



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**TWELFTH JUDICIAL
DISTRICT ATTORNEY**

FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

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TWELFTH JUDICIAL DISTRICT ATTORNEY

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

Official Roster
As of June 30, 2012

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, 2012, which collectively comprise the DA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the DA's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The additional schedules listed as "other supplemental 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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.



Hinkle + Landers, PC
November 30, 2012

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of the following: government-wide financial statements, governmental funds statements and a statement reconciling the government-wide financial statements to the governmental fund statements.

Basic Financial Statements

(Statement of Net Assets and Statement of Activities)

Basic financial statements report information about the 12th Judicial District Attorney as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The basic financial statements report the 12th Judicial District Attorney's net assets and how they have changed.

Fund Financial Statements

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

The fund financial statements provide more detailed information about the 12th Judicial District's funds. Funds are accounting devices that the 12th Judicial District uses to keep track of specific sources of funding and spending for particular purposes.

The 12th Judicial District Attorney operates on State General Fund appropriations and federal grant awards. Income sources, or programs, within each fund are tracked using department codes.

Analysis of Financial Position

(Statement of Net Assets)

Total Assets: Total assets of \$656,562 includes cash on deposit with the State Treasurer (\$371,906), receivables (\$139,933) and capital assets (\$144,723).

Total Liabilities: Total liabilities of \$256,953 includes accounts payable (\$4,259), reversion due to the State General Fund (\$44,810), accrued payroll and related liabilities (\$110,508), and compensated absences (payable within one year \$43,800 and after one year \$53,576).

Net Assets: Total net assets are \$399,609, including \$144,723 invested in capital assets and \$254,886 unrestricted.

Result of Operations

(Statement of Activities)

Total Revenues: State General Fund appropriations and federal awards provide the majority of the revenue, consisting of \$2,704,279, which was used for operational purposes.

Total Expense: Expenses are primarily operational, and include employee salaries and benefits, other operating costs, and depreciation (\$53,007) totaling \$2,777,492.

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2012
 Unaudited**

Analysis of District Attorney's Overall Financial Position and Result Operations

	<u>2012</u>	<u>2011</u>
Assets:		
Current and other assets	\$ 511,839	591,643
Capital assets	<u>144,723</u>	<u>160,535</u>
Total assets	<u>656,562</u>	<u>752,178</u>
Total Liabilities	<u>256,953</u>	<u>279,357</u>
Net assets:		
Invested in capital assets	144,723	160,535
Unrestricted	<u>254,886</u>	<u>312,287</u>
Total net assets	<u>399,609</u>	<u>472,822</u>
Total net assets and liabilities	<u>\$ 656,562</u>	<u>752,179</u>
Revenue:		
Program revenue	\$ 358,870	401,196
Appropriations	<u>2,345,409</u>	<u>2,403,780</u>
Total revenues	<u>2,704,279</u>	<u>2,804,976</u>
Expenses:		
Personnel services	2,724,485	2,843,901
Depreciation	53,007	68,903
Other costs	<u>-</u>	<u>-</u>
Total expenses	<u>2,777,492</u>	<u>2,912,804</u>
(Decrease) in net assets	<u>\$ (73,213)</u>	<u>(107,828)</u>

Total assets decreased due to lower revenue in 2012 which made it necessary to use fund balance for operational expenses. Total liabilities were less in 2012, primarily due to a decrease in accrued salaries and employee benefits, as compared to the prior year. Net assets decreased because of reductions in capital assets and an overall loss in operations. Revenue and expenses are lower in 2012 primarily because appropriations and program revenue decreased.

Analysis of Significant Changes in Individual Funds

No significant changes in funds occurred.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited**

Analysis of Significant Budget Variances

The 12th Judicial District Attorney required two budget adjustments during the fiscal year. The agency adjusted the budget in the Southwest Border Prosecution fund (consolidated with the general fund in these financial statements) to increase spending due to the availability of additional grant funds. In addition, in the agency's general fund, "other costs" were increased by \$80,000, and personal services were decreased by the same amount.

Significant Capital Asset and Long-Term Debt Activity

Net capital assets decreased as few additions were made and older assets depreciated.

The agency's only long-term debt is due to compensated absences payable for which the 12th Judicial District Attorney will pay out when vacation is taken or employees are terminated.

General Fund Budgetary Highlights

The State of New Mexico, Office of the District Attorney, Twelfth Judicial District intends to continue to lobby the legislature to increase the funding from the General Fund, and also will continue to seek out sources of federal funds.

The State Legislature makes annual appropriations to the State of New Mexico, Office of the District Attorney, Twelfth Judicial District. 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, Twelfth Judicial District revised its budget. These budget amendments fall into two categories:

- Increases or reallocation of appropriations to prevent budget overruns.
- Increases to account for grant increases or new grants.

