

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Financial Statements and Schedules
With Independent Auditors Report Thereon**

For the Fiscal Year Ended June 30, 2008

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

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June 30, 2008

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**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

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**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Official Roster

June 30, 2008

Attorney

Richard D. Flores

Administrative Officials

Mary Lou Umbarger, Office Manager

Karla Martinez, Fiscal Officer

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Richard D. Flores, District Attorney
Office of the District Attorney
Fourth Judicial District
and
Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities each major fund and the aggregate remaining fund information of the State of New Mexico, Office of the District Attorney, Fourth Judicial District (Office), as of and for the year ended June 30, 2008 which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express 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.

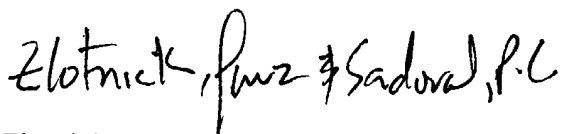
As discussed in Note 1, the financial statements of the State of New Mexico, Office of the District Attorney, Fourth Judicial District are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and budgetary comparisons of the State that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2008 and the changes in its financial position thereof and the respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 2008, on our consideration of the Office's internal control over financial reporting and our tests of its compliance with certain provision 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 Management's Discussion and Analysis on pages 3 through 7 are not a required part of the basic financial statements but are 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 Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

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



Zlotnick, Laws & Sandoval, P.C.
December 11, 2008

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

The following is a discussion and analysis of the Fourth Judicial District Attorney's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Agency's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Agency:

The first two statements are government-wide financial statements (based on the Fourth Judicial District Attorney as a whole) that provide both long-term and short-term information about the Agency's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the agency, reporting the Agency's operations in more detail than the government-wide statements.

The government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. The Fourth Judicial District Attorney has only governmental type activities. In the government-wide Statement of Net Assets, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt and obligation.

Fiduciary fund statement provides information about the financial relationships in which the Agency acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net assets and how they have changed. Net assets - the difference between the Agency's assets and liabilities - is one way to measure the Agency's financial health or position.

It is the duty of the District Attorney to prosecute and defend the state, in all courts of record, in all cases criminal and civil, in which the state or any county in the district may be a party. The District Attorney must represent any county in the district, at the request of the Board of County Commissioners. State appropriations, federal grants and local government finance most of these activities.

Fund Financial Statements

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

Some funds are required by State Law

The State Legislature established other funds to control and manage money for particular purposes or to show that it is properly using certain grants.

The Agency has these kinds of funds:

GOVERNMENTAL FUND TYPES

All of the Agency's basic services are included in governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs.

The Fourth Judicial District Attorney has one governmental fund:

General Fund - the General Fund (Fund #15800-reverting) is the general operating fund of the Fourth Judicial District Attorney. It is used to account for all financial resources

FIDUCIARY FUND TYPES:

Agency Fund - The Fourth Judicial District Attorney (#254-nonreverting) is used to account for activities in which the Fourth Judicial District Attorney is acting in an agent capacity for the Administrative Office of the District Attorneys, District Attorney Fund, merchants and/or victims.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund of the Fourth Judicial District Attorney is used to account for proceeds from reimbursement of costs, processing fees, worthless check collection and restitution allowed under state statute.

FINANCIAL ANALYSIS

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>2008</u>	<u>2007</u>
Current assets	\$ 288,371	\$ 364,400
Capital assets	<u>286,474</u>	<u>109,301</u>
Total Assets	<u>574,845</u>	<u>473,701</u>
Current liabilities	267,326	334,857
Long-term liabilities	<u>37,281</u>	<u>33,580</u>
Total Liabilities	<u>304,607</u>	<u>368,437</u>
Net Assets:		
Invested in capital assets	286,474	109,301
Restricted	121,521	121,521
Unrestricted	<u>(137,757)</u>	<u>(125,558)</u>
Total net assets	\$ <u>270,238</u>	\$ <u>105,264</u>
Program Revenue	\$ -	113,665
General Revenue - Appropriation	3,161,700	2,578,100
Other State funds	<u>158,962</u>	<u>106,437</u>
Total Revenue	<u>3,320,662</u>	<u>2,798,202</u>
Program Expenses	3,132,532	2,802,819
Reversions to State General Fund	<u>23,156</u>	<u>640</u>
Total Expenses	<u>3,155,688</u>	<u>2,803,459</u>
Change in net assets - June 30, 2006	164,974	(5,257)
Net assets, beginning - June 30, 2007	<u>105,264</u>	<u>110,521</u>
Ending net assets	\$ <u>270,238</u>	\$ <u>105,264</u>

