



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

TWELFTH JUDICIAL DISTRICT
ATTORNEY

FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2011

**TABLE OF CONTENTS
TWELFTH JUDICIAL DISTRICT ATTORNEY**

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Official roster	1
FINANCIAL SECTION	
Independent auditors' report	2-3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of net assets (deficit) – governmental activities	4
Statement of activities – governmental activities	5
Fund Financial Statements	
Balance sheet – governmental funds	6
Statement of revenues, expenditures, and changes in fund balances (deficits) – governmental funds	7
Statement of revenues, expenditures and changes in fund balances – budget and actual (GAAP budgetary basis) – general fund	8
Statement of revenues, expenditures and changes in fund balances – budget and actual (GAAP budgetary basis) – special revenue fund violence against women act	9
Statement of revenues, expenditures and changes in fund balances – budget and actual (GAAP budgetary basis) – special revenue fund HIDTA narcotic control grant	10
Statement of revenues, expenditures and changes in fund balances – budget and actual (GAAP budgetary basis) – special revenue fund victims of crime advocate	11
Statement of fiduciary assets and liabilities – agency funds	12
Notes to the financial statements	13-28
OTHER SUPPLEMENTARY INFORMATION	
Statement of revenues, expenditures and changes in fund balances – budget and actual (GAAP budgetary basis) – special revenue fund southwest border fund	29
Schedule of changes in fiduciary assets and liabilities	30
Schedule of interagency transfers	31
OTHER REPORT	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with governmental auditing standards	32-33
Summary schedule of current and prior year audit findings	34
Schedule of findings and responses	34-35
Exit conference	36

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

Official Roster
As of June 30, 2011

Name	Title
Ms. Diana A. Martwick	District Attorney
Ms. Rhonda Sanchez	Chief Financial Officer



INDEPENDENT AUDITORS' REPORT

Ms. Diana A. Martwick, District Attorney,
Twelfth Judicial District Attorney
Alamogordo, New Mexico

and

Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Twelfth Judicial District Attorney of the State of New Mexico (DA) as of and for the year ended June 30, 2011, which collectively comprise the DA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the DA's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the DA, as of June 30, 2011, and the respective changes in financial position and respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note A to the financial statements, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the DA's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "other supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C.". The signature is written in a cursive, flowing style.

Hinkle + Landers, PC
November 28, 2011

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 As of June 30, 2011**

ASSETS	Governmental Activities
Current Assets	
State general fund investment pool	\$ 431,033
Due from federal sources	53,745
Due from other state agencies	106,865
Total current assets	591,643
Capital assets, net	160,535
Total assets	752,179
LIABILITIES	
Current Liabilities	
Accounts payable	8,081
Due to state general fund	80,474
Accrued salaries and employee benefits	87,392
Compensated absences payable - expected to be paid within one year	46,000
Total current liabilities	221,947
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	57,410
Total liabilities	279,357
NET ASSETS	
Invested in capital assets	160,535
Unrestricted	312,287
Total unrestricted net assets	472,822
Total net assets	472,822
Total liabilities and net assets	\$ 752,179

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 GOVERNMENT-WIDE-STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2011**

EXPENSES	Governmental Activities
General government	
Public safety	\$ (2,843,901)
Depreciation	(68,903)
Total program expenses	<u>(2,912,804)</u>
Less: Program revenues	
Operating grants and contracts	401,196
Net program (expenses)/revenue	<u>(2,511,608)</u>
 REVENUES	
General revenues	
Transfers	
State general fund appropriation FY 11	2,446,800
Less FY11 reversion to State General Fund	(43,682)
Total transfers	<u>2,403,118</u>
Miscellaneous revenue	662
	<u>2,403,780</u>
Change in net assets	(107,828)
Net assets, beginning	624,647
Restatement	(43,998)
Net assets, restated	<u>580,649</u>
Net assets, ending	<u>\$ 472,822</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2011**

