

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT – DIVISION II**



**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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## **INTRODUCTORY SECTION**

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STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT – DIVISION II

OFFICIAL ROSTER  
JUNE 30, 2011

Name

Title

Karl R. Gillson

District Attorney

Administrative Officials

Loretta Diaz

Chief Financial Officer

Antoinette Esquibel

Program Specialist

Andrea Hoffman

Program Administrator

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**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT – DIVISION II**

FOR THE YEAR ENDED JUNE 30, 2011  
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**FINANCIAL SECTION**

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# Griego Professional Services, LLC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Karl R. Gillson, District Attorney  
Office of the District Attorney  
Eleventh Judicial District – Division II  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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 and major special revenue funds of the State of New Mexico Office of the District Attorney Eleventh Judicial District, Division II (the Office), as of and for the year ended June 30, 2011, which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expression an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Office of the District Attorney Eleventh Judicial District, Division II, State of New Mexico, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major funds, the budgetary comparison for the general and special revenue funds, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2011 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to 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 Office, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparisons 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 December 12, 2011 on our consideration of the Office'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* and should be considered in assessing the results of our audit.

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The *Management's Discussion and Analysis* on pages v through viii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 financial statements taken as a whole.

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
December 12, 2011

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**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

**June 30, 2011**

The Management's Discussion and Analysis is designed to provide an overview of the activities and programs of the Eleventh Judicial District Attorneys Office - Division II that result from the financial planning and from the expenditure of the annual budget of the Office.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of four parts – (1) Management's Discussion and Analysis (this section), (2) the basic financial statements, (3) required supplementary information and (4) other reports. The basic financial statements include two kinds of statements that present different views of the Office.

The first two statements are government - wide financial statements that provide both long - term and short - term information about the Office's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Office. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that presents schedules and further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with supporting schedules. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-Wide Statements**

The two government-wide statements report information about the Office as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Office'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 two government-wide statements report the Office's net assets and how they have changed. Net assets - the difference between the Office's assets and liabilities - is one way to measure the Office's financial health or position. Over time, increases or decreases in the Office's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The Office has only one activity - Judicial Services - which is a governmental activity. The Office does not have any business-type activities or any component units.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Office's significant governmental funds - not the Office as a whole. Funds are accounting devices that the Office uses to keep track of specific sources of funding and spending for particular purposes.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)**

**June 30, 2011**

This Office has the following funds:

- ◆ General Appropriation Fund (16900) - All of the Office's services are reflected in the general appropriation fund and provide information to help the user determine whether there are more or fewer financial resources that can be used to finance the Office's program. This fund is a reverting fund. All money remaining at the end of the fiscal year reverts to the state's general fund.
- ◆ The McKinley County Grants Special Revenue Fund (27600) is specific to McKinley County DWI Grant awards. 100% of expenditures are that of payroll reimbursements. Upon receipt of payroll and reconciliation, McKinley County is invoiced for services rendered by three Term FTE's as follows: one DWI Secretary, one DWI Subpoena Clerk and, one DWI Prosecutor. This fund is a non-reverting fund.
- ◆ The Southwest Border Prosecution Special Revenue Fund (27700) is specific to Southwest Border Prosecution Initiatives (SWBPI). The funding is based on statistical records that pertain to Drug Task Force involvement/prosecution. This fund is a non-reverting fund.
- ◆ Worthless Check and Pre-Prosecution Diversion Fund - This fund is for fees collected for worthless check and pre-prosecution diversion fees and distributed to victims and the Administrative Office of the District Attorneys. This is an agency fund and all monies received are paid out to the parties mentioned.

**GOVERNMENT-WIDE HIGHLIGHTS**

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Current Assets	\$ 325,184	\$ 271,559
Capital Assets	<u>121,017</u>	<u>78,427</u>
Total Assets	<u>446,201</u>	<u>349,986</u>
Current Liabilities	<u>\$ 218,176</u>	<u>\$ 147,351</u>
Total Liabilities	<u>218,176</u>	<u>147,351</u>
Net Assets		
Invested in Capital Assets	121,017	\$ 78,427
Restricted	201,212	195,406
Unrestricted deficit	<u>(94,204)</u>	<u>(71,198)</u>
Total net assets	<u>\$ 228,025</u>	<u>\$ 202,635</u>



**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)**

**June 30, 2011**

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Program Revenue	\$ 210,239	\$ 162,098
General Revenue – Appropriation	2,063,726	1,950,100
Miscellaneous Revenue	-	2,337
Transfer Out	<u>(12,368)</u>	<u>0</u>
Total Revenue	<u>\$ 2,261,597</u>	<u>\$ 2,114,535</u>
Expenses – General Fund	\$ 2,309,352	\$ 2,139,925
Change in net assets	<u>\$ (47,755)</u>	<u>\$ (25,390)</u>
Beginning Net Assets	<u>275,780</u>	<u>228,025</u>
Ending net assets	<u>\$ 228,025</u>	<u>\$ 202,635</u>

