

STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2005

*2027-06*

*253*





**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

Domingo P. Martinez, CGFM  
State Auditor

Carl M. Baldwin, CPA, CFE  
Deputy State Auditor

February 27, 2006

SAO Ref. No. 253

Honorable Susana Martinez, District Attorney  
Third Judicial District Attorney  
201 West Picacho, Suite B  
Las Cruces, NM 88005


SUBJECT: Audit Report—Third Judicial District Attorney—2004-2005 Fiscal Year—Prepared by Fierro & Fierro, PA

Your agency audit report was received by the Office of the State Auditor (Office) on December 15, 2005. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, the audit report does not become public record until ten days after the date of this letter. Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on page 48. It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.

  
DOMINGO P. MARTINEZ, CGFM  
STATE AUDITOR

cc: Legislative Finance Committee  
Department of Finance and Administration  
Financial Control Division & Budget Division  
Office of the State Treasurer  
Fierro & Fierro, PA

2113 Warner Circle, Santa Fe, New Mexico 87505-5499  
(505) 476-3800 (800) 432-5517 Fax (505) 827-3512  
<http://www.saonm.org>



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SA <sup>Sa</sup> 2-27-06

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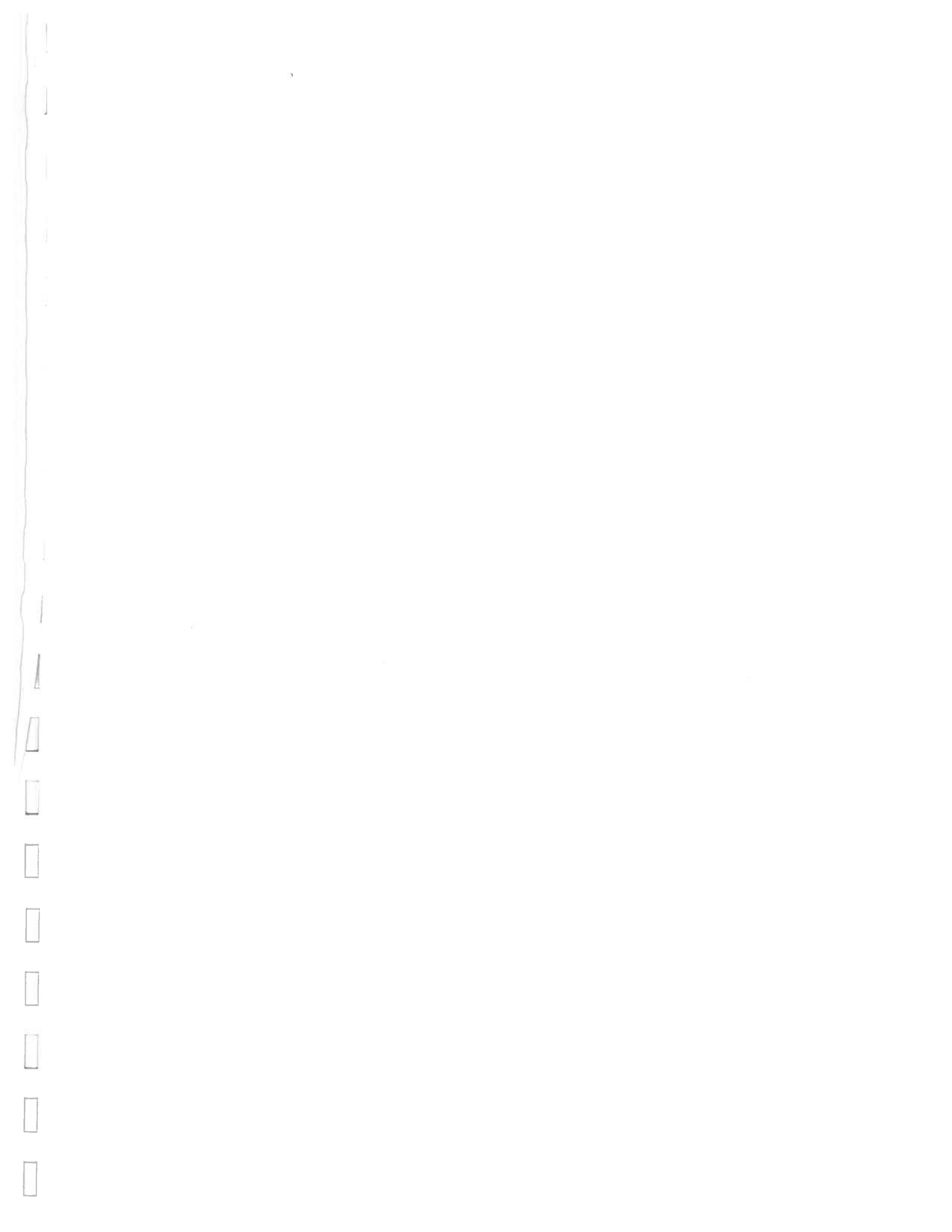
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STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2005

**GENERAL FUND ATTORNEYS**

Susana Martinez	District Attorney
Susan Riedel	Chief Deputy District Attorney
Janetta Hicks	Deputy District Attorney
Amy Orlando	Deputy District Attorney
Jeff Lahann	Deputy District Attorney
Heather Chavez	Assistant Trial Attorney
Jeanne Quintero	Assistant Trial Attorney
Lisa Roybal	Senior Trial Attorney
Lara Smalls	Assistant Trial Attorney
Michael Wallace	Senior Trial Attorney
Richard Wellborn	Senior Trial Attorney
Amanda Norris	Associate Trial Attorney
Jacinto Palomino	Associate Trial Attorney
Mark Wurtz	Associate Trial Attorney
Terese Lahann	Associate Trial Attorney
Darren Kugler	Associate Trial Attorney

**GRANT ATTORNEYS**

K. Jan Peterson	Deputy District Attorney
Nelson Goodin	Associate Trial Attorney
Thomas Clark	Senior Trial Prosecutor
Daniel Sewell	Associate Trial Attorney
Christopher Walker	Senior Trial Prosecutor
James Dickens	Senior Trial Prosecutor
Keythan Park	Assistant Trial Attorney

**ADMINISTRATIVE STAFF**

Kelly Kuenstler	District Office Manager
Juliet Lucero	Chief Financial Officer





**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
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Independent Auditors' Report