	Major Funds				Total
	General Fund	Special Revenue			
	89000 VAWA	91200 HIDTA	91400 VOCA		
ASSETS					
State General Fund Investment Pool	\$ 397,966	33,067	-	-	431,033
Due from federal sources	-	-	53,745	-	53,745
Due from other state agencies	87,355	-	-	19,510	106,865
Due from other funds	106,322	-	-	-	106,322
Total assets	591,643	33,067	53,745	19,510	697,965
LIABILITIES					
Due to other funds	-	33,067	53,745	19,510	106,322
Accounts payable	7,706	-	-	-	7,706
Accrued salaries and employee benefits	87,765	-	-	-	87,765
Due to state general fund	80,474	-	-	-	80,474
Deferred revenue	87,355	-	-	-	87,355
Current liabilities	263,300	33,067	53,745	19,510	369,623
FUND BALANCES					
Assigned: Fiscal year 2012 appropriations	328,343	-	-	-	328,343
Unassigned	-	-	-	-	-
Total fund balance	328,343	-	-	-	328,343
Total liabilities and fund balance	\$ 591,643	33,067	53,745	19,510	697,965
 Total fund balance governmental funds				\$	328,343
 Some revenue is deferred in the funds but accrued as revenue in the government-wide statements and added to net assets					87,355
 Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds					160,535
 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					(103,410)
 Net assets of governmental activities				\$	<u>472,822</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE (DEFICITS) - GOVERNMENTAL FUNDS
 For Year Ended June 30, 2011**

	Major Funds				Total
	General Fund	Special Revenue			
	89000 VAWA	91200 HIDTA	91400 VOCA		
REVENUES					
Federal funds	\$ -	31,135	240,330	42,376	313,841
Miscellaneous revenue	662	-	-	-	662
Total revenues	<u>662</u>	<u>31,135</u>	<u>240,330</u>	<u>42,376</u>	<u>314,503</u>
EXPENDITURES					
Current					
General government:					
Personal services and benefits	2,279,685	31,135	240,330	42,221	2,593,371
Contractual services	44,355	-	-	-	44,355
Other costs	203,452	-	-	155	203,607
Capital outlay	-	-	-	-	-
Total expenditures	<u>2,527,492</u>	<u>31,135</u>	<u>240,330</u>	<u>42,376</u>	<u>2,841,333</u>
OTHER FINANCING SOURCES (USES)					
Inter-agency Transfers:					
State general FY11 fund appropriations	2,446,800	-	-	-	2,446,800
FY11 reversion to state general fund	(43,682)	-	-	-	(43,682)
Total interagency transfers	<u>2,403,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,403,118</u>
Net change in fund balance	(123,712)	-	-	-	(123,712)
Fund balance, beginning	(5,883)	-	-	-	(5,883)
Restatement	457,937	-	-	-	457,937
Fund balance, beginning, restated	<u>452,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>452,054</u>
Fund balance, ending	<u>\$ 328,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,343</u>
Net change in fund balance — governmental funds					\$ (123,712)
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					(68,903)
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.					
(Increase) decrease in compensated absences					(2,568)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in governmental funds.					
					<u>87,355</u>
Change in net assets— governmental activities					\$ <u>(107,828)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 For Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 225,600	-	-	-
Miscellaneous revenue	-	-	662	662
	<u>225,600</u>	<u>-</u>	<u>662</u>	<u>662</u>
EXPENDITURES				
Current:				
General government				
Personal services	2,626,700	2,271,900	2,172,942	98,958
Contractual services	19,500	18,900	18,188	712
Other costs	161,500	156,000	153,015	2,985
Capital outlay	-	-	-	-
Total expenditures	<u>2,807,700</u>	<u>2,446,800</u>	<u>2,344,145</u>	<u>(102,655)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,582,100)</u>	<u>(2,446,800)</u>	<u>(2,343,483)</u>	<u>(103,317)</u>
OTHER FINANCING SOURCES (USES)				
Inter-agency Transfers				
State general fund appropriations FY11	2,528,800	2,446,800	2,446,800	-
Compensation allocation	53,300	-	-	-
Less: FY11 reversion to state general fund	-	-	(43,682)	(43,682)
Total Interagency transfers	<u>2,582,100</u>	<u>2,446,800</u>	<u>2,403,118</u>	<u>(43,682)</u>
Net change in fund balance	-	-	59,635	59,635
Fund balance, beginning	-	(5,883)	(5,883)	(11,766)
Restatement	-	(53,752)	(53,752)	(107,504)
Fund balance, restated	<u>-</u>	<u>(59,635)</u>	<u>(59,635)</u>	<u>-</u>
Fund balance, ending	\$ <u>-</u>	<u>(59,635)</u>	<u>-</u>	<u>-</u>
Total modified GAAP budget basis expenditures for fiscal year 2011:			\$ 2,344,145	
Amounts expensed in fiscal year 2011 financial statements and paid out of FY12 budget				-
Amounts expensed in fiscal year 2010 financial statements and paid out of FY11 budget				(8,319)
Amounts recorded as expenses in the fund's financial statements, but included in another budget (SWB 91300)				<u>183,346</u>
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2011			\$ <u>2,527,492</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 SPECIAL REVENUE FUND - VIOLENCE AGAINST WOMEN ACT
 For Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ -	31,135	31,135	-
Total revenues	-	31,135	31,135	-
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	-	31,135	31,135	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	-	31,135	31,135	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	-	-	-