**Overall Financial Position:**

The overall financial position of the District Attorney's Office is similar to the previous year. In prior years, the Office received funds from the Southwest Borders Initiative Federal grant to prosecute drug cases. However, all of this funding has been restricted. Allotments and spending has been frozen at the direction of Federal Government and Department of Finance and Administration. The District Attorney's Office receives state funded appropriations to pay for operating costs. Any unused portion of the appropriation reverts to the general fund at the end of the fiscal year.

The decrease in net assets of \$25,390 from 2010 to 2011 is attributable to the fact that the Office had been holding a restricted balance of \$201,212 from the Southwest Borders Initiative Grant. During fiscal year 2011, the Office was able to spend previously restricted funds, resulting in approximately \$6,333 decrease in fund balance. Net capital assets are \$42,590 less than the prior year because depreciation expense for the year was more than capital asset acquisitions. Additionally, the Office's compensated absences liability decreased by \$22,331, accounting for most of the remaining decrease in net assets.

**Individual Fund Highlights:**

As of June 30, 2011 the Southwest Border Prosecution Fund was holding \$194,879 of unspent money received from the Governor's Office for the Southwest Borders Initiative. The money is restricted and unavailable at this time.

**Budgetary Highlights:**

The operating budget from July, 2010 to June, 2011 consisted of General Fund \$1,950,100 of which 33 FTE's were authorized.

Budget Adjustment Requests during the year were made to set up the new Grants and Contracts and to account for increases and reductions in those funding sources. Budget results were essentially as originally anticipated.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)**

**June 30, 2011**

**Capital Assets and Long Term Debt:**

The Office's capital assets consist of personal property. Net of accumulated depreciation, the ending asset value for the Office is \$78,247. The decrease in the net value of capital assets is due to the excess of depreciation expense over equipment purchases. Depreciation expense was \$42,590. There were no additions in fiscal year 2011, due to budget cuts. This Office does not own any real property or infrastructure assets.

The long term debt consists of compensated absences that are due to employees for sick and annual leave accrued. As of June 30, 2011, the ending debt accumulated was \$70,883, a decrease of \$22,331 from June 30, 2010.

**Other Financial Highlights:**

Pursuant to state statute, the Office holds one bank account. This bank account is accounted for and maintained by the Office. This account is for collecting and disbursing fees for the worthless check and pre-prosecution programs. All monies in the account are held in trust.

The Office will continue to operate under the same financial procedures and policies as it has in the past. There are no other pending financial matters that could have significant impact on the Office.

**AGENCY HIGHLIGHTS:**

The Eleventh Judicial District Attorney's Office is comprised of McKinley County. Our mission as "Ministers of Justice" in the enforcement of the rules and laws of the State of New Mexico is to involve victims of crime in the judicial process; to jealously guard all citizens' full range of rights and against abuse; to protect all members of our diverse community; to bring to justice, convict and punish those who would prey upon others; this accomplished through partnership with law enforcement and community. The Eleventh Judicial District Attorney's Office consists of 33 full-time employees. Three of which are term positions paid the McKinley County Liquor Excise Tax. The Eleventh Judicial District, Division II, District Attorney's Office and the McKinley County law enforcement jurisdiction is dynamic. McKinley is amongst the poorest counties in the Nation. The region is multi-cultural but predominately Native American. Because McKinley County is a "checker board" different private, state, federal and Native American Lands, the District Attorney's Office routinely works with the Zuni, Navajo Police, FBI, AFT, DFA and local police. Attempting to meet our mission daily, this agency exercises the values of professionalism, efficiency, commitment to public availability and innovation. A quality that we possess and promote is to be among those public agencies which bring stability and quality of life issues to the forefront.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT:**

This financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of this agency's finances and to demonstrate the agency's accountability for the funds it receives. If you have any questions about this report, or need additional information, contact:

Loretta L. Diaz  
Chief Finance Officer  
Eleventh Judicial District Attorney, Division II  
201 West Hill Street, Suite 100  
Gallup, New Mexico 87301  
(505) 722-2281

