, 2013**

<b>EXPENSES</b>	<b><u>Governmental Activities</u></b>
<b>General government</b>	
Public safety	\$ (3,883,002)
<b>REVENUES</b>	
<b>Program revenues</b>	
Operating grants and contracts	<u>404,983</u>
Net program (expenses)/revenue and changes in net position	<u>(3,478,019)</u>
<b>General revenues</b>	
<b>Transfers</b>	
State general fund appropriation FY13	3,136,800
Reversion to state general fund FY13	<u>(1,458)</u>
Total net transfers	<u>3,135,342</u>
Change in net position	(342,677)
Net position, beginning	<u>1,496,047</u>
Net position ending	\$ <u><u>1,153,370</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, 2013**

<b>ASSETS</b>	<b>(16500) General Fund</b>
State General Fund Investment Pool	\$ 1,084,657
Petty cash	250
Accounts receivable	44,914
Due from federal government	30,916
Due from other state agencies	135,395
Due from local governments	13,750
Total assets	<u>\$ 1,309,882</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 40,097
Accrued salaries and employee benefits	130,377
Due to State General Fund (reversion FY13)	2,132
Current liabilities	<u>172,606</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>135,000</u>
<b>FUND BALANCE</b>	
Committed - MOUs	30,409
Assigned	641,500
Unassigned - petty cash	250
Unassigned - Southwest Border funds	330,117
Total fund balance	<u>1,002,276</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,309,882</u>

**Reconciliation of the Governmental Fund Balance To The Statement of Net Position**

Total fund balance governmental funds	\$ 1,002,276
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds	161,314
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	(145,219)
Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net position	<u>135,000</u>
Net position of governmental activities	<u>\$ 1,153,370</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, 2013**

	<b>(16500) General Fund</b>
<b>REVENUES</b>	
Federal funds	\$ 214,983
Contracts	<u>55,000</u>
Total revenues	<u>269,983</u>
<b>EXPENDITURES</b>	
Current	
General government:	
Personal services and benefits	3,439,108
Contractual services	64,425
Other costs	359,159
Capital outlay	<u>90,212</u>
Total expenditures	<u>3,952,904</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
State general fund appropriations FY13	3,136,800
Reversion to state general fund FY13	<u>(1,458)</u>
Net other financing sources	<u>3,135,342</u>
Net change in fund balance	(547,579)
Fund balance, beginning	<u>1,549,855</u>
Fund balance, ending	<u>\$ <u>1,002,276</u></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	\$ (547,579)
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.	
Depreciation expense	(19,736)
Capital expenditures capitalized in the government-wide financial statements	90,212
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: deferred inflows	
	135,000
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.	
(Increase) decrease in compensated absences	(573)
Rounding	(1)
Change in net position - governmental activities	<u>\$ (342,677)</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal funds	\$ 219,300	225,141	214,983	(10,158)
Contracts and miscellaneous revenue	-	55,000	55,000	-
Total revenues	<u>219,300</u>	<u>280,141</u>	<u>269,983</u>	<u>(10,158)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Personal services	3,657,700	3,603,424	3,439,108	164,316
Contractual services	16,000	217,000	64,425	152,575
Other costs	141,700	465,605	359,159	106,446
Capital outlay	-	90,212	90,212	-
Total expenditures	<u>3,815,400</u>	<u>4,376,241</u>	<u>3,952,904</u>	<u>423,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,596,100)</u>	<u>(4,096,100)</u>	<u>(3,682,921)</u>	<u>413,179</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
State general fund appropriations	3,136,800	3,136,800	3,136,800	-
Less: reversion to state general fund FY13	-	-	(1,458)	(1,458)
Net interagency transfers	<u>3,136,800</u>	<u>3,136,800</u>	<u>3,135,342</u>	<u>(1,458)</u>
Net change in fund balance	<u>(459,300)</u>	<u>(959,300)</u>	<u>(547,579)</u>	<u>411,721</u>
Fund balance, beginning	\$ <u>1,549,855</u>	<u>1,549,855</u>	<u>1,549,855</u>	
Fund balance, ending			<u>1,002,276</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, 2013**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash in authorized bank account	\$ <u>4,682</u>
<b>TOTAL ASSETS</b>	\$ <u><u>4,682</u></u>
<b>LIABILITIES</b>	
Due to others	\$ <u>4,682</u>
<b>TOTAL LIABILITIES</b>	\$ <u><u>4,682</u></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, 2013**

**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.

**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

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

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.

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.

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, deferred outflows, liabilities, deferred inflows, 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.