Domingo P. Martinez, CGFM, State Auditor  
and  
Susana Martinez, District Attorney  
State of New Mexico, Third Judicial District  
Las Cruces, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and each major fund budgetary information of the state of New Mexico Third Judicial District Attorney, as of and for the year ended June 30, 2005, which collectively comprise the Third Judicial District Attorney's basic financial statements as listed in the table of contents. We have also audited the aggregate nonmajor governmental funds, nonmajor governmental funds budgetary information and the fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the state of New Mexico Third Judicial District Attorney's management. Our responsibility is to express an opinion 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the state of New Mexico Third Judicial District Attorney, are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the state of New Mexico that is attributable to the transactions of the Third Judicial District Attorney. They do not purport to, and do not, present fairly the financial position of the state of New Mexico as of June 30, 2005, and the changes in its financial position and its cash flows, where applicable, 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 Third Judicial District Attorney, as of June 30, 2005, and the respective changes in financial position, and the respective budgetary comparison information for the general and DCSI grants funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary funds of the state of New Mexico Third Judicial District Attorney, as of June 30, 2005, and the respective changes in financial position, thereof and respective budgetary comparisons for the nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*J. 2-27-06*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of the Third Judicial District Attorney's internal control over financial reporting and 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.

The accompanying management's discussion and analysis on pages three through six, 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 financial statements that collectively comprise the Third Judicial District Attorney's basic financial statements. The accompanying schedule of changes in assets and liabilities-agency funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Third Judicial District Attorney. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*J. Ferrero & Fierro, P.A.*  
Las Cruces, New Mexico  
December 9, 2005

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

The following is an overview of the financial condition for the Office of the Third Judicial District Attorney (District Attorney) for the fiscal year ended June 30, 2005. This narrative highlights the major aspects of the District Attorney's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

**Financial Highlights**

The following items are the District Attorney's financial highlights for the fiscal year ended June 30, 2005:

- Received a significant grant award from the Southwest Border Prosecution Initiative. This has enabled the District Attorney's office to purchase up-to-date technology equipment not only for itself, but also for all surrounding law enforcement agencies that bring in criminal cases to the Office of the District Attorney.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District Attorney's basic financial statements. The District Attorney's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic financial statements, the report also contains other supplementary information.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District Attorney's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the District Attorney's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Attorney is improving or deteriorating.

The statement of activities presents information showing how the District Attorney's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows; thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages seven and eight of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District Attorney, like other state agencies, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the District Attorney's funds can be divided into two categories: governmental and fiduciary.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

**Governmental Funds (continued)**

However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District Attorney's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the general fund, the District Attorney maintains four other individual governmental funds that are both classified as special revenue funds. Information for the general fund and the DCSI grants fund, both of which are considered to be major funds, is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for the non-major governmental funds: High Intensity Drug Trafficking Area (HIDTA) and Victims of Crime Act (VOCA) are provided following the notes to the financial statements.

The New Mexico Legislature makes annual appropriations for the District Attorney's general fund. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the fiscal year, the District Attorney revised the budget of the special revenue funds several times. Budgetary comparison statements for the general and special revenue major funds are located on pages thirteen and fourteen. The budgetary comparison statement for the special revenue non-major funds can be found on pages thirty-six through thirty-eight.

The basic governmental fund financial statements can be found on pages nine through twelve of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the agency. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District Attorney's own programs. The accounting used for fiduciary funds is equivalent to what is used for proprietary funds. The basic fiduciary fund financial statements can be found on page fifteen.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain a full understanding of the date provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages sixteen through thirty-three of this report.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Financial Statement Analysis**

<b>Third Judicial District Attorney's Net Assets</b>	<b>June 30, 2005</b>	<b>June 30, 2004</b>
<b>Assets:</b>		
Current and other assets	\$ 1,527,413	\$ 1,630,282
Capital assets, net of accumulated depreciation	<u>364,470</u>	<u>378,136</u>
Total assets	1,891,883	2,008,418
<b>Liabilities:</b>		
Current and other assets	414,328	475,807
Long-term liabilities	<u>36,480</u>	<u>27,291</u>
Total liabilities	<u>450,808</u>	<u>503,098</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	364,470	378,136
Unrestricted	<u>1,076,605</u>	<u>1,127,184</u>
Total net assets	<u>\$ 1,441,075</u>	<u>\$ 1,505,320</u>

The District Attorney's activities during the fiscal year decreased the District Attorney's net assets by \$64,245. The decrease is attributed to a decrease in total revenues and a decrease in total expenses. Total revenues decreased by \$1,918,114, while expenses decreased by \$272,004 when compared to the previous year.

<b>Third Judicial District Attorney's Changes in Net Assets</b>	<b>June 30, 2005</b>	<b>June 30, 2004</b>
<b>Revenues:</b>		
Program revenues	\$ 1,732,752	\$ 3,762,732
General revenues	<u>2,763,159</u>	<u>2,651,293</u>
Total revenues	4,495,911	6,414,025
<b>Expenses:</b>		
Public Safety	<u>4,560,156</u>	<u>4,832,160</u>
Change in net assets	<u>\$ (64,245)</u>	<u>\$ 1,581,865</u>

**Capital Assets**

The District Attorney's investment in net assets as of June 30, 2005 amounted to \$364,470 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures, equipment and vehicles. The following chart shown the breakdown of assets by classification:

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2005**

**Capital Assets (continued)**

Third Judicial District Attorney's Capital Assets (Net of Accumulated Depreciation)	
June 30, 2005	June 30, 2004
Furniture and fixtures	\$ 11,487
Equipment	190,844
Vehicles	175,805
<b>\$ 364,470</b>	<b>\$ 378,136</b>

Additional information on the District Attorney's capital assets can be found in note five on pages twenty-seven and twenty-eight of this report.

**Economic Factors and Next Year's Budgets and Rates**

The District Attorney's office operates from state general fund appropriations; federal and state grants and awards, fiduciary trust accounts (worthless checks and preparation diversion programs) and assistance from local governments for grant match purposes.

The District Attorney's office does not anticipate significant increases or decreases in the state general fund appropriations for fiscal year 2006. The District Attorney received a 4% increase in funding during fiscal year 2005. The increase in funding was due to state approved salary increases and increases in cost of medical benefits. The increases were necessary to continue to fund existing employees at their current rate and provide for increases in medical benefits.

For fiscal year 2006, the District Attorney's office does not foresee a significant decrease in funding from the Southwest Border Grant funds. The District Attorney's office has shared this grant money with law enforcement agencies throughout the area.

