



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**TWELFTH JUDICIAL
DISTRICT ATTORNEY**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For The Year Ended June 30, 2014

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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, 2014

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



INDEPENDENT AUDITOR’S 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

Report on the Financial Statements

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, 2014 and the related notes to the financial statements, which collectively comprise the DA’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the DA, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of the DA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DA's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, NM
October 17, 2014

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2014
Unaudited**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statement consists 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 Position 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 position includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The basic financial statements report the 12th Judicial District Attorney's net position and how it has 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 significant 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 are tracked using department codes.

**Analysis of Financial Position
(Statement of Net Position)**

Total Assets: Total assets of \$385,746 includes cash on deposit with the State Treasurer (\$157,855), receivables of (\$165,131) and capital assets (\$62,760).

Total Liabilities: Total Liabilities of \$206,225 includes Accounts Payable (\$5,706), reversion due to State General Fund (\$8,201), accrued payroll and related liabilities (\$74,370), and compensated absences (payable after one year \$117,948).

Net Position: Total net position is \$179,521. Including \$62,760 invested in capital assets and \$116,761 unrestricted.

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

Total Revenues: State General Fund appropriations and federal awards provide the majority of the revenues, consisting of \$3,015,556, which was used for operational purposes.

Total Expense: Expenses are primarily operational, and include employee salaries and benefits, other operating costs, and depreciation (\$38,946) totaling \$3,094,052.

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For The Year Ended June 30, 2014
 Unaudited**

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

	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 322,986	366,736
Capital assets	62,760	93,902
Total assets	\$ 385,746	460,638
Total Liabilities	\$ 206,225	202,619
Net position:		
Invested in capital assets	\$ 62,760	93,902
Unrestricted	116,761	164,117
Total net position	179,521	258,019
Total net position and liabilities	\$ 385,746	460,638
Revenue:		
Program revenue	\$ 399,363	334,128
Appropriations	2,616,017	2,474,780
Miscellaneous revenue	176	6,302
Total revenues	3,015,556	2,815,210
Expenses:		
Personnel services	3,055,106	2,905,980
Depreciation	38,946	50,820
Other costs	-	-
Total expenses	3,094,052	2,956,800
(Decrease) in net position	\$ (78,496)	(141,590)

Total assets decreased due to lower revenue in 2014 which made it necessary to use fund balance for operational expenses. Total liabilities were more in 2014 primarily due to an increase in compensated absences payable, as compared to the prior year. Net position decreased because of reductions in capital assets and an overall loss in operations. Revenues are higher in 2014 primarily because appropriations and program revenue increased. Expenses are higher due to salary increases needed to retain and hire qualified staff throughout the year.

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, 2014
Unaudited**

Analysis of Significant Budget Variances

The 12th Judicial District Attorney required 3 budget adjustments during the fiscal year. The agency adjusted the budget in the Southwest Border protection fund (consolidated with the General Fund in these financial statements) to increase spending due to the availability of additional grant funds. The agency's general fund, "other costs" were increased by \$32,000, the "contractual" was increased by \$8,000 and personal services were decreased by the same amount. In addition the HIDTA grant was increased by \$48,153 due to carry forward of unused prior year grant money.

Significant Capital Asset and Long-Term Debt Activity

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

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

General Fund Budgetary Highlights

The State of New Mexico, Office of the District Attorney, 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

For Fiscal Year 15 and beyond the agency will no longer be able to apply for the Southwest Border Grant, which is no longer available. This was a federal grant that provided the agency with a substantial amount to maintain up to 4 additional staff each year. We are also uncertain of the guarantee of our two other federal grants which are the VOCA and HIDTA grants. In the past 2 fiscal years we have already received a reduction in the HIDTA grant.