**BASIC  
FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

Exhibit A-1

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Interest in General Fund Investment Pool	\$ 258,403
Accounts Receivable	13,156
Total Current Assets	271,559
Noncurrent Assets	
Capital assets	376,138
Less: accumulated depreciation	(297,711)
Total capital assets	78,427
Total noncurrent Assets	78,427
Total assets	\$ 349,986
 <b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	\$ 7,193
Accrued payroll	64,516
Due to State General Fund	4,759
Current portion of accrued compensated absences	70,883
Total Current Liabilities:	147,351
 <b>NET ASSETS</b>	
Invested in capital assets	78,427
Restricted for:	
Southwest Borders Initiative	195,406
Unrestricted	(71,198)
Total net assets	202,635
Total liabilities and net assets	\$ 349,986

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental activities:			
Public safety			
Administrative Services	\$ 2,097,335	\$ 162,098	\$ (1,935,237)
Depreciation	42,590	-	(42,590)
Total governmental activities	<u>\$ 2,139,925</u>	<u>\$ 162,098</u>	<u>(1,977,827)</u>
<b>General Revenues:</b>			
General fund appropriation			1,950,100
Miscellaneous			2,337
Total general revenues			<u>1,952,437</u>
<b>Transfers:</b>			
Transfer out - State general fund FY11			<u>-</u>
Total general revenues, special items and transfers			<u>1,952,437</u>
Change in net assets			(25,390)
Beginning net assets			<u>228,025</u>
Ending net assets			<u><u>\$ 202,635</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2011**

Exhibit B-1  
(Page 1 of 2)

	General Fund	McKinley County Grants Fund	Southwest Border Prosecution Fund	Total
<b>ASSETS</b>				
<i>Current:</i>				
Interest in General Fund Investment Pool	\$ 315,712	\$ (6,660)	\$ (50,649)	\$ 258,403
Accounts Receivable	621	12,535	-	13,156
<i>Total current assets</i>	<u>\$ 316,333</u>	<u>\$ 5,875</u>	<u>\$ (50,649)</u>	<u>\$ 271,559</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ 7,193	\$ -	\$ -	\$ 7,193
Accrued payroll	58,853	5,663	-	64,516
Interfund balances	245,528	-	(245,528)	-
Due to state general fund	4,759	-	-	4,759
<i>Total current liabilities</i>	<u>316,333</u>	<u>5,663</u>	<u>(245,528)</u>	<u>76,468</u>
<i>Fund balances</i>				
Fund Balance:				
Nonspendable	-	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special revenue	-	212	194,879	195,091
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>212</u>	<u>194,879</u>	<u>195,091</u>
<i>Total liabilities and fund balance</i>	<u>\$ 316,333</u>	<u>\$ 5,875</u>	<u>\$ (50,649)</u>	<u>\$ 271,559</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**GOVERNMENTAL FUND**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

Exhibit B-1  
(Page 2 of 2)

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 195,091
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	78,427
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(70,883)</u>
Total Net Assets	<u><u>\$ 202,635</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit B-2  
(Page 1 of 2)

	General Fund	McKinley County Grants Fund	Southwest Border Prosecution Fund	Total
<i>Revenues:</i>				
Federal grants	\$ 621	\$ 161,477	\$ -	\$ 162,098
Other Financing Sources	-	-	-	-
Local government - Intrastate WTS	-	-	-	-
Miscellaneous	2,337	-	-	2,337
<i>Total revenues</i>	<u>2,958</u>	<u>161,477</u>	<u>-</u>	<u>164,435</u>
<i>Expenditures:</i>				
Current				
Public Safety	-	-	-	-
Personal Services & Benefits	1,812,700	160,275	5,830	1,978,805
Contractual	10,986	-	-	10,986
Other	129,899	-	(24)	129,875
<i>Total expenditures</i>	<u>1,953,585</u>	<u>160,275</u>	<u>5,806</u>	<u>2,119,666</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,950,627)</u>	<u>1,202</u>	<u>(5,806)</u>	<u>(1,955,231)</u>
<i>Other financing sources (uses):</i>				
General fund appropriation	1,950,100	-	-	1,950,100
Interfund transfers	527	-	(527)	-
<i>Total other financing sources (uses)</i>	<u>1,950,627</u>	<u>-</u>	<u>(527)</u>	<u>1,950,100</u>
<i>Net change in fund balances</i>	-	1,202	(6,333)	(5,131)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>(990)</u>	<u>201,212</u>	<u>200,222</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ 194,879</u>	<u>\$ 195,091</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUND TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit B-2  
(Page 2 of 2)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (5,131)
--------------------------------------------------------	------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures	-
Depreciation expense	(42,590)
Loss on disposal of assets	-

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Increase in accrued compensated absences	<u>22,331</u>
Changes in Net Assets	<u><u>\$ (25,390)</u></u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**GENERAL FUND**