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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 Position**

The government-wide financial statements utilize a net position presentation. Net Position is categorized as: *Investment in capital assets* (net of related debt), *restricted* and *unrestricted*. *Investment in Capital Assets* (net of related debt) is intended to reflect the portion of net position 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 position reflects the portion of net position that has third party limitations on their use. *Unrestricted (Deficit) Net Position* represents net position of the DA that is not restricted for any project or other purpose.

The government-wide statement of net position reports no restricted net position, except what is related to an MOU. If there were other restricted net position amounts 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 be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

### **Deferred Outflows/Inflows of Resources**

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

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In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applied to a future period and so will not be recognized until then. The DA has the following deferred inflows of resources during fiscal year 2013 on the fund financials: \$135,000 related to a grant receivable that was not available to the DA in 60 days after year end.

**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 position and the statement of activities are prepared using the *economic resources measurement focus* and the *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support 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 1<sup>st</sup>, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.

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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, 2013 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 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. 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, 2013. 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 2013, 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 2013, 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, 2013.

***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 is 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:

<b>Years of Service</b>	<b>Hours Earned per Month</b>	<b>Days Earned per Month</b>	<b>Days of Maximum Accrual</b>
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 unpaid annual leave as of the date of termination, up to the aforementioned maximums at their

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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, 2013.

**13. Accrued Sick Leave**

Chapter 150 Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1<sup>st</sup> and January 1<sup>st</sup> of each year. However, the sick leave will be paid at fifty percent of the employee’s regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2013 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers’ matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the governmental-wide financial statements. As of June 30, 2013, four 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 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,



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- 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, 2013.

**General Fund Investment Pool Not Reconciled**

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting (SHARE) system in July of 2006. The Department of Finance and Administration (DFA) has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the NM DFA's website: [www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

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

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert. The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund

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

Per the directive issued by the Office of the State Auditor on October 31, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2012 and continues into 2013.

That directive instructed agencies to do the following:

1. Explain to the agency's IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
2. Disclose to the IPA any communications with DFA Cash Control Bureau regarding monthly cash reconciliation issues including unreconciled items, errors and corrections submitted; and
3. Disclose in the agency notes to the financial statements the facts about the statewide cash reconciliation at the end of the fiscal year, and what the agency's policies and procedures were during the fiscal year ended 2013 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2013.

To the extent possible the DA does informally reconcile all deposits and transfers that come into its possession. The cash transactions processed by the DA flow through the state general fund investment pool. Since SHARE was implemented, the DA recognized potential concerns related to the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the DA. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll 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. 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, 2013:

<u>Fund Type</u>	<u>Location</u>	<u>Fund No./ Description</u>	<u>Balance Per Depository</u>	<u>Outstanding Deposits</u>	<u>Outstanding (Checks)</u>	<u>Balance Per Financial Statements</u>
General	STO	16500	\$ 1,084,657	-	-	1,084,657
General	On Site	Cash Box	250	-	-	250
Agency	Bank of America	Checking*	11,174	2,083	(8,575)	4,682
			<u>\$ 1,096,081</u>	<u>2,083</u>	<u>(8,575)</u>	<u>1,089,589</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 \$30,916 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, 2013, are as follows:

	<b>Out</b>	<b>In</b>
DFA (Fund #853) State General Fund Appropriation Laws 2012, 2nd Ses. Ch 19, Sec 4 \$	-	3,136,800
DFA (Fund #853) State General Fund Appropriation FY13 reversion to State General Fund	(1,458)	-
	\$ (1,458)	3,136,800

**F. INTERAGENCY RECEIVABLES / PAYABLES**

Receivables due from other state agencies as of June 30, 2013, include:

<b>Due to</b>		<b>Due from</b>		
Fund No.	Amount	SHARE FUND	Agency Name	Purpose
16500	\$ <u>135,395</u>	78000	from NM Crime Victims Reparation Commission)	Cost- reimbursement grant

Payables due to other state agencies as of June 30, 2013, include:

<b>Due to</b>		<b>Due from</b>		
Fund No.	Amount	SHARE FUND	Agency Name	Purpose
34100	\$ 1,458	16500	DFA	FY13 Reversion
34100	<u>674</u>	16500	DFA	Other amounts
	\$ <u>2,132</u>			

**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, 2013 includes:

<b>Committed</b> - MOU funds	\$	30,409
<b>Assigned</b> -SWBPI Funds		
Appropriated for term positions		641,500
<b>Unassigned</b> -SWBPI		330,117
<b>Unassigned</b> -petty cash		250
	\$	1,002,276

The general fund's fund balance is comprised of SWBPI and MOU funds, and of this balance, \$641,500 is considered assigned because it has been budgeted in the DA's fiscal year 2013 budget. The SWBPI, MOU and petty cash funds are non-reverting.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013**

**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, 2013 is as follows:

		<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>	<u>Due Within One Year</u>
Compensated absences payable	\$	<u>144,646</u>	<u>127,405</u>	<u>(126,832)</u>	<u>145,219</u>	<u>126,341</u>

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, as a “State Agency” defined in the New Mexico Tort Claims Act, 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. The DA pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverage to protect the State of New Mexico’s property and assets; and
3. Fringe benefit coverage for State of New Mexico employees.