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 POSITION
 As of June 30, 2014**

ASSETS	Governmental Activities
Current Assets	
State general fund investment pool	\$ 157,855
Due from federal sources	80,640
Due from other state agencies	<u>84,491</u>
Total current assets	322,986
Capital assets, net	
Total assets	<u>\$ 62,760</u> <u><u>385,746</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 5,706
Due to state general fund	8,201
Accrued salaries and employee benefits	74,370
Compensated absences payable - expected to be paid within one year	<u>117,948</u>
Total current liabilities	<u>206,225</u>
Total liabilities	<u>206,225</u>
NET POSITION	
Net investment in capital assets	62,760
Unrestricted	<u>116,761</u>
Total unrestricted	179,521
Total net position	<u>179,521</u>
Total liabilities and net position	<u>\$ 385,746</u>

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, 2014**

EXPENSES	Governmental Activities
General government	
Public safety	\$ 3,055,108
Depreciation	38,946
Total program expenses	<u>3,094,054</u>
Less: Program revenues	
Operating grants and contracts	<u>399,363</u>
Total program revenues	<u>399,363</u>
Net program (expenses)/revenues and changes in net position	<u>(2,694,691)</u>
REVENUES	
General revenues	
Transfers	
State general fund appropriations FY 14	2,603,600
Less: Reversion to state general fund FY 14	(8,583)
Other financing sources	21,000
Total transfers	<u>2,616,017</u>
Miscellaneous revenue	176
	<u>2,616,193</u>
Change in net position	(78,498)
Net position, beginning	<u>258,019</u>
Net position, ending	<u>\$ <u>179,521</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, 2014**

	Major Funds			Total
	General Fund	Special Revenue Funds		
	91200 HIDTA	91400 VOCA		
ASSETS				
State General Fund Investment Pool	\$ 157,855	-	-	157,855
Due from federal sources	-	80,640	-	80,640
Due from other state agencies	72,598	-	11,897	84,495
Due from other funds	92,537	-	-	92,537
Total assets	322,990	80,640	11,897	415,527
LIABILITIES				
Due to other funds	-	80,640	11,897	92,537
Accounts payable	5,706	-	-	5,706
Accrued salaries and employee benefits	74,370	-	-	74,370
Due to state general fund	8,201	-	-	8,201
Current liabilities	88,277	80,640	11,897	180,814
FUND BALANCES				
Assigned: SW appropriations	228,231	-	-	228,231
Unassigned	6,482	-	-	6,482
Total fund balance	234,713	-	-	234,713
Total liabilities and fund balance	\$ 322,990	80,640	11,897	415,527
Total fund balance governmental funds			\$	234,713
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds				62,760
Long-term debt reported as accrued compensated absences is not due and payable in the current period therefore, are not reported in the funds				(117,948)
Rounding				(3)
Net position of governmental activities			\$	179,521

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 The Year Ended June 30, 2014**