Exhibit C-1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal grants	\$ -	\$ -	\$ -	\$ -
Other Financing Sources	-	-	-	-
Local government - Intrastate WTS	-	7,596	621	(6,975)
Miscellaneous	-	-	2,337	2,337
<i>Total revenues</i>	-	7,596	2,958	(4,638)
<i>Expenditures:</i>				
Personal services and employee benefits	1,802,100	1,812,710	1,812,700	10
Contractual services	11,200	10,986	10,986	-
Other	136,800	134,000	129,899	4,101
<i>Total expenditures</i>	1,950,100	1,957,696	1,953,585	4,111
<i>Excess (deficiency) of revenues over expenditures</i>	(1,950,100)	(1,950,100)	(1,950,627)	(527)
<i>Other financing sources (uses):</i>				
State general fund appropriation	1,950,100	1,950,100	1,950,100	-
Transfers	-	-	527	527
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	1,950,100	1,950,100	1,950,627	527
<i>Net change in fund balances</i>	\$ -	\$ -	\$ -	\$ -
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**MCKINLEY COUNTY GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit C-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal grants	\$ 124,100	\$ 162,000	\$ 161,477	\$ (523)
Other Financing Sources	-	-	-	-
Local government - Intrastate WTS	-	-	-	-
Other Gifts & Grants	-	-	-	-
<i>Total revenues</i>	124,100	162,000	161,477	(523)
<i>Expenditures:</i>				
Personal services and employee benefits	124,100	162,000	160,275	1,725
Contractual services	-	-	-	-
Other	-	-	-	-
<i>Total expenditures</i>	124,100	162,000	160,275	1,725
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	1,202	1,202
<i>Other financing sources (uses):</i>				
State general fund appropriation	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	\$ -	\$ -	\$ 1,202	\$ 1,202
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 1,202	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**SOUTHWEST BORDER PROSECUTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit C-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal grants	\$ -	\$ -	\$ -	\$ -
Other Financing Sources	-	-	-	-
Local government - Intrastate WTS	-	-	-	-
Other Gifts & Grants	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Personal services and employee benefits	201,212	200,133	5,830	194,303
Contractual services	-	-	-	-
Other	-	1,079	(24)	1,103
<i>Total expenditures</i>	201,212	201,212	5,806	195,406
<i>Excess (deficiency) of revenues over expenditures</i>	(201,212)	(201,212)	(5,806)	195,406
<i>Other financing sources (uses):</i>				
State general fund appropriation	-	-	-	-
Transfers	-	-	(527)	(527)
Designated cash	201,212	201,212	-	(201,212)
<i>Total other financing sources (uses)</i>	201,212	201,212	(527)	(201,739)
<i>Net change in fund balances</i>	\$ -	\$ -	\$ (6,333)	\$ (6,333)
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (6,333)	

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO** Exhibit D-1  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>5,285</u>
<i>Total assets</i>	<u><u>\$ 5,285</u></u>
<b>LIABILITIES</b>	
Due to injured parties	<u>\$ 5,285</u>
<i>Total liabilities</i>	<u><u>\$ 5,285</u></u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT - DIVISION II  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE 1. Summary of Significant Accounting Policies**

The Office of the District Attorney, Eleventh Judicial District - Division II (Office) was created out of the Eleventh Judicial District Attorney bylaws 1981, Chapter 25, paragraph 4. The District Attorney provides law enforcement as its primary service. Financing of the Office is by state appropriation.

These financial statements include all funds and activities over which the District Attorney has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The financial statements of the Office have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard 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 District's accounting policies are described below.

**A. Reporting Entity**

GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Office is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Office may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Office also has no *component units*, as defined by GASB Statement No. 14 and/or GASB Statement No. 39, as there are no other legally separate organizations for which the Office is financially accountable. There are no other primary governments with which the Office is financially accountable. There are no other primary governments with which the Office has a significant relationship.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 a 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. For the District Attorney's Office, these revenues consist of federal, state and local government operating grants. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**STATE OF NEW MEXICO**  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT - DIVISION II  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

*B. Government-wide and fund financial statements (Continued)*

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

*C. Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity. The District's agency fund is for fees collected for worthless checks and pre-prosecution diversion fees and such funds are distributed to victims and the Administrative Office of the District Attorneys.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

*C. Measurement focus, basis of accounting, and financial statement presentation - (continued)*

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

The *General Fund* is the primary operating fund of the Office, and accounts for all financial resources, except those required to be accounted for in other funds. The SHARE number and description of the General Fund of the Office is #16900~ Eleventh Judicial District - Division II. This fund is a reverting fund with regards to state appropriations. All state appropriations remaining at the end of the fiscal year revert to the state's general fund. Other sources of revenue may result in an ending fund balance that is reserved for that revenue source's purpose.