OVERALL FINANCIAL POSITION:

The overall financial position of the Attorney's Office is virtually unchanged. The Office receives State funded appropriations to pay for operating costs. Any unused portion of the appropriation is reverted to the general fund at the end of the fiscal year. The current year reversion was \$23,156. During the year, the net assets of the Office increased by \$164,974. This was due to fixed asset acquisitions of \$220,708 netted against depreciation expense of \$43,534 and an increase in compensated absences of \$12,199.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The state legislature makes annual appropriations to the Fourth Judicial District Attorney. Adjustments to the budget require approval by the State Budget Division of the Department of Finance and Administration.

Over the course of the year, the Agency revised its budget several times. These budget adjustments fell into one category.

Changes made between categories to ensure that the budget reflects the most accurate budget allocation, based on expenditure projections.

Even with these adjustments, actual expenditures were \$23,194 below final budget amounts. The final approved budget was \$3,320,700 and the total expenditures and valid encumbrances were \$3,297,506.

CAPITAL ASSETS AND LONG TERM DEBT:

The Office's capital assets consist of personal property net of accumulated depreciation. The ending book value of capital assets is \$286,474, which is \$177,174 more than in the prior year. The Office purchase \$220,708 of new capital assets during the year.

The long-term debt consists of compensated absences that are due to employees for sick and annual leave accrued. During the fiscal year this liability increased by \$12,199.

OTHER FINANCIAL HIGHLIGHTS:

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

The office's of the Fourth Judicial District Attorney are housed by the County. The District Attorney lobbied to receive money from the Legislature to renovate the entire basement to add additional offices and conference room. This money went directly to the County for the project. The office added \$195,000.00 from their General Fund thru a Memorandum of Understanding with the County to complete the renovation. The project will be completed by December 2008.

The office also received two new positions, an attorney and an administrative secretary as a result of the Fourth Judicial District Court receiving an additional Judgeship.

CONTACTING THE FOURTH JUDICIAL DISTRICT ATTORNEY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors with a general overview of the Fourth Judicial District Attorney's finances and to demonstrate the Fourth Judicial District Attorney's accountability for the money it receives. If you have any questions, about this report or need additional financial information, contact the Fourth Judicial District Attorney's administration unit.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investment in State General Fund Investment Pool	\$ 288,371
Total current assets	<u>288,371</u>
Noncurrent assets:	
Capital assets, net of depreciation	<u>286,474</u>
Total assets	<u>\$ 574,845</u>
LIABILITIES	
Current liabilities:	
Accounts payable	17,353
Accrued payroll	98,718
Due to State General Fund	24,696
Due to other state agencies	26,083
Compensated absences - current	100,476
Total current liabilities	<u>267,326</u>
Noncurrent liabilities:	
Compensated absences	<u>37,281</u>
Total liabilities	<u>304,607</u>
NET ASSETS	
Invested in capital assets	286,474
Restricted for:	
Federal expenditures	121,521
Unrestricted	<u>(137,757)</u>
Total net assets	<u><u>\$ 270,238</u></u>

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Statement of Activities

For the Year Ended June 30, 2008

	<u>Governmental Activities</u>
Expenses:	
Administrative services	\$ 3,088,997
Depreciation expense	<u>43,535</u>
Total expenses	3,132,532
Program revenues:	-
Total program revenue	<u>-</u>
Net program expenses	<u>(3,132,532)</u>
General Revenues and transfers:	
General fund appropriation	3,161,700
Compensation package appropriation	158,962
Reversion to State General Fund-current	<u>(23,156)</u>
Total general revenues and transfers:	<u>3,297,506</u>
Change in net assets	164,974
Net assets-June 30, 2007	<u>105,264</u>
Net assets -June 30, 2008	<u><u>\$ 270,238</u></u>