	<u>Major Funds</u>			<u>Total</u>
	<u>Special Revenue Funds</u>			
	<u>General Fund</u>	<u>91200 HIDTA</u>	<u>91400 VOCA</u>	
REVENUES				
Federal funds	\$ 72,595	276,104	50,664	399,363
Miscellaneous revenue	176	-	-	176
Total revenues	<u>72,771</u>	<u>276,104</u>	<u>50,664</u>	<u>399,539</u>
EXPENDITURES				
Current				
General government:				
Personal services and benefits	2,465,589	276,104	49,982	2,791,675
Contractual services	40,499	-	-	40,499
Other costs	215,541	-	682	216,223
Capital outlay	-	-	-	-
Total expenditures	<u>2,721,629</u>	<u>276,104</u>	<u>50,664</u>	<u>3,048,397</u>
Excess (deficiency) of revenues over expenditures	(2,648,858)	-	-	(2,648,858)
OTHER FINANCING SOURCES (USES)				
Inter-agency transfers:				
State general fund appropriations FY 14	2,603,600	-	-	2,603,600
Reversion to state general fund FY 14	(8,583)	-	-	(8,583)
Other financing sources	21,000	-	-	21,000
Total other financing sources (uses):	<u>2,616,017</u>	-	-	<u>2,616,017</u>
Net change in fund balance	(32,841)	-	-	(32,841)
Beginning fund balance	<u>267,554</u>	-	-	<u>267,554</u>
Ending fund balance	<u>\$ 234,713</u>	<u>-</u>	<u>-</u>	<u>234,713</u>
Net change in fund balance — governmental funds				\$ (32,841)
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				(38,946)
Capital additions				7,804
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				(14,512)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in governmental funds.				<u>-</u>
Change in net position— governmental activities				<u>\$ (78,496)</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 (MODIFIED GAAP BUDGETARY BASIS)
 GENERAL FUND 16600
 For The Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Federal sources	\$ -	-	-	-
Miscellaneous revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
General government				
Personal services	2,453,300	2,413,300	2,412,789	511
Contractual services	22,200	30,200	29,358	842
Other costs	149,100	181,100	173,870	7,230
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,624,600</u>	<u>2,624,600</u>	<u>2,616,017</u>	<u>8,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,624,600)</u>	<u>(2,624,600)</u>	<u>(2,616,017)</u>	<u>8,583</u>
OTHER FINANCING SOURCES (USES)				
Inter-agency Transfers				
State general fund appropriations FY 14	2,603,600	2,603,600	2,603,600	-
Compensation allocation	-	-	-	-
Less: Reversion to state general fund FY 14	-	-	(8,583)	(8,583)
Other financing sources	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Total Interagency transfers	<u>2,624,600</u>	<u>2,624,600</u>	<u>2,616,017</u>	<u>(8,583)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Restatement	-	-	-	-
Fund balance, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total modified GAAP budget basis expenditures for FY 14			\$ 2,616,017	
Amounts recorded as expenses in the fund's financial statements, but included in another budget (SWB 91300)			<u>105,612</u>	
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2014			<u>\$ 2,721,629</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 (MODIFIED GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUND - HIDTA 91200
For The Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Favorable</u>
			<u>Basis)</u>	<u>(Unfavorable)</u>
REVENUES				
Intergovernmental revenue:				
Federal sources	\$ 247,900	296,053	276,104	(19,949)
Total revenues	<u>247,900</u>	<u>296,053</u>	<u>276,104</u>	<u>(19,949)</u>
EXPENDITURES				
Current:				
Personal services/employee benefits	247,900	296,053	276,104	19,949
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	<u>247,900</u>	<u>296,053</u>	<u>276,104</u>	<u>19,949</u>
Excess (deficiency) of revenues over (under) expenditures			<u>-</u>	
Net change in fund balance			-	
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<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 (MODIFIED GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUND - VICTIMS OF CRIME ADVOCATE 91400
For The Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary</u>	<u>Favorable</u>
			<u>Basis)</u>	<u>(Unfavorable)</u>
REVENUES				
Federal sources	\$ 54,300	54,300	50,664	(3,636)
Total revenues	<u>54,300</u>	<u>54,300</u>	<u>50,664</u>	<u>(3,636)</u>
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	53,600	53,600	49,982	3,618
Contractual services	-	-	-	-
Other costs	<u>700</u>	<u>700</u>	<u>682</u>	<u>18</u>
Total expenditures	<u>54,300</u>	<u>54,300</u>	<u>50,664</u>	<u>3,636</u>
Excess (deficiency) of revenues over (under) expenditures			<u>-</u>	
Net change in fund balance			-	
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

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, 2014**

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, 2014**

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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* 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.

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.

3. Basis of Accounting

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

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

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

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

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."

We both restricted and unrestricted resources are available for use, it is the DA's policy to use restricted sources first, then unrestricted resources as needed.

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

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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, 2014 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, 2014. 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

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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, 2014.
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 Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as: *Invested in capital assets* (net of related debt), *restricted* and *unrestricted*. *Invested in Capital Assets* (net of related debt) is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position reflects the portion of net position that has third party limitations on its' use. *Unrestricted (Deficit) Net Position* represents the net position of the DA that is 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.

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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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applied to a future period and so will not be recognized as an expense or expenditure until then. The DA has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applied to a future period and so will not be recognized until then. The DA has no items that meet this criterion.

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12. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

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

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. At June 30, 2014, accrued compensated absences payable for accumulated annual leave totaled \$117,948.

13. Accrued Sick Leave

Chapter 150 Laws of 1983 provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, 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, 2014 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, 2014, no employees of the DA’s office have accrued leave benefits in excess of 600 hours.

14. 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.

15. Cash and Cash Equivalents

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

16. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Twelfth Judicial District Attorney recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Twelfth Judicial District Attorney’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization

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has evaluated subsequent events through October 17, 2014, which is the date the financial statements were available to be issued.

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.

Cash and investments at June 30, 2014 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/ 262-91300	\$ 157,855	-	157,855
Total General Fund			<u>157,855</u>	<u>-</u>	<u>157,855</u>
Special revenue	STO	262-91200	-	-	-
Special revenue	STO	262-91400	-	-	-
Total Special Revenue Funds			<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Financials			<u>\$ 157,855</u>	<u>-</u>	<u>157,855</u>

There were no deposits in transit as of June 30, 2014. 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, 2014. 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 diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at:

http://www.nmdfa.state.nm.us/Cash_Control.aspx.