The *McKinley County Grants Special Revenue Fund (27600)* is specific to McKinley County DWI Grant awards. 100% of expenditures are that of payroll reimbursements. Upon receipt of payroll and reconciliation, McKinley County is invoiced for services rendered by three Term FTE's as follows: one DWI Secretary, one DWI Subpoena Clerk and, one DWI Prosecutor. This fund is a non-reverting fund.

The *Southwest Border Prosecution Special Revenue Fund (27700)* is specific to Southwest Border Prosecution Initiatives (SWBPI). The funding is based on statistical records that pertain to Drug Task Force involvement/prosecution. This fund is a non-reverting fund.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Office's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Office's general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Office has elected not to follow subsequent private-sector guidance.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Office reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Office does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

*D. Assets, Liabilities and Net Assets or Equity*

**Cash and cash equivalents:** The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All funds allotted to the Office are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

State statutes authorize the Office to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the Office are reported at fair value.

**Receivables and Payables:** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2011 financial statements of the Office, since the Office did not own any infrastructure assets as of June 30, 2011. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the Office did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2011, the Office did not receive any donated capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2011.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Building improvements	15 years
Furniture and fixtures	7 years
Machinery and equipment	6 years
Vehicles	5 years
Date processing equipment	3 years

**Compensated Absences:** Qualified employees accumulate annual leave as follows:

<u>Years Of Service</u>	<u>Hours Earned Per Month</u>
1 month - 3 yrs	10
Over 3 - 7 yrs	12
Over 7 - 14 yrs	14
Over 14 - beyond	16

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

D. *Assets, Liabilities and Net Assets or Equity - (continued)*

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employees current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 120 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Office allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

In prior years, substantially all of the related expenditures have been liquidated by the general fund.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net assets.

**Net Assets or Fund Equity:** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of these classifications is presented in Note 14.

In the government-wide financial statements, fund equity is classified as net assets and is displayed in three components:

*Invested in capital assets, net of related debt:* Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Assets:* Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets are restricted for “debt service or capital projects.”

*Unrestricted Net Assets:* All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the Office’s policy to use restricted resources first, then unrestricted resources as they are needed.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1. Summary of Significant Accounting Policies - (Continued)**

D. *Assets, Liabilities and Net Assets or Equity - (continued)*

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Office's financial statements include management's estimate of the useful lives of capital assets.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

The Office follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than September 1, the Office submits the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
4. The Office submits, no later than May 1, 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 in July. All subsequent budget adjustments must be approved by the Director of the DFA - Budget Division. The current year budget was revised in a legal manner.
5. Legal budget control for expenditures and encumbrances is by category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The budget is now adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the Laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. In this year of transition, the current year GAAP expenditures will include charges against prior year encumbrances; the current year budget basis, however, excludes expenditures charged against prior year encumbrances. Under the previous method of accounting, those charges were included in the prior year budget basis as expenditures. In future years, the District will not have encumbrances related to prior year appropriations and the budget basis expenditures will be the same as the modified accrual basis expenditures.
8. Appropriations lapse at the end of the fiscal year unless specifically re-appropriated. Unexpended amounts within the General Fund of the Office revert to the State General Fund.
9. Per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.



**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011, is presented on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for each governmental fund.

**NOTE 3. Cash and Investments**

State statutes authorize the investment of Office funds in a wide variety of instruments including certificates of deposit and other similar obligations, State Treasurer General Fund Investment Pool, money market accounts, and United States Government obligations. All invested funds of the Office properly followed State investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Office. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

**Deposits – Agency Funds**

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the entities for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor’s requirements in reporting the insured portion of the deposits. At June 30, 2011, the carrying amount of these deposits was \$5,285.

	Bank of
	<u>America</u>
Total amounts of deposits (checking account)	\$ 10,554
FDIC coverage	<u>(10,554)</u>
Total uninsured public funds	<u>\$ –</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 3. Cash and Investments - (Continued)**

**Investments – SHARE Fund 16900**

As of June 30, 2011, the Office had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>Less than 1 Year</u>
Interest in the State Treasurer General Fund Investment Pool	\$ 258,403	\$ 258,403

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2011. The State of New Mexico is regulatory oversight entity and participation in the pool in voluntary.

*Interest rate risk* is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2011, the Office's investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 36-day WAM.

**Reconciliation of Cash and Interest in General Fund Investment Pool**

Governmental Funds – Balance Sheet	
Interest in Local Government Investment Pool per Exhibit A-1	\$ 258,403
Statement of Fiduciary Assets and Liabilities –	
Agency Funds – cash per Exhibit D-1	<u>5,285</u>
	263,688
Add outstanding checks and other reconciling items	<u>5,269</u>
Total Interest in GFIP and Deposits	<u>\$ 268,957</u>

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 4. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land is not subject to depreciation.