For all the other grants, the District Attorney's office doesn't believe that there will be any significant increases or decreases to their budgets.

**Request for Information**

This financial report is designed to provide a general overview of the District Attorney's finances and to show the District Attorney's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Chief Financial Officer, 201 W. Picacho, Suite B, New Mexico 88062-1025.



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 1,378,546
Grant receivables	148,867
Capital assets, net of accumulated depreciation	364,470
Total assets	1,891,883
 <b>LIABILITIES</b>	
Cash overdraws	153,352
Accounts payable	24,306
Accrued payroll	126,659
Due to state general fund	573
Long-term liabilities:	
Due in one year	109,438
Due in more than one year	36,480
Total liabilities	450,808
 <b>NET ASSETS</b>	
Invested in capital assets	364,470
Unrestricted	1,076,605
Total net assets	\$ 1,441,075

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

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government: Governmental activities: Public safety	\$ 4,560,156	\$ -	\$ 1,732,752	\$ -
General revenues: State general fund appropriations				\$ (2,827,404)
Change in net assets				2,763,159
Net assets, beginning of year				(64,245)
Correction of error				1,497,423
Net assets, beginning of year restated				7,897
Net assets, end of year				1,505,320
				\$ 1,441,075

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

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	Major Funds			Total
	General Fund	DCSI Fund	Non-Major Funds	
<b>ASSETS</b>				
Cash	\$ 99,142	\$ 1,279,404	\$ -	\$ 1,378,546
Grant receivables	-	-	148,867	148,867
Due from other funds	-	548	11,407	11,955
Total assets	<u>\$ 99,142</u>	<u>\$ 1,279,952</u>	<u>\$ 160,274</u>	<u>\$ 1,539,368</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Cash overdraws	\$ -	\$ -	\$ 153,352	\$ 153,352
Accounts payable	1,602	22,667	37	24,306
Accrued payroll	85,560	32,138	8,961	126,659
Due to other funds	11,407	-	548	11,955
Due to state general fund	573	-	-	573
Total liabilities	99,142	54,805	162,898	316,845
Fund Balances:				
Unreserved	-	-	-	-
Unreserved, reported in nonmajor funds:				
Special revenue funds	-	1,225,147	(2,624)	1,222,523
Total fund balances	-	1,225,147	(2,624)	1,222,523
Total liabilities and fund balances	<u>\$ 99,142</u>	<u>\$ 1,279,952</u>	<u>\$ 160,274</u>	<u>\$ 1,539,368</u>

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

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

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

	Total fund balance governmental funds (page nine)	\$ 1,222,523
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		364,470
Long term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(145,918)
Net assets of governmental activities (page seven)		<u>\$ 1,441,075</u>

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

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	DCSI Grants Fund		
<b>Revenues:</b>				
State general fund appropriations	\$ 2,763,159	\$ -	\$ -	\$ 2,763,159
Governmental grants	-	1,184,463	548,290	1,732,753
<b>Total revenues</b>	<b>2,763,159</b>	<b>1,184,463</b>	<b>548,290</b>	<b>4,495,912</b>
<b>Expenditures:</b>				
Public Safety:				
Current:				
Personnel services	2,569,763	646,833	544,200	3,760,796
Contractual services	28,000	233,052	-	261,052
Other costs	165,396	255,581	4,090	425,067
Capital outlay	-	122,047	-	122,047
<b>Total expenditures</b>	<b>2,763,159</b>	<b>1,257,513</b>	<b>548,290</b>	<b>4,568,962</b>
Excess (deficiency) of revenues over expenditures	-	(73,050)	-	(73,050)
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,493	-	165	2,658
Transfers out	-	(2,658)	-	(2,658)
<b>Net changes in fund balances</b>	<b>2,493</b>	<b>(75,708)</b>	<b>165</b>	<b>(73,050)</b>
Fund balances, beginning of year	(2,493)	1,300,855	(2,789)	1,295,573
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,225,147</u>	<u>\$ (2,624)</u>	<u>\$ 1,222,523</u>

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

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES**  
**CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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

	(page eleven)
Net change in fund balances total governmental funds	\$ (73,050)
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 as depreciation expense. The amount by which capital outlay (\$122,047) exceeded depreciation (\$135,713) in the current period is:	(13,666)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>22,471</u>
Change in net assets of governmental activities (page eight)	<u>\$ (64,245)</u>

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

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
General and expert witness	\$ 2,701,300	\$ 2,701,300	\$ 2,701,159	\$ (141)
Compensation package	62,000	62,000	62,000	-
Total revenues	<u>2,763,300</u>	<u>2,763,300</u>	<u>2,763,159</u>	<u>(141)</u>
<b>Expenditures:</b>				
Current:				
Personnel services	2,569,900	2,569,900	2,569,763	137
Contractual services	28,000	28,000	28,000	-
Other costs	165,400	165,400	165,396	4
Total expenditures	<u>2,763,300</u>	<u>2,763,300</u>	<u>2,763,159</u>	<u>141</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
DCSI GRANTS FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Federal grants	\$ 85,000	\$ 2,280,712	\$ 1,184,463	\$ (1,096,249)
Expenditures:				
Current:				
Personnel services	80,000	662,489	646,833	15,656
Contractual services	-	306,522	228,777	77,745
Other costs	5,000	1,471,162	377,768	1,093,394
Total expenditures	85,000	2,440,173	1,253,378	1,186,795
(Deficiency) of revenues over expenditures	\$ -	\$ (159,461)	\$ (68,915)	\$ 90,546
Beginning cash available to absorb deficit budget	\$ -	\$ 159,461	N/A	N/A

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



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 3,010</u>
Total assets	3,010
<b>LIABILITIES</b>	
Accounts payable and other liabilities	<u>3,010</u>
Total liabilities	<u>3,010</u>
<b>NET ASSETS</b>	
Held in trust for:	
Individuals and other governments	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

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



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Third Judicial District Attorney have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The Third Judicial District Attorney (District Attorney) is given his authority under Section 24 of the New Mexico State Constitution and Sections 36-1-1 through 36-1-27 of the New Mexico State Statutes Annotated, 1978 Compilation, and is a component unit of the state of New Mexico. The District Attorney is elected to serve a four-year term by the qualified voters within the District, which comprises all of Doña Ana County. The function of the District Attorney involves criminal prosecutions of violators of state law and civil representation and advice to the counties served and the officers thereof.