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 SPECIAL REVENUE FUND - HIDTA
 For Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue:				
Federal sources	\$ 225,600	247,608	240,330	(7,278)
Total revenues	<u>225,600</u>	<u>247,608</u>	<u>240,330</u>	<u>(7,278)</u>
EXPENDITURES				
Current:				
Personal services/employee benefits	225,600	247,608	240,330	7,278
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	<u>225,600</u>	<u>247,608</u>	<u>240,330</u>	<u>7,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 SPECIAL REVENUE FUND - VICTIMS OF CRIME ADVOCATE
 For Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 48,300	48,300	42,376	(5,924)
Total revenues	<u>48,300</u>	<u>48,300</u>	<u>42,376</u>	<u>(5,924)</u>
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	48,000	48,000	42,221	5,779
Contractual services	-	-	-	-
Other costs	300	300	155	145
Total expenditures	<u>48,300</u>	<u>48,300</u>	<u>42,376</u>	<u>5,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF JUNE 30, 2011**

	<u>Agency Fund</u>
ASSETS	
Cash in authorized bank account	\$ <u>3,188</u>
TOTAL ASSETS	<u><u>3,188</u></u>
LIABILITIES	
Due to the State Treasurer's Fund	<u>3,188</u>
TOTAL LIABILITIES	\$ <u><u>3,188</u></u>

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

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 DA serves all of Lincoln and Otero Counties.

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 not included in any other governmental “reporting entity” as defined in Section 2100, ***Codification of Governmental Accounting and Financial Reporting Standards***. Included within the reporting entity is the DA as described above. Other Executive Branch entities of government are excluded because they are established separately by statutes.

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

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

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

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead of general revenues. 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. Grant revenues are recognized as soon as the eligibility requirements are met.

The 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.

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, liabilities, revenues or expenditures. The general fund is always considered a major fund. The DA has elected to consider all their special revenue funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, per GASB Statement No. 54, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See Note G for additional information about fund balances.

The following are the DA's major funds:

General Fund (16600) — 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. The DA receives all State of New Mexico appropriations in the General Fund, and these appropriations are revertible if not expended in the appropriate time frame.

As prescribed by GASB 54, for presentation purposes the General Fund also includes the following programs which are maintained by the DA for internal control purposes as separate funds:

- **Community Gun Grant (CGVAF)** (76700) — This fund was established by the DA to provide leadership and direction in controlling the use and availability of illegal drugs and to improve the functioning of the criminal justice system, with emphasis on violent crime and serious offenders. The fund was established with federal grant revenues. This fund does not have any activity, and therefore, does not have a budget. A decision regarding the status of the funds in this account is pending with the New Mexico Department of Finance and Administration to determine if the funds will be reverted to the State or remain with the DA.
- **Southwest Border Prosecution Initiative (SWBPI)** (91300) — This fund supports the prosecution and detention of federally referred cases in four states, including Arizona, California, New Mexico and Texas. 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. The source of these funds is federal, and the funds are non-reverting.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Victims of Crime Act (VOCA) (89000) — 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. While minimal federal requirements must be met, each state is given great discretion in awarding specific sub-grants. VOCA funds included in this fiscal year resulted from the American Recovery and Reinvestment Act (ARRA).

Violence Against Women Act (VAWA) (91400) — To assist States, 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. This federal program encourages the development and implementation of effective, victim-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.

High Intensity Drug Trafficking Areas (HIDTA) (91200) — This fund supports federally funded activities 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 High Intensity Drug Trafficking Areas.