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions &amp;</u> <u>Transfers in</u>	<u>Deletions &amp;</u> <u>Transfers out</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets:				
Furniture & Fixtures	\$ 57,004	\$ -	\$ -	\$ 57,004
Machinery & Equipment	25,539	-	-	25,539
Data Processing Equipment	30,816	-	-	30,816
Building Improvements	72,347	-	-	72,347
Vehicles	<u>190,432</u>	<u>-</u>	<u>-</u>	<u>190,432</u>
Total Capital Assets:	<u>376,138</u>	<u>-</u>	<u>-</u>	<u>376,138</u>
Less Accumulated Depreciation for:				
Furniture & Fixtures	35,009	11,390	-	46,399
Machinery & Equipment	23,225	1,158	-	24,383
Data Processing Equipment	30,816	-	-	30,816
Building Improvements	24,855	4,823	-	29,678
Vehicles	<u>141,216</u>	<u>25,219</u>	<u>-</u>	<u>166,435</u>
Total Accumulated depreciation:	<u>255,121</u>	<u>42,590</u>	<u>-</u>	<u>297,711</u>
Governmental activities capital assets, net:	<u>\$ 121,017</u>	<u>\$ (42,590)</u>	<u>\$ -</u>	<u>\$ 78,427</u>

Capital assets, net of accumulated depreciation, at June 30, 2011 appear in the Statement of Net Assets and/or the Fund Statements Balance Sheets as follows: Governmental activities \$78,427.

Depreciation expense for the year ended June 30, 2011 was charged to Public Safety in the amount of \$42,590.

**NOTE 5. Due to State General Fund**

The Due to State General Fund in the Statement of Net Assets includes \$4,759 in stale dated warrants which will be remitted to the State General Fund.

**NOTE 6. Long-term Debt**

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 93,214</u>	<u>\$ 74,044</u>	<u>\$ 96,375</u>	<u>\$ 70,883</u>	<u>\$ 70,883</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences – Administrative employees of the Office are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, compensated absences decreased \$22,331 from the prior year accrual. See Note 1 for more details.

Operating Leases – The Office leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2011 was \$14,574.

**STATE OF NEW MEXICO**  
**OFFICE OF THE DISTRICT ATTORNEY**  
**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 7. Risk Management**

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, workers' compensation, law enforcement liability, civil rights, property and vehicle.

**NOTE 8. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. There were no funds that maintained a deficit fund balance as of June 30, 2011.
- B. Excess of expenditures over appropriations. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2011.

**NOTE 9. Pension Plan – Public Employees Retirement Association**

*Plan Description.* Substantially all of the Office's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (PERA) (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, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 8.92% of their gross salary. The Office is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Office are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$215,567, \$226,967 and \$240,393, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan**

*Plan Description.* The Office 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.

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**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

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 premiums to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 through 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 will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are also 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 Office’s contributions to the RHCA for the years ended June 30, 2011, 2010, and 2009 were \$23,657, \$19,493 and \$18,837, respectively, which equal the required contributions for each year.

**NOTE 11. Interfund Receivables, Payables, and Transfers**

Net operating transfers, which were made to close out funds and to supplement funding were as follows:

	Transfers In	Transfers Out
General Fund	\$ 527	\$ —
Southwest Border Prosecution Fund	—	527

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**NOTE 11. Interfund Receivables, Payables, and Transfers (continued)**

The Office occasionally records temporary interfund receivable and payables until appropriate transfers are made. All interfund balances are to be paid within one year. The composition of interfund balances as of June 30, 2011 is as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ —	\$ 245,528
Southwest Border Prosecution Fund	245,528	—

**NOTE 12. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Office expects such amount, if any, to be immaterial.

The Office is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Office's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Office.

**NOTE 13. Deferred Compensation**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to a Deferred Compensation Plan. All contributions withheld from participants by the Office have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

**NOTE 14. Subsequent Accounting Standard Pronouncements**

In December 2009, the GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan*, which is effective for financial statement periods beginning after June 15, 2011. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which is effective for financial statement periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances.