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

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Balance Sheet
Governmental Funds**

June 30, 2008

	General
ASSETS	
Assets:	
Investment in State General Fund Investment Pool	\$ 288,371
Total Assets	\$ 288,371
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 17,353
Accrued payroll	98,718
Due to other state agencies	26,083
Due to state general fund	24,696
Total Liabilities	166,850
Fund Balances:	
Reserved for:	
Federal grant expenditures	121,521
Unreserved	-
Total Fund Balances	121,521
Total Liabilities and Fund Balances	\$ 288,371

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Funds**

June 30, 2008

Total fund balances for governmental funds		\$	121,521
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:</p>			
Capital assets		\$	623,011
Accumulated depreciation			<u>(336,537)</u>
Total capital assets			286,474
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:</p>			
Compensated absences			<u>(137,757)</u>
Net Assets of Governmental Activities		\$	<u><u>270,238</u></u>

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds**

For the Year Ended June 30, 2008

	General
REVENUES	\$ -
Total revenues	-
EXPENDITURES	
Current:	
Judicial:	
Personal services and employee benefits	2,540,591
Contractual services	90,972
Other	445,235
Capital outlay	220,708
Total expenditures	3,297,506
Excess (deficiency) of revenues over expenditures	(3,297,506)
OTHER FINANCING SOURCES (USES)	
Transfers out:	
Reversions to the state general fund	(23,156)
Transfers in:	
Compensation package appropriation	158,962
State appropriation	3,161,700
Total other financing sources (uses)	3,297,506
Net change in fund balances	-
Fund balances - June 30, 2007	121,521
Fund balances - June 30, 2008	\$ 121,521

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Reconciliation of the Change in Fund Balance of the
Governmental Fund to the Statement of Activities**

For the Year Ended June 30, 2008

Net Change in fund balances - total governmental funds		\$ -
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of assets is allocated over their estimated useful lives as expense. In the current period these amounts are:</p>		
Capital outlays	\$ 220,708	
Depreciation expense	<u>(43,535)</u>	
Excess of depreciation expense over capital outlay and loss		177,173
<p>Expenses recognized in the Statement of Activities, not reported in governmental funds:</p>		
Increase in compensated absences		<u>(12,199)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 164,974</u></u>

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis) Governmental Funds
General Fund**

For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State general fund appropriations	\$ 3,161,700	3,161,700	3,161,700	-
Other financing sources	<u>159,000</u>	<u>159,000</u>	<u>158,962</u>	<u>(38)</u>
	<u>\$ 3,320,700</u>	<u>3,320,700</u>	<u>3,320,662</u>	<u>(38)</u>
EXPENDITURES				
Personal services and employee benefits	\$ 3,029,900	2,541,400	2,540,591	809
Contractual services	72,000	93,000	90,972	2,028
Other	<u>218,800</u>	<u>686,300</u>	<u>665,943</u>	<u>20,357</u>
	<u>\$ 3,320,700</u>	<u>3,320,700</u>	<u>3,297,506</u>	<u>23,194</u>

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Statement of Fiduciary Assets and Liabilities - Agency Funds
Agency Fund**

June 30, 2008

ASSETS

Cash and cash equivalents	\$ <u>15,414</u>
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LIABILITIES

Due to external parties	\$ <u>15,414</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Office of the District Attorney, Fourth Judicial District (Office) operates under Article 6 Section 24, NMSA 1978 Compilation. The District Attorney is elected to a four-year term. The Office provides law enforcement as its primary service as defined in Section 36-1-1 through 36-1-26 NMSA, 1978, as amended. The Office serves San Miguel, Mora and Guadalupe counties. Financing of the Office is by state appropriation.

The Office is a component unit of the Judicial branch and these financial statements include all funds and activities over which the Office has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Office has no component units that are required to be reported in its financial statements.

The accounting policies of the Fourth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Office's significant accounting policies follows:

A. Basis of Accounting - GASB Statement # 34

The basic financial statements include both government-wide and fund financial statements. The reporting model focus is on either the Office as a whole or on major individual funds. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Office, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Office has no business-type activities, therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting - GASB Statement # 34 (Continued)

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. Grants revenue is recorded when all applicable eligibility or reimbursement requirements are met.