The actuarial gains and losses of Risk Management Division were not available and were not included in this report. At June 30, 2013, the DA had no claims for which the Risk Management Division has returned as not covered that would become the responsibility of the DA.

**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, 2013 was \$19,264. Future lease commitments are as follows:

<u>Year</u>		<u>Lease Payments</u>
2014	\$	19,264
2015		19,264
2016		6,421
2017		-
	\$	<u>44,949</u>

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.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013**

**L. CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>2013</b>
<b>Capital assets depreciated</b>				
Data processing equipment	\$ 153,789	-	-	<b>153,789</b>
Furniture and equipment	3,406	38,795	-	<b>42,201</b>
Vehicles	486,891	51,417	-	<b>538,308</b>
Total capital assets	644,086	90,212	-	<b>734,298</b>
<b>Less accumulated depreciation</b>				
Data processing equipment	(137,830)	(3,523)	-	<b>(141,353)</b>
Furniture and equipment	(3,066)	(1,616)	-	<b>(4,682)</b>
Vehicles	(412,352)	(14,597)	-	<b>(426,949)</b>
Total accumulated depreciation	(553,248)	(19,736)	-	<b>(572,984)</b>
<b>Total capital assets, net</b>	<b>\$ 90,838</b>	<b>70,476</b>	<b>-</b>	<b>161,314</b>

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, 2013 was \$19,736.

**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](http://www.pera.state.nm.us).

**Funding Policy:** Plan members are required to contribute 8.92% of their gross salary. The DA is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the DA 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, 2013, 2012 and 2011 were \$353,387, \$323,512 and \$354,174, 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 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

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013**

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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.00% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act

The DA's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$46,867, \$44,262 and \$38,850, 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                       |
|    | Responsible Party: | DA  |
|    | Description:       | House DWI prosecution staff at the San Juan County Sheriff's Office |
|    | Term:              | Renewable annually, for an indefinite time                          |

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2013**

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

**P. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

A. No funds that maintained a deficit fund balance as of June 30, 2013.

B. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

**Q. CONCENTRATIONS**

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

**R. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The DA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The DA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The DA has evaluated subsequent events through November 25, 2013, which is the date the financial statements were available to be issued.



**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, 2013**

	<b>Balance June 30, 2012</b>	<b>Receipts</b>	<b>Disburse- ments</b>	<b>Balance June 30, 2013</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>WORTHLESS CHECKS AND PRE-PROSECUTION DIVERSION</b>				
<b>ASSETS</b>				
Cash in authorized bank account	\$ <u>3,178</u>	<u>135,326</u>	<u>(133,822)</u>	<u>4,682</u>
<b>LIABILITIES</b>				
Due to others	\$ <u>3,178</u>	<u>135,326</u>	<u>(133,822)</u>	<u>4,682</u>

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013**

<u>Federal Grantor / Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through / Grantor No.</u>	<u>Grant Award Expended</u>
<b><u>INDIRECT</u></b>			
U.S. Department of Justice, Passed through New Mexico Department of Public Safety, Southwest Border Prosecution Initiative (SWBPI)	16.000 *	n/a	\$ 577,989
U.S. Department of Justice, passed through New Mexico Crime Victims Reparation Commission (VOCA)	16.575	2012-VA-GX-0011	63,008
U.S. Department of Justice, Passed through New Mexico Crime Victims Reparation Commission - STOP Violence Against Women (VAWA)	16.588	2011-WF-AX-0021	<u>67,440</u>
<b>Total U.S. Department of Justice</b>			<b>708,437</b>
<b><u>DIRECT</u></b>			
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		<u>84,535</u>
<b>Total federal awards expended</b>			<b>\$ <u><u>792,972</u></u></b>
<b>Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds</b>			
Federal grant revenue per fund financial statements			\$ 214,983
Fund balance budgeted - General Fund, SWBPI			<u>577,989</u>
Total federal funds available			792,972
Total federal awards expended per SEFA			<u>792,972</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, Div I 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, 2013.