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**NOTE 14. Subsequent Accounting Standard Pronouncements (continued)**

In December of 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

**NOTE 15. Governmental Fund Balance**

**Fund Balance:** In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted:* Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed:* Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

*Assigned:* Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned:* Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Detail relating to the fund balance classifications is displayed below:

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**NOTE 15. Fund Balance (continued)**

	General Fund	McKinley County Grants Fund	Southwest Border Prosecution Fund	Total Funds
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ -	\$ -	\$ -	\$ -
<b>Restricted for:</b>				
General fund	-	-	-	-
Public Safety	-	212	194,879	195,091
Capital projects	-	-	-	-
<b>Assigned to:</b>				
Other capital projects	-	-	-	-
Other purposes	-	-	-	-
<b>Unassigned:</b>	-	-	-	-
Total fund balances	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ 194,879</u>	<u>\$ 195,091</u>



**SUPPLEMENTARY INFORMATION**

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**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
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**SCHEDULE OF OPERATING TRANSFERS**  
**JUNE 30, 2011**

Schedule I

SHARE FUND	TITLE	TRANSFER	
		IN	OUT
(1) 61700	Department of Finance & Administration	1,950,100	
(1)	State General Fund Appropriation (Laws 2010, Chapter 6, Section 4)		General Fund

The accompanying notes are an integral part of these financial statements

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**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**JUNE 30, 2011**

Schedule II

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash in Bank	<u>\$ 6,513</u>	<u>\$ 83,988</u>	<u>\$ 85,216</u>	<u>\$ 5,285</u>
<b>LIABILITIES</b>				
Due to Injured Parties	<u>\$ 6,513</u>	<u>\$ 83,988</u>	<u>\$ 85,216</u>	<u>\$ 5,285</u>

The accompanying notes are an integral part of these financial statements

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**COMPLIANCE SECTION**

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**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***

Karl R. Gillson, District Attorney  
Office of the District Attorney  
Eleventh Judicial District – Division II  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the supplemental information of the State of New Mexico Office of the District Attorney Eleventh Judicial District, Division II (the Office), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (FS 10-01 and FS 11-01) 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.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item FS 11-02.

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

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

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
December 12, 2011

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**STATE OF NEW MEXICO**  
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**ELEVENTH JUDICIAL DISTRICT - DIVISION II**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2011**

**Section I – Summary of Audit Results**

*Financial Statements:*

1. Type of auditors' report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weakness identified?	No
b. Significant deficiency identified not considered to be a material weakness?	Yes
c. Control deficiency identified not considered to be a significant deficiency?	No
d. Noncompliance material to financial statements noted?	No

**Section II – Financial Statement Findings**

**FS 10-01: Internal Controls – Disbursements—Repeated and Revised—Significant Deficiency**

*Criteria:* Per the State of New Mexico Manual of Model Accounting Practices, Section FIN4.1 and Section 6-5-2, NMSA 1978, state agencies must use the Purchase Document form, approved by the State Purchasing Division, to order goods or services and to support encumbrances. This requires agencies to process through SHARE purchase requisitions, then purchase orders, then invoices, then payment vouchers for all purchases unless otherwise noted under special conditions.

*Condition:* During our test-work, we found that on twelve (12) out of twenty-five (25) payment vouchers, the purchase orders were being processed after invoices were received. The payment vouchers included the following:

Compilation Commission	\$1,403.00
Invoice Date: 7/21/2010	
Purchase Order Date: 7/29/2010	
Xerox Corporation	\$1,048.59
Invoice Date: 8/1/2010	
Purchase Order Date: 8/3/2010	
Gallup Independent Co.	\$219.38
Invoice Date: 8/21/2010	
Purchase Order Date: 8/26/2010	
Compilation Commission	\$597.00
Invoice Date: 8/27/2010	
Purchase Order Date: 9/2/2010	
Department of Information Technology	\$8,333.28
Invoice Date: July 2010	
Purchase Order Date: 9/10/2010	
Gallup Printing & Office Supply	\$251.25
Invoice Date: 10/13/2010	
Purchase Order Date: 10/14/2010	

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**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2011**

**Schedule III**

Park University Enterprise Inc. Invoice Date: 10/5/2010 Purchase Order Date: 10/20/2010	\$397.00
Complete Equity Markets Invoice Date: 11/4/2010 Purchase Order Date: 11/8/2010	\$1,332.00
Gallup Printing & Office Supply Invoice Date: 11/8/2010 Purchase Order Date: 1/11/2011	\$1,247.40
NM Municipal League Invoice Date: 11/10/2010 Purchase Order Date: 1/12/2011	\$125.00
Battered Families Services, Inc. Invoice Date: 1/12/2011 Purchase Order Date: 1/14/2011	\$800.00
Siegel Edward (Ned) PhD. P.C. Invoice Date: 3/31/2011 Purchase Order Date: 4/8/2011	\$2,704.69

In total, \$18,458.59 of the payment vouchers in the sample, were approved after the invoice was received.

*Cause:* The Office reasoned that it was difficult to process purchase orders prior to the invoice being received due to the fact that they did not know the amount in total of the purchase so they would wait until the invoice was received and create the purchase order after that. All other internal controls for the disbursement process are in place and being followed, but purchase orders were not used appropriately in order to prevent risk of fraud or misuse of funds.