The District Attorney's basic financial statements include all activities and accounts of the District Attorney's "financial reporting entity."

The financial reporting entity consists of the primary government, and another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The District Attorney's Office has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. 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. Likewise, the *primary government* is reported separately from the *component unit*.

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. Taxes and other items not properly included among *program revenues* are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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. For this purpose, the District Attorney considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenses, 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 made.

The District Attorney reports the following major governmental funds:

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,  
**C. and Financial Statement Presentation (continued)**

**General Fund**

The *general fund* is the general operating fund of the District Attorney. It is used to account for all financial resources except those require to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the general fund of the state of New Mexico. The CAS number and description for the *general fund* of the District Attorney is 157 – Third Judicial District Attorney Regular.

**DCSI Grants Fund (DCSI)**

The *DCSI grants fund* is used to account for proceeds from the Drug Control and System Improvement Funds (DCSI) grant program and the Southwest Border Prosecution Initiative (SWBPI) and the expenditures there from. The DCSI grants and SWBPI reimbursements are from the United States Department of Justice. The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is nonreverting to the state of New Mexico's general fund as the source of revenues is the federal government. The Third Judicial District Attorney has determined that the *DCSI grants fund* is a major fund whose CAS number is 934.

The District Attorney reports the following non-major governmental funds:

**High Intensity Drug Trafficking Area (HIDTA) Fund**

The *HIDTA fund* is used to account for proceeds from the Office of National Drug Control Policy – High Intensity Drug Trafficking Area Grant, and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the federal government to maintain a separate fund. The fund balance is nonreverting to the state of New Mexico's general fund as the source of revenues is the federal government. The District Attorney has determined that the *HIDTA fund* is a nonmajor fund whose CAS number is 936.

**Victims of Crime Act (VOCA) Fund**

The *Victim's Assistance fund* is used to account for the grant proceeds from the Victims of Crime Act (VOCA), Violence Against Women (VAWA) grants and Rural Domestic Violence & Child Victimization Enforcement grants, and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the state of New Mexico Crime Victims Reparation Commission to maintain a separate fund. The fund balance is nonreverting to the state of New Mexico's general fund as the source of revenues is the federal government. The District Attorney has determined that the *Victim's Assistance fund* is a nonmajor fund whose CAS number is 933.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**Other Grants Fund**

The *Other Grants fund* is used to account for grant proceeds from the Department of Justice for the Community Gun Violence Prosecution Program and from the NM Crime Victims Reparation Commission for the 2000 Stop Violence Against Women federal subgrant award. The statutory authority for the Gun Violence Grant is supported under Public Law 106-113, 113 Stat 1501 (1999). The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is nonreverting to the state of New Mexico's general fund as the source of revenues is the federal government. The District Attorney has determined that the *Other Grants fund* is a nonmajor fund whose CAS number is 485.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as *program revenues*.

The governmental fund types and agency funds for financial statement purposes follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period (amounts collected within 60 days after year end).

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditure are recorded as liabilities when they are incurred, except for unmatured interest on general long term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are recorded.

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,  
C. and Financial Statement Presentation (continued)

Fiduciary Funds

**Agency Funds**

Agency funds are used to account for assets held by the District Attorney in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

There are two programs within the agency funds: (1) Worthless Check Program and, (2) Preprosecution Diversion Program. The Worthless Check Program is maintained for worthless check writers who are willing to pay restitution within a short time frame and in turn, prosecution is waived. The fees that are collected for the administration of this program are subsequently remitted to the Administrative Office of District Attorneys.

The purpose of the Preprosecution Diversion Program is to remove those persons from the criminal justice system who are most amenable to rehabilitation and least likely to commit future offenses; to provide those persons with services designed to assist them in avoiding future criminal activity; to conserve community and criminal justice resources; to provide standard guidelines and to evaluate preprosecution programs. The fees that are collected for the administration of this program are subsequently remitted to the Administrative Office of District Attorneys.

D. Budgets

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

1. Prior to September 15<sup>th</sup>, the District Attorney submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1<sup>st</sup>. The appropriation request 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 Governor of the state of New Mexico within the legally prescribed time limit signs the Act into law.
4. The District Attorney submits, no later than May 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA – Budget Division reviews and approves the operating budget, which becomes effective on July 1<sup>st</sup>. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets (continued)**

5. Legal budget control for expenditures is by expenditure category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. Beginning with fiscal year 2005, the General Appropriation Act establishes the modified basis of accounting for governmental funds as the budgetary basis of accounting for the state of New Mexico. So long as the appropriation period has not lapsed, and a budget has been approved by the Department of Finance and Administration, an encumbrance can be charged against that budget. However, when the appropriation period lapses, so does the authority for the budget. The result is the encumbrance can no longer be charged to that budget. If the Legislature has provided a new appropriation, the encumbrance is carried forward to a new appropriation period to be charged against the new budget; if there is no appropriation, the encumbrance is no longer authorized and the amount of the encumbrance must be restored to unreserved fund balance. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of the appropriation period.

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

1. **Cash**  
The District Attorney has defined cash to include cash on hand, demand deposits, and cash with the state treasurer.
2. **Receivables and Payables**  
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.
3. **Interfund Activity**  
Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**4. Capital Assets**

Capital assets, which include property, plant, and equipment, infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District Attorney defines capital assets as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation. Costs other than personnel expenses for computer software developed internally are capitalized and depreciated over its useful life. Purchased software is recorded at historical cost.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture and fixtures	7 years
Equipment and machinery	5 years
Automotive	5 years
Data processing	3 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**5. Compensated Absences**

District Attorney employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

District Attorney employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

**6. Net Assets**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

*Investment in capital assets, net of related debt* – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

E. Assets, Liabilities, and Net Assets or Equity (continued)

**6. Net Assets (continued)**

*Restricted* – This category reflects the portion of net assets that have third party limitations on their use.

*Unrestricted* – This category reflects net assets of the District Attorney, not restricted for any project or other purpose.