Fiduciary funds (trust and agency funds) are used to account for assets held in a trustee capacity, or as an agent for individuals, private organizations, other governmental units and/or other funds. Trust and agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The DA's fiduciary fund at June 30, 2011 includes the following:

Pre-Prosecution Program/Worthless Check Fund (10680) — This fund records activity related to fees charged to individuals in the pre-prosecution program, in accordance with agreements between the program participant and the DA. The fees are remitted to the State Treasurer for the account of the Administration Office of the District Attorneys (AODA).

3. Basis of Accounting

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

The statement of net assets and the statement of activities are prepared using the *economic resources* measurement focus and the *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds."

4. Budgetary Data

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

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

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

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

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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, 2011 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The DA submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
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. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts except as presented out in Note F of this report.
13. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2011. The DA's General Fund is a reverting fund (funds revert back to the State General Fund).
14. Appropriations lapse at the end of the year except for those amounts encumbered.
15. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to 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.
16. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 2011.
17. The legal level of budgetary control is at the appropriation program level.

5. Encumbrances

Encumbrances outstanding at year-end related to single year appropriations are classified as unreserved fund balance and as a liability recorded to recognize any amounts subject to reversion to the State General Fund. 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.

6. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as: *Invested in capital assets* (net of related debt), *restricted* and *unrestricted*. *Investment in Capital Assets* (net of related debt) is intended to reflect the portion of net assets which are associated with

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net assets reflect the portion of net assets that have third party limitations on their use. *Unrestricted (Deficit) Net Assets* represents net assets of the DA that are not restricted for any project or other purpose.

7. 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.

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. 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.

10. Capital Assets

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

Computer equipment and software	3 years
Furniture and equipment	6 years
Vehicles	5 years

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011**

11. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

Years of Service	Hours Earned per Month	Days Earned per Month	Days of Maximum Accrual
1 month – 3 years	10	1 ¼	30
Over 3 – 7 years	12	1 ½	30
Over 7 – 14 years	14	1 ¾	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 current hourly rate. At June 30, 2011, accrued compensated absences payable for accumulated annual leave totaled \$103,410.

12. Accrued Sick Leave

Chapter 150 Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, sick leave is 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, 2011 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 Activities Funds. As of June 30, 2011, no employees of the DA’s office have accrued leave benefits in excess of 600 hours.

13. Interfund Activity

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

14. Cash and Cash Equivalents

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

B. CASH AND INVESTMENTS POLICY WITH STATE TREASURER AND BANKING INSTITUTIONS

Investments in the State Treasurer’s General Fund Investment Pool

All investments are on deposit in the State General Fund Investment Pool (SGIP). For further information regarding the GFIP, please see the Office of 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 Office of the State Treasurer, P.O. Box 608, Santa Fe, NM 87504-0708. The DA’s agency fund cash is on deposit in a local financial institution.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Cash and investments at June 30, 2011 include:

<u>Fund Type</u>	<u>Location</u>	<u>Fund No./ Description</u>	<u>Per Depository</u>	<u>Checks</u>	<u>Financial Statements</u>
General	STO	262-16600	\$ -	-	-
General	STO	262-76700	27,952	-	27,952
General	STO	262-91300	370,014	-	370,014
Total General Fund			<u>397,966</u>	<u>-</u>	<u>397,966</u>
Special revenue	STO	262-89000	33,067	-	33,067
Special revenue	STO	262-91200	-	-	-
Special revenue	STO	262-91400	-	-	-
Total Special Revenue Funds			<u>33,067</u>	<u>-</u>	<u>33,067</u>
Total Fund Financials			<u>431,033</u>	<u>-</u>	<u>431,033</u>
Agency	Pioneer Bank	Checking	<u>3,214</u>	<u>(26)</u>	<u>3,188</u>
Total Cash			<u>\$ 434,247</u>	<u>(26)</u>	<u>434,221</u>

There were no deposits in transit as of June 30, 2011.

At June 30, 2011, the High Intensity Drug Trafficking Act Fund (91200) and the Victims of Crime Act Fund (914000) have negative cash balances in the SGIP, amounting to \$(156,091) and \$(26,604), respectively. These negative cash balances are reclassified as an interfund loan, due to the DA's General Fund. The negative balances in these funds are a result of these funds' cost-reimbursement revenue sources.

Custodial Credit Risk—Investment Accounts

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the DA. Therefore, collateralization of the DA's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the DA is not permitted to have any investments other than what is held at the State Treasurer's Office and the DA did not have any other investments during the year ended June 30, 2011. There is no custodial risk at the DA's level since the DA's investments are under the contract of the Office of the State Treasurer.