Fund Financial Statements

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Office’s actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The Office’s fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Office first uses restricted resources then unrestricted resources.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The accounts of the Office are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Office:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Office and accounts for all revenues and expenditures of the Office not encompassed within other funds. This is a reverting fund. The SHARE number and description of the General Fund of the Office is #15800 - Fourth Judicial District Attorney.

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the Office 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.

This fund is used to account for proceeds received from reimbursement of costs, processing fees, worthless check collection and restitution.

C. Assets, Liabilities and Equity

Cash, cash equivalents, and investments

The Office's cash and cash equivalents are demand deposits. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 2. All governmental funds allotted to the Office are held on deposit with the State Treasurer and invested in the State Treasurer General Fund Investment Pool. Note 3 describes the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and is depreciated. The Office has no internally developed software.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Capital Assets (continued)

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:

Machinery & equipment	6 years
Furniture & fixtures	7 years
Data processing equipment & software	3 years
Vehicles	5 years

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated

Compensated Absences

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 120 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an expenditure in the Government-Wide financial statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Qualified employees accumulate annual leave as follows:

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

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

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

Equity

Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Office has no outstanding debt relating to capital assets.
2. Restricted net assets, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved balances constitute amounts reserved for program expenditures related to the prosecution of criminal cases related to the Santa Rosa prison riots.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

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

No later than September 1, the Office submits to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.

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. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

The Office submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA - Budget Division. The current year budget was revised in a legal manner.

Legal budget control for expenditures and encumbrances is by category.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the ends of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.

Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(2) CASH AND CASH EQUIVALENTS

At June 30, 2008, cash consisted of the following:

	Bank Balance	Book Balance
Agency Funds:		
Cash in Bank:		
Wells Fargo Bank	\$ <u>30,292</u>	\$ <u>15,414</u>

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. All deposits with financial institutions were covered by FDIC insurance at June 30, 2008.

Custodial credit risk is the risk that in the event of a bank failure the Office's deposits may not be returned. The Office does not have any Custodial Credit Risk.

(3) INVESTMENTS

The funds allotted to the Office are held by the New Mexico State Treasurer and pooled with the general fund investment pool. The Office is required to participate in this investment and the Office does not receive any income from this investment. The Office's share of the Investment in the State General Fund Investment Pool is as follows:

INVESTMENT	Maturity	Account Balance	Fair Value
Governmental Funds:			
Investment in the State General Fund Investment Pool, fund 15800	1 day	\$ 288,371	\$ 288,371
Total		\$ 288,371	\$ 288,371

The State Treasurer's scope of authority for the types of investments that may be made with state funds is statutorily defined and governed by the State Treasurers Investment Policy approved by the State Board of Finance. The State Treasurer issues separate financial statements which disclose the categories of risk involved for GASB 40 disclosure purposes.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Machinery & equipment	\$ 122,237	59,330	(1,687)	179,880
Data processing	106,737	-	(14,193)	92,544
Furniture & fixtures	38,552	-	-	38,552
Vehicles	291,697	161,378	(144,763)	308,312
Software	3,723	-	-	3,723
Total	<u>\$ 562,946</u>	<u>220,708</u>	<u>(160,643)</u>	<u>623,011</u>
<u>Accumulated Depreciation</u>				
Machinery & equipment	(95,970)	(14,385)	1,687	(108,668)
Data processing	(102,952)	(3,820)	14,193	(92,579)
Furniture & fixtures	(19,818)	(4,784)	-	(24,602)
Vehicles	(231,183)	(20,546)	144,763	(106,966)
Software	(3,722)	-	-	(3,722)
Total	<u>(453,645)</u>	<u>(43,535)</u>	<u>160,643</u>	<u>(336,537)</u>
Net capital asset	<u>\$ 109,301</u>	<u>177,174</u>	<u>-</u>	<u>\$ 286,474</u>

Current depreciation expense is \$43,535

(5) DUE TO OTHER STATE AGENCIES

The due to other state agencies account consists of \$26,083 due to the Attorney General's Office, from the General Fund 15800. The Attorney General's Office took over prosecution of a case which the 4th Judicial District Attorney received a special appropriation to prosecute, but they could not complete prosecution due to conflict of interests.