**7. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A. Balance Sheet and the Governmental – Wide Statement of Net Assets  
 Explanation of Certain Differences Between the Governmental Funds

The governmental fund balance sheet includes reconciliation between *fund balance total governmental funds* and *net assets-governmental activities* as reported in the governmental-wide statement of net assets. One element of that reconciliation explains "long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Capital assets	\$ 364,470
Compensated absences payable	(145,918)
Net adjustments to reduce fund balances	
total governmental funds to arrive at net	
assets governmental activities	\$ 218,552

B. Fund Balances and the Government-Wide Statement of Activities  
 Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**RECONCILIATION OF GOVERNMENT-WIDE  
2. AND FUND FINANCIAL STATEMENTS (continued)**

Explanation of Certain Differences Between the Governmental  
Fund Statement of Revenues, Expenditures, and Changes in  
B. Fund Balances and the Government-Wide Statement of Activities (continued)

One element of that reconciliation explains that, "Governmental funds report capital outlay 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." The details of this difference are as follows:

Capital outlay	\$ 122,047	
Depreciation expense	(135,713)	
Net adjustment to decrease net changes in fund balances total governmental funds to arrive at changes in net assets of governmental activities	\$ (13,666)	

An element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ 22,471	
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**3. CASH AND DEPOSITS**

**Cash Deposited with New Mexico State Treasurer and Financial Institutions**

Cash includes cash deposits in two financial institutions and cash deposits with the New Mexico State Treasurer. The District Attorney's deposits are carried at cost.

As of June 30, 2005, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Type of Account	Per Bank Balance 06/30/05	Reconciling Items	Reconciled Balance 06/30/05
<i>General Fund</i>				
New Mexico State Treasurer	Checking	\$ 102,705	\$ (3,563)	\$ 99,142
<i>Other Funds</i>				
NM State Treasurer HIDTA	Checking	(69,187)	-	(69,187)
NM State Treasurer VOCA	Checking	(61,670)	(1,011)	(62,681)
NM State Treasurer Other Grants	Checking	(21,484)	-	(21,484)
NM State Treasurer DCSI	Checking	1,305,953	(26,549)	1,279,404
		\$ 1,153,612	\$ (27,560)	\$ 1,126,052

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**3. CASH AND DEPOSITS (continued)**

*Cash Deposited with New Mexico State Treasurer and Financial Institutions (continued)*

Agency Funds	Type of Account	Per Bank Balance 06/30/05	Reconciling Items	Reconciled Balance 06/30/05
Worthless Check Account: Bank of America, N.A. P.O. Box 27705 Albuquerque, NM 87125-7705	Checking	\$ 850	\$ -	\$ 850
Pre-Prosecution Account: Citizens Bank of Las Cruces P.O. Box 2108 Las Cruces, NM 88004-2108	Checking	2,160	-	2,160
<b>Total</b>		<b>\$ 3,010</b>	<b>\$ -</b>	<b>\$ 3,010</b>

Except for items in transit, the carrying value of deposits by the respective depositories equates to the carrying value by the District Attorney. New Mexico State Statutes authorize the district attorney to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States. All cash deposits that exceed the Federal Deposit Insurance Corporation (FDIC) amount of \$100,000, are required to be collateralized with eligible securities, as described by New Mexico State Statutes, in amounts equal to at least 50% of the district attorney's carrying value of the deposits. Collateral pledged is held in safekeeping by other financial institutions. The pledged securities remain in the name of the financial institution. All deposits were covered by FDIC insurance at June 30, 2005.

Cash Reported on Financial Statements

The amounts reported as cash for the primary government within the financial statements is composed of the following amounts.

Reconciled cash balances held at financial institution	\$ 3,010	Reconciled cash balances held with the NM State Treasurer	\$ 1,225,194
<b>Total cash reported on financial statements</b>	<b>\$ 1,228,204</b>	<b>Total cash reported on financial statements</b>	<b>\$ 1,228,204</b>
Statement of Net Assets:		Statement of Net Assets:	
Cash	\$ 1,378,546	Cash	\$ 1,378,546
Cash overdraws	(153,352)	Cash overdraws	(153,352)
Statement of Fiduciary Net Assets:		Statement of Fiduciary Net Assets:	
Agency funds	3,010	Agency funds	3,010
<b>Total cash reported on financial statements</b>	<b>\$ 1,228,204</b>	<b>Total cash reported on financial statements</b>	<b>\$ 1,228,204</b>

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**3. CASH AND DEPOSITS (continued)**

*Cash Reported on Financial Statements (continued)*

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the District Attorney. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the District Attorney's carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Bank of America, N.A.	Citizen's Bank of Las Cruces
Checking accounts	\$ 850	\$ 2,160
FDIC coverage	(850)	(2,160)
Total uninsured public funds	\$ -	\$ -

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Because of the small dollar deposits (less than \$100,000) held at any given time, the District Attorney does not have a deposit policy for custodial credit risk. As of June 30, 2005, no amount of the District Attorney's bank balance of \$3,010 was exposed to custodial credit risk.

**4. GRANT RECEIVABLES**

Amounts due from governmental grants at June 30, 2005, consisted of the following:

High Intensity Drug Task Force	\$ 66,583
Rural Domestic Violence	40,955
Victims of Crimes Act	15,877
Community Gun Violence	25,452
Total	\$ 148,867

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**5. INTERFUND ACTIVITY**

The major DCSI Fund has advanced funds in the amount of \$548 to the nonmajor HIDTA fund. The advance is expected to be repaid within one year.

The nonmajor HIDTA and VOCA funds have advanced funds in the amounts of \$3,229 and \$8,178, respectively, to the major general fund. The advances are expected to be repaid within one year.

**6. CAPITAL ASSETS**

During the fiscal year, the District Attorney performed an annual inventory and review of its capital assets and the subsidiary records. The District Attorney discovered an error in the amount reported at June 30, 2004 within the governmental capital assets. The effect of the changes is as follows:

Governmental Capital Assets:		Accumulated depreciation:		Net governmental capital assets	
Furniture and fixtures	Equipment	Vehicles	Furniture and fixtures	Equipment	Vehicles
\$ 22,931	237,007	203,511	(11,444)	(54,060)	(27,706)
\$ -	7,897	-	-	-	-
\$ 22,931	\$ 244,904	\$ 203,511	(11,444)	(54,060)	(27,706)
Restated					
Balance	06/30/04	Balance	06/30/04	Balance	06/30/04
370,239		370,239		378,136	
	Corrections				
	7,897				
	\$ 7,897				

**Governmental Activities:**  
Capital assets, being depreciated:  
Furniture and fixtures  
Equipment  
Vehicles  
Total other capital assets, being depreciated

Restated	Increases	Decreases	Balance
06/30/04			06/30/05
\$ 22,931	\$ 1,033	\$ -	\$ 23,964
244,904	38,533	-	283,437
203,511	82,481	-	285,992
471,346	122,047	-	593,393

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**6. CAPITAL ASSETS (continued)**

	Restated Balance 06/30/04	Increases	Decreases	Balance 06/30/05
Less accumulated depreciation for:				
Furniture and fixtures	(11,444)	(3,381)	-	(14,825)
Equipment	(54,060)	(79,981)	-	(134,041)
Vehicles	(27,706)	(52,351)	-	(80,057)
Total accumulated depreciation	(93,210)	(135,713)	-	(228,923)
Total capital assets, net	<u>\$ 378,136</u>	<u>\$ (13,666)</u>	<u>\$ -</u>	<u>\$ 364,470</u>

The District Attorney recorded depreciation expense of \$135,713 for the year ended June 30, 2005. The depreciation expense is a direct expense of the public safety function.