*Effect:* The Office is not in compliance with State requirements for internal controls within State agencies. Not being in compliance with these requirements places the Office at risk for fraud or misuse of public funds.

*Auditor's Recommendation:* We recommend that the Office review the requirements for all internal controls and update their internal controls appropriately. Proper understanding of the SHARE system should be obtained in order to ensure that the Office is using the proper controls built into the SHARE system to protect against fraud.

*Management's Response:* While this agency is not able to predict exact expenses, to include but not limited to shipping and handling or, cellular phone usage, etc., it is impossible to create a Purchase Order prematurely. In doing so, each and every Purchase Order would require an adjustment upon receipt of Invoice. Perhaps previous records could be pulled for sample creation of Purchase Order, this may be implemented. However; we do not foresee this as a final solution, but we are willing to communicate with other CFO's to remedy this reoccurring problem and to come up with a solution for FY' 12 Audit.



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**JUNE 30, 2011**

**Schedule III**

**FS 11-01 – Internal Controls Payroll –Significant Deficiency**

*Criteria:* Per NMSA 6-5-2 all State agencies shall comply with the model accounting practices established by the financial control division, and the administrative head of each state agency shall ensure that the model accounting practices are followed. Additionally, State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law. Per U.S. Citizenship and Immigration Services M-274, if an organization chooses to retain copies of employee I-9 documentation, they must do so for all employees, regardless of national origin or citizenship status. Personnel forms should be signed by employees and employers to indicate review and agreement with information included on the respective form.

*Condition:* During our test work of personnel files, GPS noted the following:

- Three out of twenty-five I-9's reviewed did not include copies of any documents provided as forms of identification
- One out of twenty-five I-9's reviewed did not include the employer signature on the form
- One out of twenty-five W-4's reviewed did not include the employee signature on the form

*Cause:* I-9 documentation was inconsistently retained and forms were not properly signed by employees and the employer.

*Effect:* Inconsistency in retaining I-9 documentation could result in the Office being in violation of the Fair Labor Standards Act. Forms that remain unsigned by employee and employer are not fully completed.

*Auditors' Recommendation:* We recommend that the Office implement and enforce policies relating to I-9 documentation retention. We also recommend that the Office periodically review employee files to make sure that I-9s are filled out correctly and have the required supporting documentation attached. We also recommend that employees responsible for new hire paperwork be reminded of the importance of forms being fully completed and signed.

*Management's Response:* While this agency produced the I-9 and W-4 documentation, several were inconsistently retained where forms were not properly signed by employees and employer or copies of any identification maintained. This office will implement and enforce policies to review and update employee files periodically to ensure compliance with the New Mexico Administrative Codes.

**FS 11-02: Reversions to State General Fund - Significant Deficiency**

*Criteria:* Section 6-5-10, NMSA 1978 requires "all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system (SHARE) as of June 30 shall revert by September 30 to the general fund. The division (Office) may adjust the reversion within forty-five days of release of the audit report for that fiscal year. Failure to transfer reverting funds timely in compliance with the statute requires an audit finding."

*Condition:* The District Attorney's Office did not return reverting funds to the state general fund for fiscal year 2011 until October 7, 2011, which is after the deadline of September 30, 2011.

*Cause:* There was confusion in the Office regarding reverting stale dated warrants and the general fund reversion, which was overlooked until after the deadline.

*Effect:* The District Attorney's Office is not in compliance with Section 6-5-10, NMSA 1978. Additionally, untimely reversions to the state general fund result in that fund not having cash flows needed for operations.

*Auditor's Recommendation:* We recommend that the District Attorney's Office transfer reverting funds to the state general fund by September 30 of each year as required by state statutes.

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**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2011**

**Schedule III**

Management's Response: This agency had previously issued an Operating Transfer for the balance in the stale dated warrant account to the State General Fund on August 19, 2011. This CFO thought this was the overall FY'11 Reversion. When I found out otherwise, I immediately issued FY'11 Reversion on October 7, 2011. This office will make every effort to be in compliance with the New Mexico Administrative Codes for FY'12 Audit.

**Section III – Prior Year Audit Findings**

FS 10-01: Internal Controls - Disbursements Repeated and Revised

**Section IV – Other Disclosures**

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Office's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on December 12, 2011. The following individuals were in attendance.

Eleventh Judicial District Attorney – Division II

Karl R. Gillson, District Attorney  
Loretta Diaz, Chief Financial Officer  
Antoinette Esquibel, Program Specialist  
Andrea Hoffman, Program Administrator

Griego Professional Services, LLC

Monica Yaple, CPA