(6) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$23,156 in 2008 reversions, \$640 in 2007 reversions and \$900 in stale dated warrants that will be remitted to the State general fund.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(7) COMPENSATED ABSENCES PAYABLE

The following is a summary of changes in compensated absences:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>
Annual Leave	125,558	116,679	104,480	137,757	100,476
Sick Leave	<u>-</u>	<u>86,852</u>	<u>86,852</u>	<u>-</u>	<u>-</u>
	<u>125,558</u>	<u>203,531</u>	<u>191,332</u>	<u>137,757</u>	<u>100,476</u>

Office General Fund resources have been used to liquidate accrued compensated absences in the past. The Office had no other debt activity during the year.

(8) PERA RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Fourth Judicial District Attorney is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Fourth Judicial District Attorney are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 2007, 2006 and 2005 were \$297,239, \$281,404, and \$256,699, respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(9) DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Fourth Judicial District Attorney nor the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Fourth Judicial District have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

(10) RETIREE HEALTH CARE ACT CONTRIBUTION

Plan Description

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

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

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(10) RETIREE HEALTH CARE ACT CONTRIBUTION(Continued)

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Fourth Judicial District Attorney's contributions to the RHCA for fiscal years ended June 30, 2008, 2007 and 2006 were \$22,516, \$21,754 and \$10,058, respectively, which equal the required contributions for each year.

(11) RISKS OF LOSS

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Court are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2007 through June 30, 2008.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(12) OPERATING LEASES

The Office leases office equipment under operating leases with third party vendors. The contracts for lease include annual nonappropriation clauses which can terminate the respective leases. The leases consist of two copier machines which require monthly payments of \$929.23, and two postage machines which require quarterly payments of \$630.08. Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2008, for each of the next five years and in the aggregate are:

<u>June 30th</u>	
2009	\$12,069
2010	384
2011	288
2012	-0-
2013	<u>-0-</u>
Total	<u>\$12,741</u>

Total rental payments for fiscal year 2008 were \$20,606.

SUPPLEMENTARY SECTION

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY**

Operating Transfers

For the Year Ended June 30, 2008

	SHARE Fund	Agency Number	Title	Transfer	
				In	Out
General Fund (15800)					
(1)	85300	341	Department of Finance & Administration	\$ 2,940,600	-
(2)	85300	341	Department of Finance & Administration	158,962	-
(3)	85300	341	Department of Finance & Administration	35,000	-
(4)	85300	341	Department of Finance & Administration	20,000	-
(5)	85300	341	Department of Finance & Administration	25,000	-
(6)	85300	341	Department of Finance & Administration	132,500	-
(7)	85300	341	Department of Finance & Administration	8,600	-
				<u>\$ 3,320,662</u>	<u>-</u>

- (1) General Fund Appropriation, Laws of 2007, Chapter 28, Section 4.
- (2) Compensation Package, Laws of 2007, Chapter 28, Section 8
- (3) Victim of Crimes Act, Laws of 2007 Chapter 21, Section 1, Item 13a
- (4) Administrative Secretary, Laws of 2007, Chapter 21, Section 1, Item 13b
- (5) Staff Expansion, Laws of 2007, Chapter 21, Section 1, Item 13c
- (6) Increased Staff, Laws of 2007, House Bill 291, Chapter 140 Section 8, Item A3
- (7) Contractual Services, Laws of 2007, House Bill 291, Chapter 140, Section 8, Item A3

See auditor's report.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

**Schedule of Changes in Assets and Liabilities
Agency Fund**

For the Year Ended June 30, 2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash in Bank	<u>\$ 8,488</u>	<u>122,262</u>	<u>115,336</u>	<u>15,414</u>
LIABILITIES				
Due to other State agencies	\$ 1,449	22,019	21,969	1,499
Assets held for others	<u>7,039</u>	<u>100,243</u>	<u>93,367</u>	<u>13,915</u>
Total	<u>\$ 8,488</u>	<u>122,262</u>	<u>115,336</u>	<u>15,414</u>