**7. COMPENSATED ABSENCES**

**Accrued Annual Leave**

Qualified employees accumulate annual leave as a rate of:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
Less than 4 years	10	1 1/4	30
4 - 8 years	11	1 3/8	30
8 - 12 years	12	1 1/2	30
12 - 16 years	13	1 5/8	30
beyond 16 years	14	1.75	30

A maximum of 240 hours of 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.

**Accrued Sick Leave**

Chapter 150, Laws of 1983 provided for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1<sup>st</sup> and January 1<sup>st</sup> of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. A maximum of 120 hours of sick leave can be paid in one fiscal year. 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, 2005, over 600 hours.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**7. COMPENSATED ABSENCES (continued)**

**Accrued Sick Leave (continued)**

Expenditures for accumulated sick leave pay for less than 600 hours will be recognized as employees take such absences. The current period adjustment recorded as a charge to the general government function for compensated absences is \$22,470. The amount recorded as a long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave as follows:

	Balance 06/30/04	Increase	Decrease	Balance 06/30/05	Amounts Due Within One Year
Accrued annual leave	\$ 168,389	\$ 174,396	\$ 196,867	\$ 145,918	\$ 109,438
Accrued sick leave	-	-	-	-	-
Total	\$ 168,389	\$ 174,396	\$ 196,867	\$ 145,918	\$ 109,438

In prior years, approximately seventy eight percent has been paid by the general fund; eight percent by the HIDTA fund; seven percent by the VOCA fund; six percent by the DCSI fund, and one percent by the other grant fund.

**8. DUE TO STATE OF NEW MEXICO GENERAL FUND**

As of June 30, 2005, the amount due to the New Mexico General Fund is \$573. This amount is composed of the following:

	05 Fiscal Year
Reversions	\$ 141
Other	\$ 432
Total	\$ 573

**9. OPERATING LEASES**

The District Attorney has the following leases, which can be terminated due to lack of funding from the legislature with no penalty to the agency.

A 48-month lease for a postage meter was entered into on September 30, 2001, which require 16 quarterly payments of \$901. A lease for a telephone system was entered into on July 1, 2001, which require 60 monthly payments of \$906, however, several additions have increased the monthly payment to \$1,055. A lease for five (5) Cannon copiers was entered into on April 29, 2002, which require 60 monthly payments of \$888.

**10. TRANSFER OF FUNDS**

During the fiscal year, the District Attorney transferred \$2,493 from the major DCSI Grants Fund 943 to the general fund 157 to cover deficit net assets.

During the fiscal year, the District Attorney transferred \$165 from the major DCSI Grants Fund 943 to the Victims Assistance 933 fund to cover deficit net assets.



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**11. RETIREMENT PLANS**

Public Employees Retirement Act (PERA)

Substantially all of the District Attorney 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, disability 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Plan members are required to contribute 7.42% of their gross salary. The District Attorney is required to contribute 16.59% of the gross covered salary. The contributions requirements of plan members and the District Attorney are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District Attorney contributions to PERA for the years ending June 30, 2005, 2004, and 2003, were \$420,444, \$399,563, and \$378,107, respectively, equal to the amount of the required contributions for each year.

**12. POST EMPLOYMENT BENEFITS**

The Retiree Health Care Act (Act) (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf, unless the person retires before the employer's NMRHCA effective date, in which even the time period for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**12. POST EMPLOYMENT BENEFITS (continued)**

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium of fifty-seven dollars and sixty-five cents (\$57.65) for the basic single plan and an additional fee of five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, NM 87102.

For the fiscal year ended June 30, 2005, the District Attorney remitted \$32,946 in employer contributions and \$16,473 in employee contributions to the Retiree Health Care Authority.

**13. RECONCILIATION OF BUDGETARY COMPARISON STATEMENTS**

The following is a reconciliation of the budgetary comparison statements to the statements of revenues, expenditures and changes in fund balance of the governmental funds:

	Fund			
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for	2,763,159	\$		
appropriation" from the budgetary comparison statement				
Differences - Budget to GAAP				
None	-			
Total revenues as reported on the statement of				
revenues, expenditures, and changes in fund				
balances - governmental funds	2,763,159	\$		
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total changes to	2,763,159	\$		
appropriations" from the budgetary comparison statement				
	1,184,463	\$		
	1,184,463	\$		
	-			
	1,184,463	\$		
	1,253,378	\$		

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**13. RECONCILIATION OF BUDGETARY COMPARISON STATEMENTS (continued)**

	General Fund	DCSI Fund
Differences - Budget to GAAP		
The District Attorney budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	-	4,135
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 2,763,159	\$ 1,257,513
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfer in and (out) from the budgetary comparison statement.	\$ -	\$ -
Differences - Budget to GAAP		
Net transfers not included for budget purposes but are included for financial reporting purposes.	2,493	(2,658)
Total other financing sources (uses) as reported on the statement of revenues, expenditures and balances - governmental funds	\$ 2,493	\$ (2,658)

**14. RISK OF LOSS**

The District Attorney's Office 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, workman's compensation, 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 are not included in this report. However, the District Attorney is not liable for more than the premiums paid.