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

12th Judicial District Attorney
1000 New York Ave., Room 101
Alamogordo, NM 88310
Rhonda Sanchez, CFO
575-443-2646

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

ASSETS	Governmental Activities
Current Assets	
State general fund investment pool	\$ 371,906
Due from federal sources	32,974
Due from other state agencies	106,959
Total current assets	511,839
Capital assets, net	144,723
Total assets	656,562
LIABILITIES	
Current Liabilities	
Accounts payable	4,259
Due to state general fund	44,810
Accrued salaries and employee benefits	110,508
Compensated absences payable - expected to be paid within one year	43,800
Total current liabilities	203,377
Non-current Liabilities	
Compensated absences payable - expected to be paid after one year	53,576
Total liabilities	256,953
NET ASSETS	
Invested in capital assets	144,723
Unrestricted	254,886
Total unrestricted net assets	399,609
Total net assets	399,609
Total liabilities and net assets	\$ 656,562

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, 2012**

EXPENSES	Governmental Activities
General government	
Public safety	\$ (2,724,485)
Depreciation	(53,007)
Total program expenses	<u>(2,777,492)</u>
Less: Program revenues	
Operating grants and contracts	358,870
Net program (expenses)/revenue	<u>(2,418,622)</u>
 REVENUES	
General revenues	
Transfers	
State general fund appropriation FY12	2,389,700
Less reversion to State General Fund FY12	(44,375)
Total transfers	<u>2,345,325</u>
Miscellaneous revenue	84
	<u>2,345,409</u>
 Change in net assets	 (73,213)
Net assets, beginning	<u>472,822</u>
Net assets, ending	<u>\$ <u>399,609</u></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, 2012**

	Major Funds				Total
	Special Revenue Funds				
	General Fund	89000 VAWA	91200 HIDTA	91400 VOCA	
ASSETS					
State General Fund Investment Pool	\$ 240,578	7,171	102,339	21,819	371,907
Due from federal sources	-	-	32,974	-	32,974
Due from other state agencies	104,734	-	-	2,226	106,960
Due from other funds	166,528	526	-	-	167,054
Total assets	511,840	7,697	135,312	24,045	678,894
LIABILITIES					
Due to other funds	-	7,697	135,312	24,045	167,054
Accounts payable	3,886	-	-	-	3,886
Accrued salaries and employee benefits	110,881	-	-	-	110,881
Due to state general fund	44,810	-	-	-	44,810
Current liabilities	159,577	7,697	135,312	24,045	326,632
FUND BALANCES					
Assigned: Fiscal year 2013 appropriations	247,527	-	-	-	247,527
Unassigned	104,736	-	-	-	104,736
Total fund balance	352,263	-	-	-	352,263
Total liabilities and fund balance	\$ 511,840	7,697	135,312	24,045	678,894
Total fund balance governmental funds				\$	352,263
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds					144,723
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					(97,376)
Net assets of governmental activities				\$	399,609

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, 2012**

	Major Funds				Total
	General Fund	Special Revenue Funds			
	89000 VAWA	91200 HIDTA	91400 VOCA		
REVENUES					
Federal funds	\$ 192,089	-	205,837	48,300	446,226
Miscellaneous revenue	84	-	-	-	84
Total revenues	<u>192,173</u>	<u>-</u>	<u>205,837</u>	<u>48,300</u>	<u>446,310</u>
EXPENDITURES					
Current					
General government:					
Personal services and benefits	2,207,883	-	205,837	48,000	2,461,720
Contractual services	30,253	-	-	-	30,253
Other costs	275,442	-	-	300	275,742
Capital outlay	-	-	-	-	-
Total expenditures	<u>2,513,578</u>	<u>-</u>	<u>205,837</u>	<u>48,300</u>	<u>2,767,715</u>
OTHER FINANCING SOURCES (USES)					
Inter-agency Transfers:					
State general fund appropriations FY12	2,389,700	-	-	-	2,389,700
Reversion to state general fund FY12	(44,375)	-	-	-	(44,375)
Total interagency transfers	<u>2,345,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,345,325</u>
Net change in fund balance	23,920	-	-	-	23,920
Fund balance, beginning	<u>328,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,343</u>
Fund balance, ending	\$ <u>352,263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,263</u>
Net change in fund balance — governmental funds					\$ 23,920
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					(53,007)
Capital additions					37,196
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					6,034
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>(73,213)</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, 2012**