See auditor's report.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

June 30, 2008

Schedule of Joint Powers Agreement

- a) Participants: The Board of County Commissioners of San Miguel County and the Fourth Judicial District Attorney.
- b) Responsible party for operations: The Board of County Commissioners of San Miguel County.
- c) Descriptions – Fourth Judicial District Attorney Office Remodel Project. The purpose of this Agreement is to share the cost of remodeling the offices of the Fourth Judicial District Attorney.
- d) Beginning and ending dates of agreement: May 21, 2008 to the end of the project.
- e) Total estimated amount of project is \$335,000.
- f) The Fourth Judicial District Attorney transferred \$195,000 in the current fiscal year, which represents it's total financial responsibility.
- g) The Board of County Commissioners of San Miguel County has audit responsibility.
- h) The Board of County Commissioners of San Miguel County is the fiscal agent.
- i) The Board of County Commissioners of San Miguel County reports all revenues and expenditures.
- j) The Board of County Commissioners of San Miguel County will continue to retain possession of the building after the remodel project.

GOVERNMENT AUDITING STANDARDS REPORT

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
ONE CALLE MEDICO
SANTA FE, NEW MEXICO 87505

DAVID G. ZLOTNICK, CPA
ASA LAWS, CPA
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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

Honorable Richard D. Flores, District Attorney
Office of the District Attorney
Fourth Judicial District
and
Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, the respective budgetary comparisons, and the aggregate remaining fund information of the State of New Mexico, Office of the District Attorney, Fourth Judicial District (Office), as of and for the year ended June 30, 2008, which collectively comprise the Office's basic financial statements and have issued our report thereon December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Court's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 07-01, 07-02, and 07-04.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01 and 07-02 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under Government Auditing Standards.

We noted a matter that is required to be reported under Government Auditing Standards paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and responses as item 08-01.

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

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

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.

December 11, 2008

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Schedule of Findings and Responses

June 30, 2008

NO RECONCILIATION OF ACCOUNTS

07-01

Condition:

The Office did not monitor, reconcile, and adjust certain accounts in the SHARE system.

Criteria:

Each state agency is responsible for keeping a complete and accurate set of books that are correctly adjusted and ready for audit per SAO rule 2.2.2.8 J(2).

Cause:

The statewide accounting system (SHARE) was implemented without adequate support, training, or parallel simulation. The Office was accustomed to having accurate and reconciled payroll accruals and cash balances posted by other parties within the state. There were many inaccurate transactions that were posted by parties outside of the Office, without the Office's review or approval, and the Office could not even view these transactions. These transactions were difficult to follow and reconcile and the agency was not prepared to handle them.

Effect:

A significant audit adjustment in the amount of \$13,439 was made to the investment in state general fund investment pool accounts and the other liabilities accounts because of the transactions that were inaccurately posted.

Recommendation:

The Office must develop worksheets and schedules to assist in the monitoring and reconciling of accounts in the SHARE chart of accounts. Cash reconciliations will not be available from the State Treasurer in the future and the Office will need to develop internal procedures to monitor all transactions in their accounts and to ensure that their financial reports are accurate.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Schedule of Findings and Responses

June 30, 2007

NO RECONCILIATION OF ACCOUNTS (CONTINUED)

07-01

Agency Response:

The statewide accounting system (SHARE) was implemented and is still without adequate support, training, or parallel simulation. With the implementation of SHARE many inaccurate transactions are still being posted to our agency by DFA. Most reports that come from SHARE are still inaccurate, therefore, making reconciliation very difficult. Our agency does its best to reconcile with internal programs. DFA has been contacted by our agency and they cannot give us an answer as to what the entries are for. Being that they entered it on their end our agency cannot see it, edit or delete it in any way. In August of FY 09, SHARE handed out instructions of verifying the trial balance, but again with no training. Our Agency will continue to learn the system better and hopefully more training and answers will be available to us.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Schedule of Findings and Responses

June 30, 2008

AUDITOR PREPARED THE FINANCIAL STATEMENTS

07-02

Condition:

The Office currently does not have employees with sufficient expertise to apply generally accepted accounting principles (GAAP) in recording the Court's financial transactions or preparing its financial statements.