**15. INDIVIDUAL FUND – DEFICIT FUND BALANCE**

As of June 30, 2005, the Victims of Crime Act (VOCA) Fund 933 had a deficit fund balance of \$3,750. The deficit was created by the prior year's deficiency of grant revenues over expenditures. The District Attorney intends to correct the deficit fund balance by transferring funds from the Southwest Border Prosecution Initiative Program.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**16. DISCLOSURE OF FINANCIAL INTEREST**

The District Attorney conducts business with an employee of the District Attorney's office. The employee has a substantial interest, as owner, in a retail office supply company. The total amount of various office supplies bought for the District Attorney's office for the year ended June 30, 2005 was \$3,843. Financial disclosure statement for the relationship has been filed with the Office of the Secretary of State.

**17. CORRECTION OF ERRORS**

During the fiscal year ended June 30, 2005, the District Attorney discovered an error in the amount reported for capital assets within the financial statements ended June 30, 2004. A description of the error is as follows:

	Governmental
	Activities
	\$ 7,897
	Government-Wide Financial Statements:
	Restated capital asset (scanner) that was
	expensed in the prior year.

**AUDITED FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**COMBINING BALANCE SHEET – NON-MAJOR FUNDS**  
**JUNE 30, 2005**

	<u>HIDTA Fund</u>	<u>VOCA Fund</u>	<u>Other Grants Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Grant receivables	\$ 66,583	\$ 56,832	\$ 25,452	\$ 148,867
Due from other funds	3,229	8,178	-	11,407
Total assets	<u>\$ 69,812</u>	<u>\$ 65,010</u>	<u>\$ 25,452</u>	<u>\$ 160,274</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Cash overdraws	\$ 69,187	\$ 62,681	\$ 21,484	\$ 153,352
Accounts payable	-	37	-	37
Accrued payroll	-	6,042	2,919	8,961
Due to other funds	548	-	-	548
Due to state general fund	-	-	-	-
Total liabilities	69,735	68,760	24,403	162,898
Fund Balances:				
Unreserved, reported in nonmajor funds:				
Special revenue funds	77	(3,750)	1,049	(2,624)
Total liabilities and fund balances	<u>\$ 69,812</u>	<u>\$ 65,010</u>	<u>\$ 25,452</u>	<u>\$ 160,274</u>

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

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	HIDTA Fund	VOCA Fund	Other Grants Fund	Total
Revenues:				
Governmental grants	\$ 345,775	\$ 164,189	\$ 38,326	\$ 548,290
Expenditures:				
Current:				
Personnel services	345,775	160,099	38,326	544,200
Other costs	-	4,090	-	4,090
Total expenditures	345,775	164,189	38,326	548,290
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	165	-	165
Net changes in fund balance	-	165	-	165
Fund balance, beginning of year	77	(3,915)	1,049	(2,789)
Fund balance, end of year	\$ 77	\$ (3,750)	\$ 1,049	\$ (2,624)

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



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 NON-MAJOR FUND  
 OTHER GRANTS FUND  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Governmental grant	\$ -	\$ 84,426	\$ 38,326	\$ (46,100)
Expenditures:				
Current:				
Personnel services	<u>-</u>	<u>84,426</u>	<u>38,326</u>	<u>46,100</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**NON-MAJOR FUND**  
**HIDTA FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Revenues:	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Governmental grant	\$ 345,800	\$ 345,775	\$ 345,775	\$ -
Expenditures:				
Current:				
Personnel services	341,400	345,775	345,775	-
Other costs	4,400	-	-	-
Total expenditures	345,800	345,775	345,775	-
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

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

**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**NON-MAJOR FUND**  
**VOCA FUND**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Governmental grant	\$ 42,900	\$ 292,150	\$ 164,189	\$ (127,961)
Expenditures:				
Current:				
Personnel services	38,900	268,260	160,099	108,161
Other costs	4,000	23,890	4,090	19,800
Total expenditures	42,900	292,150	164,189	127,961
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

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



**SUPPLEMENTARY FINANCIAL INFORMATION**



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Assets</b>				
Cash - worthless checks	\$ 460	\$ 9,022	\$ 8,632	\$ 850
Cash - pre-prosecution	<u>2,066</u>	<u>29,059</u>	<u>28,965</u>	<u>2,160</u>
Total assets	<u>\$ 2,526</u>	<u>\$ 38,081</u>	<u>\$ 37,597</u>	<u>\$ 3,010</u>
<b>Liabilities</b>				
Due to NM State Treasurer	<u>\$ 2,526</u>	<u>\$ 38,081</u>	<u>\$ 37,597</u>	<u>\$ 3,010</u>





**ADDITIONAL FEDERAL INFORMATION**



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA No.	Pass-through Entity ID No.	Federal Expenditures
<u>Executive Office of the President</u>			
Passed through the Office of National Drug Control Policy High Intensity Drug Trafficking Area (H.I.D.T.A.)			
Operation Up the Ladder Cooperative Agreement	99.XXX	14 PSNP 553	\$ 345,775
<u>U.S. Department of Justice</u>			
Passed through Office of Justice Programs/ Violence Against Women Office			
Rural Domestic Violence & Child Victimization Enforcement Grant Program	16.589	2004-WR-AX-0056	122,039
Passed through Office of Justice Programs/ Bureau of Justice Assistance/			
State of New Mexico Crime Victims Reparation Commission			
Victims of Crime Act (VOCA) Grant	16.575	2005-VA-965	42,150
Passed through Office of Justice Programs/ Bureau of Justice Assistance/			
Community Gun Violence Prosecution Program	16.609	03/04-PSN-3rd	38,326
Passed through the Office of Justice Program/ Bureau of Justice Assistance/			
Southwest Border Prosecution Initiative	16.XXX	None Assigned	<u>1,257,513</u>
Total U.S. Department of Justice			<u>1,460,028</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,805,803</u></u>

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the Third Judicial District Attorney (District Attorney). The District Attorney is defined in Note 1 of the District Attorney's financial statements. All federal awards received are included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1, to the District Attorney's financial statements. All governmental expenditures of the District Attorney are presented in accordance with the modified accrual basis of accounting.

**3. FEDERAL EXPENDITURES**

The accompanying schedule of expenditures of federal awards includes all federal expenditures including the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.