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By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State. The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2012 and continues into 2014.

That directive instructed agencies to do the following:

1. Provide copies of the referenced reports to the agency's Independent Public Accountant (IPA) performing the fiscal year 2014 audit;
2. Explain to the IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
3. Disclose in the agency's notes to the financial statements the facts about the statewide cash reconciliation as of June 30, 2014, and what the agency's policies and procedures were during the fiscal year 2014 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2014.

The DA has provided copies of the referenced diagnostic reports to the IPA. The DA has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the DA has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

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The DA has an interest in the State General Fund Investment Pool allocated between five funds operating under the oversight of SHARE and the State Treasurers Office. The cash transactions processed by the DA flow through the state general fund investment pool. Since SHARE was implemented, the DA recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the DA. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. 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 and a review of outstanding warrants. The DA conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the DA share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period.

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.

C. RECEIVABLES

Federal receivables of \$80,640 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 2013	Additions	Adjustments	Balance 2014
Furniture and equipment	\$ 332,751	7,804	20,318	360,873
Vehicles	266,793	-	-	266,793
	<u>599,544</u>	<u>7,804</u>	<u>20,318</u>	<u>627,666</u>
Less accumulated depreciation for:				
Furniture and equipment	(312,441)	(5,294)	(20,318)	(338,053)
Vehicles	(193,201)	(33,652)	-	(226,853)
	<u>(505,642)</u>	<u>(38,946)</u>	<u>(20,318)</u>	<u>(564,906)</u>
Capital assets, net	<u>\$ 93,902</u>	<u>(31,142)</u>	<u>-</u>	<u>62,760</u>

Adjustments presented in the schedule are due to capital assets that were identified in fiscal year 2014, which were fully depreciated. Idle equipment of \$192,124 is presented in the furniture and equipment category and has been fully depreciated. The DA is a single function organization and all

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depreciation is recorded to its only activity, general government, in the amount of \$38,946. There were no deletions in 2014.

E. COMPENSATED ABSENCES

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

	<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2014</u>	<u>Due Within One Year</u>
Compensated absences	\$ 103,436	125,713	(111,201)	117,948	117,948

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. As of June 30, 2014, the following is due to the State General Fund from the DA:

<u>Fund</u>	<u>Description</u>	<u>Due to State General Fund (#34100)</u>
16600	FY14 Reversion	\$ 8,583
16600	FY13 Overpayment	(382)
		<u>\$ 8,201</u>

G. FUND BALANCES

The DA's fund balances represent: 1) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these reserves by these fund types at June 30, 2014, follows:

	<u>Assigned Purposes</u>
General Fund:	
Southwest Border Prosecution Initiative (SWBPI) - Fiscal year 2015 appropriations	\$ <u>228,231</u>

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H. DUE TO/FROM OTHER STATE AGENCIES

As of June 30, 2014, the following is due to the DA from other state agencies:

<u>Due From Other Agencies</u>				
Due to SHARE Fund No.	Amount	Due from SHARE Fund No.	Agency Name	Purpose
SWB #91300	\$ 72,595	#26400	Administrative Office of the District Attorney	SWBPI grant
VOCA #91400	11,896	#78000	Crime Victims Reparation Commission	cost-reimbursement grant
	<u>\$ 84,491</u>			

I. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2014, interfund balances include:

Due from:	Due To:	Total
	General Fund	
HIDTA (91200) \$	80,640	80,640
VOCA (91400)	11,897	11,897
Total \$	<u>92,537</u>	<u>92,537</u>

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.

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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, 2014 in aggregate are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2015	\$ 10,770
2016	10,770
2017	7,860
2018	-
2019	-
Thereafter	-
Total	<u>\$ 29,400</u>

Lease and related expenditures for the year ended June 30, 2014 were \$11,739.

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, 2014 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.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
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For The Year Ended June 30, 2014**

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 <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The DA is required to contribute 16.99% 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, 2014, 2013 and 2012 were \$313,923, \$272,071, and \$231,720, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description. The DA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit 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

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.50% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The DA's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$37,907, \$36,082 and \$31,701, 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, 2014.

P. DETERMINATION OF SINGLE AUDIT

The DA recorded federal revenues of \$399,363, and spent \$432,381 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, 2014.