Criteria:

State Audit Rule 2.2.2.8J(4) and Statement on Auditing Standards (SAS) No 112 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements.

Effect:

The Office cannot independently prepare financial statements in accordance with generally accepted accounting principles which is an important function in any operating environment for an entity. It precludes management from reporting timely financial information for public use.

Cause:

The Office has not sufficiently trained existing employees or hired employees with the expertise to prepare GAAP financial statements.

Recommendation:

The Office needs to weigh the cost and benefit of hiring or training an employee who will be knowledgeable in applying generally accepted accounting principles and preparing financial statements versus continuing to hire an IPA to perform such services.

Agency Response:

The current accounting system cannot provide sufficient or reliable data for current staff to input into a financial statement. We would encourage the State to provide adequate staff, funding, and a program for such statements, but until this happens, this agency may chose to hire a Certified Public Accountant once a year to audit and prepare the financial statements; otherwise, this finding will likely continue.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Schedule of Findings and Responses

June 30, 2008

VOUCHERING

07-04

Condition:

During our testing of expenditures we noted a voucher where the object code charged was not the best object code for the nature of expenditure. The voucher was coded to telecommunications but it should have been coded to capital outlay since the amount exceeds the capitalization threshold.

Criteria:

Good Accounting Practices would prescribe that invoices be coded consistently to the object code most descriptive of its nature. The Audit Act (12-6-10 NMSA 1978) requires agencies to capitalize chattels and equipment whose cost is over \$5,000. Therefore, the District Attorney should code specific purchases with a cost greater than \$5,000 to capital outlay line items.

Effect:

Object codes may not reflect the proper amount of expenditures for that category and budgetary controls may be circumvented if amounts are placed in the wrong categories.

Cause:

More care needs to be exercised when coding vouchers.

Recommendation:

We recommend that the financial specialist code vouchers very carefully and that the Capital Outlay object codes reflect amounts that are added to the fixed assets inventory.

Agency Response:

Our agency will be more cautious in coding expenditures when it comes to Capital Outlay object codes.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Schedule of Findings and Responses

June 30, 2008

UNTIMELY REVERSION

08-01

Condition:

Unexpended and unencumbered budget balances have not been reverted to DFA for fiscal year ending 2007 (Fund 15800).

Criteria:

Pursuant to Section 6-5-10 NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts at year end shall revert by September 30th to the State general fund. The Agency may adjust the reversion with 45 days of release of the audit report for that fiscal year.

Effect:

The Attorney's Office did not comply with State law.

Cause:

The Office sent in the Journal Voucher to be processed by DFA but for unknown reasons, it was never posted.

Recommendation:

The Office should revert unexpended and unencumbered amounts as provided by State law. The Office should keep closer track of their accounts so that they would know in a timely manner if transactions that are supposed to take place actually do.

Agency Response:

Our office did process the journal voucher for the reverted balances and were acknowledged by DFA as received, but for whatever reason was never posted. Our agency will monitor postings on a timelier manner and be more aware of inaccuracies.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Prior Year Findings

June 30, 2008

<u>Condition</u>	<u>Current Year Status</u>
06-1 Budget over-expenditure	Resolved and not repeated.
07-1 No Reconciliation of Accounts	Revised and repeated.
07-2 Auditor Prepared the Financial Statements	Revised and repeated
07-3 Cash Receipts	Resolved and not repeated
07-4 Vouchering	Revised and repeated
07-5 Payroll	Resolved and not repeated
07-6 Late report	Resolved and not repeated

The financial statements were prepared by the auditors, Zlotnick, Laws & Sandoval, P.C.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
FOURTH JUDICIAL DISTRICT**

Exit Conference

June 30, 2008

The contents of this report were discussed at an exit conference held on December 12, 2008. The following were in attendance:

Office of the Fourth Judicial District Attorney

Richard D. Flores, District Attorney
Mary Lou Umbarger, District Office Manager

Zlotnick, Laws & Sandoval, P.C.

Asa Laws, CPA
Keith Sorensen