	<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	\$ -	-	-	-
Miscellaneous revenue	-	-	83	83
	-	-	83	83
EXPENDITURES				
Current:				
General government				
Personal services	2,222,600	2,142,600	2,107,630	34,970
Contractual services	15,000	15,000	13,775	1,225
Other costs	152,100	232,100	224,003	8,097
Capital outlay	-	-	-	-
Total expenditures	<u>2,389,700</u>	<u>2,389,700</u>	<u>2,345,408</u>	<u>(44,292)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,389,700)</u>	<u>(2,389,700)</u>	<u>(2,345,325)</u>	<u>(44,375)</u>
OTHER FINANCING SOURCES (USES)				
Inter-agency Transfers				
State general fund appropriations FY12	2,389,700	2,389,700	2,389,700	-
Compensation allocation	-	-	-	-
Less: FY12 reversion to state general fund	-	-	(44,375)	(44,375)
Total Interagency transfers	<u>2,389,700</u>	<u>2,389,700</u>	<u>2,345,325</u>	<u>(44,375)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Restatement	-	-	-	-
Fund balance, restated	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total modified GAAP budget basis expenditures for fiscal year 2012:			\$ 2,345,408	
Amounts recorded as expenses in the fund's financial statements, but included in another budget (SWB 91300)				<u>168,170</u>
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2012			\$	<u><u>2,513,578</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 (DEFICITS)
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 SPECIAL REVENUE FUND - VIOLENCE AGAINST WOMEN ACT
 For Year Ended June 30, 2012**

	<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	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	-	-	-	-
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, 2012**

	<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	\$ 249,100	249,100	205,837	(43,263)
Total revenues	<u>249,100</u>	<u>249,100</u>	<u>205,837</u>	<u>(43,263)</u>
EXPENDITURES				
Current:				
Personal services/employee benefits	249,100	249,100	205,837	43,263
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	<u>249,100</u>	<u>249,100</u>	<u>205,837</u>	<u>43,263</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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 SPECIAL REVENUE FUND - VICTIMS OF CRIME ADVOCATE
 For Year Ended June 30, 2012**

	<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	-
Total revenues	-	48,300	48,300	-
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	-	48,000	48,000	-
Contractual services	-	-	-	-
Other costs	-	300	300	-
Total expenditures	-	48,300	48,300	-
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
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

NATURE OF BUSINESS AND REPORTING ENTITY

The DA is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The DA is elected to a four-year term. Functions of the DA are defined in Section 36-1-1 through 36-1-26 NMSA 1978 as amended. The 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, 2012**

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.

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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 **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. This fund is maintained by the DA as a separate fund for internal control purposes.

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

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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.

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, 2012 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). During FY12, the DA began depositing all receipts directly into the AODA's bank account, resulting in a zero balance in this agency fund at year end. This bank account was subsequently closed during fiscal year 2012.

3. Basis of Accounting

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

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

All governmental funds are accounted for using the *modified accrual* basis of accounting and the *current financial resources* measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of

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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.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
7. The DA's budget for the fiscal year ending June 30, 2012 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. 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

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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, 2012. 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, 2012.
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 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.

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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 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

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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, 2012, accrued compensated absences payable for accumulated annual leave totaled \$97,376.

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, 2012 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers’ matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the Governmental Activities Funds. As of June 30, 2012, 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 account, held at a financial institution, account had a \$0 balance as of June 30, 2012.

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Cash and investments at June 30, 2012 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	\$ 136,098	-	136,098
General	STO	262-91300	104,480	-	104,480
Total General Fund			<u>240,578</u>	<u>-</u>	<u>240,578</u>
Special revenue	STO	262-89000	7,171	-	7,171
Special revenue	STO	262-91200	102,339	-	102,339
Special revenue	STO	262-91400	21,819	-	21,819
Total Special Revenue Funds			<u>131,329</u>	<u>-</u>	<u>131,329</u>
Total Fund Financials			<u>\$ 371,907</u>	<u>-</u>	<u>371,907</u>

There were no deposits in transit as of June 30, 2012. The Office of the State Treasurer (STO) accounts are interest bearing accounts but no interest income was allocated to the DA.

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, 2012. 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.

General Fund Investment Pool Not Reconciled

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

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

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the DA's balances at the business unit/fund level is not possible. It is DFA's responsibility to complete, on a monthly basis, a reconciliation with the balances and accounts kept by the state treasurer per Section 6-5-2.I(J) NM 1978.

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

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

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

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

Federal receivables of \$32,974 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 2011	Additions	Deletions	Balance 2012
Furniture and equipment	\$ 334,779	-	(2,028)	332,751
Vehicles	<u>258,474</u>	<u>37,196</u>	<u>(28,877)</u>	<u>266,793</u>
	593,253	37,196	(30,905)	599,544
Less accumulated depreciation for:				
Furniture and equipment	(271,126)	(26,174)	2,028	(295,272)
Vehicles	<u>(161,593)</u>	<u>(26,833)</u>	<u>28,877</u>	<u>(159,549)</u>
	<u>(432,719)</u>	<u>(53,007)</u>	<u>30,905</u>	<u>(454,821)</u>
Capital assets, net	<u>\$ 160,535</u>	<u>(15,811)</u>	<u>-</u>	<u>144,723</u>

Idle equipment of \$101,507 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 \$53,007.