**4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS**

Federal expenditures on the schedule of expenditures of federal awards amounts to \$1,805,803. The amount of expenditures within the funds are reflected within the financial statements as follows:

<u>Special Revenue Funds</u>	
HIDTA Fund	Public Safety
	\$ 345,775
VOCA Fund	Public Safety
	164,189
Other Grants Fund	Public Safety
	38,326
DCSI Fund	Public Safety
	1,135,466
Capital Outlay	122,047
Total government	
	\$ 1,805,803

**ADDITIONAL INDEPENDENT AUDITORS' REPORTS**



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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*

Domingo P. Martinez, CGFM, State Auditor  
and  
Susana Martinez, District Attorney  
State of New Mexico, Third Judicial District  
Las Cruces, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statements for the general and the DCSI major funds of the state of New Mexico Third Judicial District Attorney as of and for the year ended June 30, 2005, and have issued our report thereon dated December 9, 2005. We also have audited the financial statements of each of the Third Judicial District Attorney's nonmajor governmental and fiduciary funds and the respective budgetary comparison statements for each nonmajor special revenue funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005 as listed in the table of contents. 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 Third Judicial District Attorney's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Third Judicial District Attorney'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* and which is described in the accompanying schedule of findings and questioned costs as item 2005-01.

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

*Fierro & Fierro, P.A.*  
Fierro & Fierro, P.A.  
Las Cruces, New Mexico

December 9, 2005



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Report on Compliance With Requirements Applicable  
To Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133

Domingo P. Martinez, CGFM, State Auditor  
and  
Susana Martinez, District Attorney  
State of New Mexico, Third Judicial District  
Las Cruces, New Mexico

**Compliance**

We have audited the compliance of the Third Judicial District Attorney with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Third Judicial District Attorney's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Third Judicial District Attorney's management. Our responsibility is to express an opinion on the Third Judicial District Attorney's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Third Judicial District Attorney's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Third Judicial District Attorney's compliance with those requirements.

In our opinion, the Third Judicial District Attorney complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the Third Judicial District Attorney is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Third Judicial District Attorney's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Office of the New Mexico State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Fierro & Fierro, P.A.*

Fierro & Fierro, P.A.

Las Cruces, New Mexico

December 9, 2005

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Section I - Summary of Audit Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified  Yes  No
- Reportable condition (s) identified that are not considered to be material weaknesses  Yes  No

Noncompliance material to financial statements noted  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified  Yes  No
- Reportable condition (s) identified that are not considered to be material weaknesses  Yes  None reported

Type of auditors' report issued on Compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133  Yes  No

Program tested as major programs include:

Program	CFDA No.
Southwest Border Prosecution Initiative	16.XXX

- The threshold for distinguishing Types A and B programs was \$300,000.
- Auditee qualified as low-risk auditee?  Yes  No



**STATE OF NEW MEXICO**  
**THIRD JUDICIAL DISTRICT ATTORNEY**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

**Section II - Findings – Financial Statements**

*Item 2005-01 – Unauthorized Use of State Owned Motor Vehicles*

**Statement of Condition** – The District Attorney’s office allowed an unauthorized driver access to and usage (commuting and business) of a state owned motor vehicle for a period of approximately ninety days. The driver of the vehicle was classified as an independent contractor and not an employee of the District Attorney’s Office of the state of New Mexico.

**Criteria** – General Services Department (GSD) Rule 96-202 and NMAC 1.5.3.11 define an authorized driver as a state employee holding a valid New Mexico driver’s license or chauffeur’s license issued under the provisions of the New Mexico Vehicle Code, and who completed any defensive driving course orientation prescribed by the GSD Secretary. Direct supervisors shall be responsible for monitoring vehicle usage to ensure compliance with policy, including proper assignments of vehicles.

**Effect** – Noncompliance with New Mexico State Statutes subject the District Attorney officials and personnel to punishment as defined by State statutes. In addition, the director of the Transportation Services Division of the GSD may suspend or revoke the state vehicle operator privileges of any state employee who permits a person who is not authorized to operate a state vehicle.

**Cause** – Oversight by management.

**Recommendation** – We recommend that the District Attorney’s office review GSD Rule 96-202 and NMAC Title 1, Chapters 5 and 3 and its own District Attorney’s policy on the use of state an privately owned motor vehicles and adjust procedures to ensure compliance.

**Views of Responsible Officials and Planned Corrective Actions** – We concur with the statement of condition and recommendation. We have GSD Rule 96-202 and NMAC Title 1, and have made the proper adjustments to ensure compliance related to the usage of state owned vehicles.

**Section III – Prior Year Audit Findings**

*Legal Compliance With General Fund Budget*

During the fiscal year ended June 30, 2004, the District Attorney had excess expenditures beyond the authorized budget of \$3,397 in the general fund, \$165 in the Victims Assistance Program fund and \$180 in the HIDTA Program fund. Management closely monitored its monthly budget projects on all line items to ensure excess spending would not occur. The finding is considered resolved.

*Employee vs. Independent Contractor*

The District Attorney’s Office had entered into contractual agreements with individuals that favor employment relationships. The District Attorney’s office reviewed its position of contact labors to ensure that the independent contractor status meets the requirements of the Internal Revenue Service. The finding is considered resolved.

**Section III – Prior Year Audit Findings (continued)**

*Tax Withholding and Reporting of Authorized Commuting in Assigned Vehicles*

Certain employees of the District Attorney's office who were specifically assigned a state owned vehicle for official state business and who are also using the vehicle for commuting were not maintaining a vehicle mileage log nor was the value of commuting usage of the assigned vehicles included in the employee's gross income, with biweekly withholding of FICA and federal and state income taxes, for each day of commuting use. The District Attorney reviewed its policy and has included \$3.00 per day in the affected employee's income. The finding is considered resolved.

*Purchase Commitments Made Prior to Encumbrance Approval*

Purchase commitments were being made to vendors prior to purchase documents approval by the Department of Finance and Administration. This was a flaw in the internal procedures of the fiscal office and a flaw in the communication flow from the management to the fiscal office. This procedural problem has been corrected. The finding is considered resolved.

**Section IV - Findings And Responses – Major Federal Award Program Audit**

None.

STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
EXIT CONFERENCE  
JUNE 30, 2005

This report was discussed during the exit conference held in Las Cruces, New Mexico on December 12, 2005. Present for the District Attorney's Office was Susana Martinez, District Attorney; Kelly Kuentler, District Office Manager; and Juliet Lucero, Chief Financial Officer. Present for the auditing firm was Rose Fierro, CPA.

The auditing firm of Fierro & Fierro, Certified Public Accountants, prepared the financial statements of the Third Judicial District Attorney as of June 30, 2005. The District Attorney's management has reviewed and approved the financial statements and related notes, and they believe that the District Attorney's books and records adequately support them.

*JL*  
*2-27-06*



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