Custodial Credit Risk—Cash Accounts

Custodial credit risk is the risk that in the event of a bank failure, the DA's deposits may not be returned to it. In general, state statutes require that all deposits held by financial institutions be collateralized at a minimum level of 50 percent. Since the DA's financial institutional balances did not exceed \$250,000 (Pioneer Bank account), they are fully insured by the Federal Deposit Insurance Corporation (FDIC) and pledged collateral is not required. The DA has no credit risk as of June 30, 2011 for this bank account.

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.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

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.

C. RECEIVABLES

Federal receivables of \$53,745 are related to cost-reimbursement grant programs. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

D. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30 includes:

Governmental Activities	Balance 2010	Additions	Deletions	Balance 2011
Furniture and equipment	\$ 334,779	-	-	334,779
Vehicles	<u>258,474</u>	<u>-</u>	<u>-</u>	<u>258,474</u>
	593,253	-	-	593,253
Less accumulated depreciation for:				
Furniture and equipment	(240,731)	(30,395)	-	(271,126)
Vehicles	<u>(123,085)</u>	<u>(38,508)</u>	<u>-</u>	<u>(161,593)</u>
	<u>(363,816)</u>	<u>(68,903)</u>	<u>-</u>	<u>(432,719)</u>
Capital assets, net	<u>\$ 229,437</u>	<u>(68,903)</u>	<u>-</u>	<u>160,535</u>

Idle equipment of \$29,176 is presented in the furniture and equipment category and has been fully depreciated. The DA is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$68,903.

E. COMPENSATED ABSENCES

A summary of changes in long-term debt for the year ended June 30, is as follows:

	Balance 2010	Additions	Deletions	Balance 2011	Due Within One Year
Compensated absences	\$ <u>100,842</u>	<u>48,392</u>	<u>(45,824)</u>	<u>103,410</u>	<u>46,000</u>

Prior year compensated absences have been liquidated by the general fund

F. 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. The amount due from FY11 appropriations to the State General Fund is \$43,682.

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011**

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, 2011, follows:

	Assigned Purposes
General Fund:	
Southwest Border Prosecution Initiative (SWBPI) - Fiscal year 2012 appropriations	\$ <u>328,343</u>

The SWBPI fund balance, which is included in the DA's General Fund, is considered assigned. The assigned amount has been budgeted to eliminate a projected budgetary deficit in the DA's fiscal year 2012 budget. The SWBPI is non-reverting.

H. DUE TO/FROM STATE AGENCIES

As of June 30, 2011, the following is due to the State General Fund from the DA:

Fund	Description	Due to State General Fund (#34100)
16600	FY11 Reversion	\$ 43,682
16600	FY10 Reversion	5,883
16600	Payroll related reimbursement	2,522
16600	State-dated warrants	435
76700	Reversion of fund assets	<u>27,952</u>
		\$ 80,474

As of June 30, 2011, the following is due to the DA from other state agencies:

Due From Other Agencies				
Due to SHARE Fund No.	Amount	Due from SHARE Fund No.	Agency Name	Purpose
SWB #91300	\$ 87,355	#26400	Administrative Office of the District Attorney	SWBPI grant
VOCA #91400	<u>19,510</u>	#78000	Crime Victims Reparation Commission	cost-reimbursement grant
	\$ 106,865			

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

I. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2011, interfund balances include:

Due from:	Due To:
VAWA (89000)	General Fund
HIDTA (91200)	\$ 33,067
VOCA (91400)	53,745
Total	\$ 106,322

All interfund balances are a result of short term (current) borrowings among the DA's funds in the normal course of business resulting from cost-reimbursement grants where funds with cash assets temporarily subsidize expenditures of other funds. Repayment occurs when the grantor's payment is received.

J. RESTATEMENT

GASB Statement No. 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The new hierarchical fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, restricted, committed, assigned and unassigned. GASB Statement No. 54 was implemented in the current fiscal year. Details of the DA's fund balance classifications and policies are reflected in Note A.