Q. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. No funds that maintained a deficit fund balance as of June 30, 2014.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

B. No funds exceeded approved budgetary authority for the year ended June 30, 2014.

R. CONCENTRATIONS

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

S. IMPLEMENTATION OF NEW GASB STANDARDS

In June 2012, The Governmental Accounting Standards Board (GASB) approved Statement No. 67, Financial Reporting for Pension Plans, which applies to pension plans that administer pension benefits. The Public Employees Retirement Association (PERA) administers the pension for the DA. Statement No. 68, Accounting and Financial Reporting for Pensions, which applies to governments that provide pension benefits to their employees.

GASB 67 Financial Reporting for Pension Plans

Requires changes to presentation in financial statements, notes to the financial statements, and required supplementary information in PERA's financial report. GASB 67 will be implemented in FY 2014 by PERA.

GASB 68 Accounting and Financial Reporting for Pensions

Applies the changes implemented at the pension plan level (PERA) under GASB 67 and segregates and divides, or allocates, the pension liability to each participating employer (state, municipal, judicial, magistrate, volunteer firefighters, and legislative). The statement implementation date is FY 2015.

PERA's Current Implementation and Timeline

1. Implement GASB 67

a. GASB 67 will require the net pension liability to be disclosed in PERA's FY 2014 financial report. The total "collective" pension liability will then be allocated to the participant employers for FY 2015 financial reporting.

i. PERA plans to separately issue an audited report, referred to as the "Schedule of Employer Allocations" that will allocate the total pension liability *by employer*. The report will also include other required information that will be used by each employer participant for disclosure in each employer's FY 2015 financial reports.

Anticipated process and timeline is as follows:

1. The "Schedule of Employer Allocations" is provided to PERA's external auditor in January of 2015.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

2. PERA's external auditor's will audit the "Schedule of Employer Allocations" in February of 2015 and submit that report to the State Auditor's Office for review in March of 2015. *(See also 2.2.2.10 NMAC Sections CC and DD)*

3. The "Schedule of Employer Allocations" will be provided to employers in April of 2015, allowing enough time for incorporation into financial reports as required by GASB 68, after the June 30, 2015 year end.

In fiscal year 15 the DA will report a net pension liability based on its proportion of the collective net pension liability of all of the governments participating.

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (MODIFIED GAAP BUDGETARY BASIS)
 SPECIAL REVENUE FUND - SOUTHWEST BORDER FUND 91300
 For The Year Ended June 30, 2014**

	<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	\$ -	333,843	72,771	(261,072)
Total revenues	-	333,843	72,771	(261,072)
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	-	203,898	52,800	151,098
Contractual services	-	30,000	11,141	18,859
Other costs	-	99,945	41,671	58,274
Total expenditures	-	333,843	105,612	228,231
Excess (deficiency) of revenues over (under) expenditures	-	-	(32,841)	(32,841)
Net change in fund balance			(32,841)	
Fund balance, beginning			267,554	
Fund balance, ending			\$ 234,713	

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF INTERAGENCY TRANSFERS
 For The Year Ended June 30, 2014**

Description	Agency Transferred From	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred In
General Fund Appropriation	DFA	34101	16600	Laws 2013, 1st Ses. Ch 227, Sec 8	FY 14	\$ 2,603,600
Other Financing Sources	DFA	34101	16600	Laws 2013, 1st Ses. Ch 227, Sec 8	FY 14	21,000
Total Transfers In						<u>\$ 2,624,600</u>

Description	Agency Transferred To	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred Out*
General Fund Reversion	DFA	16600	34100	Reversion of FY 14	FY 14	\$ 8,583

*Transfers will be completed after FY 14



INDEPENDENT AUDITOR’S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the DA’s basic financial statements, and the related budgetary comparison of the DA, presented as supplemental information, and have issued our report thereon dated October 17, 2014.

Internal Control Over Financial Reporting

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

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

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

INDEPENDENT AUDITOR'S 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

October 17, 2014

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*.

Purpose of This Report

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

This report is intended solely for the information and use of management, of 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
Albuquerque, NM
October 17, 2014

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended June 30, 2014**

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:						
	NONE					
Current:						
	NONE					

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
For the Year Ended June 30, 2014**

An exit conference was held in a closed session on October 17, 2014. In attendance were:

Diana A. Martwick
Rhonda Sanchez
Farley Vener, CPA, CFE
Katelyn Constantin

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, 2014, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.