E. COMPENSATED ABSENCES

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

	Balance 2011	Additions	Deletions	Balance 2012	Due Within One Year
Compensated absences	\$ <u>103,410</u>	<u>122,502</u>	<u>(128,536)</u>	<u>97,376</u>	<u>43,800</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 FY12 appropriations to the State General Fund is \$44,375.

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

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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 these fund types at June 30, 2012, follows:

	Assigned Purposes
General Fund:	
Southwest Border Prosecution Initiative (SWBPI) - Fiscal year 2013 appropriations	\$ <u><u>247,527</u></u>

The assigned fund balance at June 30, 2012 has been budgeted to eliminate a projected budgetary deficit in the DA's fiscal year 2013 budget. The DA's General Fund balance at June 30, 2012 also consisted of unassigned fund balance of \$104,736, and is a result of federal grant funds from the Southwest Border Prosecution Initiative which are non-reverting.

H. DUE TO/FROM STATE AGENCIES

As of June 30, 2012, the following is due to the State General Fund from the DA:

Fund	Description	Due to State General Fund (#34100)
16600	FY12 Reversion	\$ 44,375
16600	State-dated warrants	435
		\$ 44,810

As of June 30, 2012, 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	\$ 104,734	#26400	Administrative Office of the District Attorney	SWBPI grant
VOCA #91400	2,226	#78000	Crime Victims Reparation Commission	cost-reimbursement grant
	\$ 106,960			

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I. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2012, interfund balances include:

Due from:	Due To:		Total
	General Fund	VAWA (89000)	
HIDTA (91200) \$	135,312	-	135,312
VOCA (91400)	23,519	526	24,045
VAWA (89000)	7,697	-	7,697
Total \$	166,528	526	167,054

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. 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, 2012 in aggregate are as follows:

Year Ended	Lease Payments
2013 \$	8,952
2014	8,952
2015	8,952
2016	8,952
2017	7,460
Thereafter	-
Total \$	43,268

Lease and related expenditures for the year ended June 30, 2012 were \$16,730.

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K. 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, 2012 between the budget financial statements and the fund financial statements are provided on the budget financial statements, as noted in the Table of Contents.

L. 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.

M. 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 13.34% 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, 2012, 2011 and 2010 were \$231,720, \$268,504, and \$261,023, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary.

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012**

In the fiscal year ending 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
FY13	2.000%	1.000%

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

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The DA's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$31,701, \$29,499 and \$24,394, respectively, which equal the required contributions for each year.

O. 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, 2012.

P. DETERMINATION OF SINGLE AUDIT

The DA recorded federal revenues of \$446,225, and spent \$422,306 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, 2012.

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**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 SPECIAL REVENUE FUND - SOUTHWEST BORDER FUND
 For Year Ended June 30, 2012**

	<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	\$ -	87,355	192,089	104,734
Total revenues	-	87,355	192,089	104,734
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	157,700	257,700	100,240	157,460
Contractual services	-	57,997	16,478	41,519
Other costs	-	100,000	51,452	48,548
Total expenditures	157,700	415,697	168,170	247,527
Excess (deficiency) of revenues over (under) expenditures	(157,700)	(328,343)	23,919	352,261
Net change in fund balance	(157,700)	(328,343)	23,920	
Fund balance, beginning	328,343	328,343	328,343	
Fund balance, ending	\$ 170,643	-	352,263	

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For Year Ended June 30, 2012**

		Balance June 30, 2011	Receipts	Disburse- ments	Balance June 30, 2012
ASSETS					
Cash in authorized bank account	\$	3,188	-	(3,188)	-
 LIABILITIES					
Due to others	\$	3,188	-	(3,188)	-

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF INTERAGENCY TRANSFERS
 For Year Ended June 30, 2012**

Description	Agency Transferred From	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred In
General Fund Appropriation	DFA	34101	16600	Laws 2011, Ch 179, Sec 4	FY 12	\$ 2,389,700

Description	Agency Transferred To	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred Out*
General Fund Reversion	DFA	16600	34100	Reversion of FY 12 appropriations	FY 12	\$ 44,375

* Transfers not completed until after the fiscal year 2012 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, 2012, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the DA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the DA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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

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

November 30, 2012

**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**

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the 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, P.C.

Hinkle + Landers, PC
November 30, 2012

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF FINDINGS AND RESPONSES
 For the Year Ended June 30, 2012**

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:						
07-03	Reversion Not Made Timely To State General Fund	Resolved				
10-02	SAS 115 Material Adjustments Made By Auditor	Resolved				
Current:						
	NONE					

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

An exit conference was held in a closed session on November 30, 2012. 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, 2012, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.