The governmental fund types used by the DA were evaluated based on the provisions of GASB Statement No. 54. The Southwest Border Prosecution Initiative (91300) and the Community Gun Grant (76700) funds were determined to not meet the new fund type classification for special revenue funds. As a result, these funds were consolidated into the DA's General Fund; therefore, as shown in the table below, a reclassification was made to eliminate the beginning fund balance of the Southwest Border Prosecution Initiative fund and to increase the beginning balance of the General Fund by the same amount. This change had no impact on governmental activities as reported on the prior year Statement of Activities. The detail of restatements impacting the governmental funds for the year ended June 30, 2011 includes:

	16600 General Fund	91300 Southwest Border Prosecution Initiative (SWB)
Fund balance, as previously reported	\$ (5,883)	501,935
Due to overstatement of grant expenditures	-	9,754
Due to overstatement of receivable	(53,752)	-
	(59,635)	511,689
Restatement due to implementation of GASB 54	511,689	(511,689)
Fund balance, restated	\$ 452,054	-

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011**

The detail of restatements impacting the government-wide financial statements for the year ended June 30, 2011 includes:

		Government- wide	
Net Assets, as previously reported	\$	624,647	
Due to overstatement of grant expenditures		9,754	
Due to overstatement of receivable		<u>(53,752)</u>	
		(43,998)	
Net Assets, restated	\$	<u><u>580,649</u></u>	

K. LEASES

The DA has office equipment leases which can terminate with no penalty to the DA if the Legislature does not appropriate funds to the DA. All leases may terminate at any time with sixty days notice if the NM 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. Future minimum rental payments for leases as of June 30, 2011 in aggregate are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2012	\$ 5,839
2013	-
2014	-
2015	-
2016	-
Thereafter	-
Total	\$ <u><u>5,839</u></u>

Lease and related expenditures for the year ended June 30, 2011 were \$15,601.

L. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

The DA maintains budgets on the modified GAAP basis, and as a result, there are only a few reasons which may require a reconciliation of the budget financial statements to the fund financial statements, including:

- Any accounts payables shown on the governmental funds balance sheet which were paid out of subsequent year funds, and
- The consolidation of any special revenue funds with legally adopted budgets which were consolidated into the General Fund per GASB Statement No. 54.

Detail on the reconciling items required for the year ended June 30, 2011 between the budget financial statements and the fund financial statements are provided on the budget financial statements, as noted in the Table of Contents.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

M. CONTINGENCIES

Risk of loss

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

N. PENSION PLAN — PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy: Plan members are required to contribute 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, 2011, 2010 and 2009 were \$268,504, \$261,023, and \$291,388, respectively, which equal the amount of the required contributions for each fiscal year.

O. 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 postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

served at least two years; and 4) former governing authority members who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY12	1.834%	0.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The DA’s contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$29,499, \$24,394 and \$21,879, respectively, which equal the required contributions for each year.

P. JOINT POWER AGREEMENTS AND MEMORANDUM OF UNDERSTANDING

The DA did not have any joint power agreements or memorandum of understandings for the year ended June 30, 2011.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Q. DETERMINATION OF SINGLE AUDIT

The DA recorded federal revenues of \$313,841, and spent \$497,187 in federal funds. Therefore, the DA was not required under OMB A-133 to have a single audit conducted for the year ended June 30, 2011.

THE REMAINDER OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
SPECIAL REVENUE FUND - SOUTHWEST BORDER FUND
For Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ -	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	-	390,247	106,743	283,504
Contractual services	-	60,000	26,166	33,834
Other costs	-	51,688	50,437	1,251
Total expenditures	-	501,935	183,346	318,589
Excess (deficiency) of revenues over (under) expenditures	-	(501,935)	(183,346)	318,589
Net change in fund balance	-	(501,935)	(183,346)	318,589
Fund balance, beginning		501,935	501,935	501,935
Restatement		-	9,754	
Fund balance, restated		501,935	511,689	
Fund balance, ending	\$ -	-	328,343	820,524

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For Year Ended June 30, 2011**

	<u>Balance June 30 2010</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Balance June 30 2011</u>
ASSETS				
Cash in authorized bank account	\$ <u>1,561</u>	<u>11,176</u>	<u>(9,549)</u>	<u>3,188</u>
LIABILITIES				
Due to others	\$ <u>1,561</u>	<u>11,176</u>	<u>(9,549)</u>	<u>3,188</u>

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF INTERAGENCY TRANSFERS
 For Year Ended June 30, 2011**

Description	Agency Transferred From	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred In
General Fund Appropriation	DFA	34101	16600	Laws 2010, Ch 6, Sec 4	FY 11	\$ 2,446,800

Description	Agency Transferred To	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred Out*
General Fund Reversion	DFA	16600	34100	Reversion of FY 11 appropriations	FY 11	\$ 43,682

* Transfers not be completed until after the fiscal year 2011 has closed.