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

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, in accordance with the 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, the financial statements of the governmental activities, the major fund, the aggregate remaining fund information, the budgetary comparison of the general fund 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, 2013, and the related notes to the financial statements, which collectively comprise the DA's basic financial statements and have issued our report thereon dated November 25, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

**INDEPENDENT AUDITORS' 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**

November 25, 2013

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as follows:

<b><u>Reference</u></b>	<b><u>State Auditor Finding</u></b>	<b><u>Compliance Requirement</u></b>
13-01	Cash receipts not deposited timely	NMSA 1978 Sec 6-10-3
13-02	Controls related to procurement	NMAC 1.41.50

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.

**The DA's Responses to Findings**

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

**Purpose of This Report**

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



Hinkle + Landers, PC  
Albuquerque, NM  
November 25, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited District Attorney, Eleventh Judicial District, Division I, of the State of New Mexico (DA) 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 the DA's major federal programs for the year ended June 30, 2013. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the DA's major federal programs based on our audit of the types of compliance requirements referred to above. 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*, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the DA's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the DA, complied, in all material respects, with the types of 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, 2013.

**Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

November 25, 2013

**Report on Internal Control Over Compliance**

Management of the DA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the DA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 25, 2013

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of report issued	Unmodified
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	Unmodified
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:

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program</u></b>	<b><u>Funding Source</u></b>
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, 2013**

**SUMMARY OF FINDINGS**

<b>Reference</b>	<b>Findings</b>	<b>Status of Prior/Current Year Findings</b>	<b>Financial Statement Finding</b>	<b>Federal Finding</b>	<b>State Compliance/ Other Matter</b>
<b>Prior year</b>					
11-01	Fringe benefits	<b>Resolved</b>	No	No	Yes
<b>Current year</b>					
13-01	Cash receipts not deposited timely	Current	No	No	Yes
13-02	Controls related to procurement	Current	No	No	Yes

**13-01—CASH RECEIPTS NOT DEPOSITED TIMELY**

**Type of Finding: State Auditor Compliance/Other Matter**

**Statement of Condition**

We noted that out of 35 fiduciary cash receipts selected for testing, 13 were not deposited timely. The receipts were not deposited within 24 hours of receipt, or on the next business day. 9 of the 13 receipts were deposited within 2 business days, 3 of the 13 receipts were deposited within 3 business days, and the remaining receipt was deposited within 4 business days.

**Criteria**

- NMSA 1978, Sections 6-10-3 requires that deposits be made the next business day after receipt.

**Effect**

The DA is not in compliance with state law and there is an increased risk for potential revenue losses due to lost/misplaced deposits in regard to the noted deposits.

**Cause**

Fiduciary cash receipts were not deposited in a timely manner due to a delay in the process of receipt and recording of funds and delivery to the bank.

**Recommendation**

We recommend that cash receipts be reviewed on a daily basis to ensure deposits are made timely. Attempts should be made to ensure that deposits are taken to the bank each and not delayed.

**Management's Response**

Current job descriptions and responsibilities have been reviewed with staff. Calendar reminders have been sent to the staff members responsible for preparing and reviewing the deposit reminding them that a deposit needs to be prepared daily. Calendaring has also been added to the directors calendar to remind staff of deposit. Efforts are being made to close the fiduciary account.



**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2013**

**13-02—CONTROLS RELATED TO PROCUREMENT**

**Type of Finding: State Auditor Compliance/Other Matter**

**Statement of Condition**

We noted that in our testing of disbursements, 5 out of 14 items tested had purchase orders, in the amount of \$84,874.88, created after the date of invoice.

**Criteria**

- NMAC 1.41.50 states “that a state agency may procure services, construction or items of tangible personal property....by issuing a direct purchase order...”.
- NMSA 1978, Sections 13-1-158 requires that payment not be made for any purchase until the agency certifies that the items have been received and meet specifications.

**Effect**

The DA is not in compliance with state law and inconsistent implementation of procurement policies results in an increased risk for personnel to bypass controls designed to ensure the proper expenditures of state funds.

**Cause**

This finding is due to personnel not consistently following the policies and procedures established by the State of New Mexico procurement code.

**Recommendation**

We recommend that purchase orders be requisitioned and approved prior to procurement of items from vendors. We also recommend that the DA establish a receiving report to ensure that all items procured and paid for by the DA are received.

**Management’s Response**

All purchases require preapproval of the CFO and funds are requisitioned using an internal spreadsheet for budget tracking purposes. Current accounts payable process requires CFO approval for purchase orders and payment vouchers to ensure the proper expenditures of state funds. We have implemented a process for obtaining purchase orders from SHARE before the order is placed.

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

An exit conference was held in a closed session on November 25, 2013, 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, 2013, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.