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

Ms. Diana A. Martwick, District Attorney,
Twelfth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds of the Office of the District Attorney, Twelfth Judicial District, of the State of New Mexico (DA) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses: 10-02.

**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 28, 2011

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 are described in the accompanying schedule of findings and responses as item 07-03.

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

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



Hinkle + Landers, PC
November 28, 2011

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011**

SUMMARY OF FINDINGS

A summary schedule of the status of current and prior year findings are as follows:

No.	Description	Status of Current and Prior Year Findings	Financial Statement Finding	State Audit Rule Finding	Material Weakness	Significant Deficiency
Prior years:						
07-02	Certification Of Capital Assets Annual Inventory	Resolved	Yes	Yes	No	Yes
07-03	Reversion Not Made Timely To State General Fund	Repeated - Modified	No	Yes	N/A	N/A
10-01	Actual Expenditures Exceed Budget Expenditures	Resolved	No	Yes	N/A	N/A
10-02	SAS 115 Material Adjustments Made By Auditor	Current - Repeated	Yes	No	Yes	Yes
Current:						
NONE						

07-03 – REVERSION NOT MADE TIMELY TO STATE GENERAL FUND – Repeated – Other

Statement of Condition

Amounts due to the State General Fund for the FY10 reversion were not transferred as required per state regulations. Of a total of \$79,400 due for the FY10 reversion, \$5,883 was not transferred.

Criteria

Per the State Audit Rule 2.2.2.12 A. Pertaining To Audits of State Agencies Section (6) Reversions to the State General Fund, and Section 6-5-10, NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in SHARE as of June 30, shall revert as of September 30, to the State General Fund. The agency adjusts the estimated reversion within forty-five days of the release of the audit report.

Effect

The agency is not in compliance with state regulations because it did not revert funds that belong to the State General Fund.

Cause

The agency did not revert the difference (\$5,883) between the estimated reversion amount and the final reversion amount.

Recommendation

We recommend that agency personnel make reversions as required by state statute and other regulations.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011**

Management Response

The FY10 reversion was done only partially. The office has a new Finance Officer who thought that the CAFR unit would take care of the remaining reversion of \$5,883 and has already done all of the other reversions. This amount will be reverted along with the remaining FY11 amount.

10-02 – SAS 115 - MATERIAL ADJUSTMENTS BY AUDITOR - Repeated – Material Weakness

Statement of Condition

During the audit it was necessary for the auditors to make adjusting journal entries considered material to the financial statements.

Criteria

Some of the key underlying concepts of SAS 115 include:

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Identifying and recording material adjustments is considered a significant process that the client needs to maintain.

Effect

Because these adjustments were made by the auditor, and not by DA personnel, it shows an internal control weakness in maintaining the general ledger and would potentially extend to the audit report. This significantly increases the potential for misstated financial statements.

Cause

The DA's Chief Finance Officer continues to research grant revenues/expenditures which were recorded prior to her employment. The adjustments were required to properly state grant revenues/expenditures recorded at the fund level.

Recommendation

We recommend that DA personnel make adjustments to their general ledger in a timely manner in order to reflect all applicable activity that is potentially material to the financial statements. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as DA personnel initiates/makes the adjustment and understands how and why the adjustments were made.

Management Response

The Finance Officer has been working to clean up past revenues and expenditures which have been carried over since 2006. This problem has already been corrected in this Finance Officer's first year on the job and will not be a problem in the future as all of accounting is kept up to date and deadlines are being met.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
For the Year Ended June 30, 2011**

An exit conference was held in a closed session on November 28, 2011. In attendance were:

Diana A. Martwick

Rhonda Sanchez

Farley Vener, CPA, CFE

Shannon Gilliland, CPA, CGFM

District Attorney

Chief Financial Officer

Independent Auditor, Hinkle + Landers, PC

Independent Auditor, Hinkle + Landers, PC

FINANCIAL STATEMENTS

The financial statements of the DA as of June 30, 2011, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.