

**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, 2010

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

June 30, 2010

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

June 30, 2010

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

June 30, 2010

Official Roster

Attorney

Richard D. Flores

Administrative Officials

Mary Lou Umbarger, Office Manager

Karla Martinez, Chief Financial Officer

Zlotnick, Laws & Sandoval, P.C.

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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, the major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico, Office of the District Attorney, Fourth Judicial District (Office), as of and for the year ended June 30, 2010 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 Office are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information 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, 2010 and the changes in

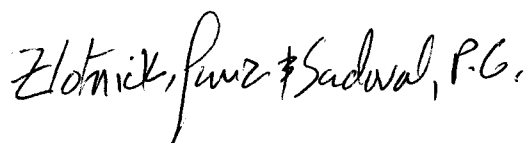
its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Office as of June 30, 2010, 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 November 11, 2010, on our consideration of the Office'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 Management's Discussion and Analysis on pages 4 through 9 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 additional schedules listed under "supplementary section" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Zlotnick, Laws & Sandoval, P.C.

November 11, 2010

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

June 30, 2010

Management Discussion and Analysis

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, 2010. 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.

The 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.

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

June 30, 2010

Management Discussion and Analysis

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 - are one way to measure the Agency's financial health or position.

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.

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

June 30, 2010

Management Discussion and Analysis

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.

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

June 30, 2010

Management Discussion and Analysis

FINANCIAL ANALYSIS

Condensed Financial Comparison of Current and Prior Fiscal Year:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets:		
Current Assets	\$ 407,474	\$ 547,331
Capital Assets	180,807	251,322
Total Assets	<u>\$ 588,281</u>	<u>\$ 798,653</u>
Liabilities:		
Current Liabilities	\$ 307,366	\$ 483,852
Non-Current Liabilities	26,098	29,985
Total Liabilities	<u>\$ 333,464</u>	<u>\$ 513,837</u>
Net Assets:		
Invested in Capital Assets	\$ 180,807	\$ 251,322
Restricted Net Assets	157,536	157,536
Unrestricted Net Assets (Deficit)	(83,526)	(124,042)
Total Net Assets	<u>\$ 254,817</u>	<u>\$ 284,816</u>
Revenue:		
Program Revenue	\$ 0	\$ 36,016
General Revenue – Appropriation	3,156,600	3,303,800
Other State Funds	0	57,200
Total Revenue	<u>3,156,600</u>	<u>3,397,016</u>
Expenses:		
Program Expenses	3,122,421	3,152,091
Reversions to State General Fund	64,178	230,347
Total Expenses	<u>3,186,599</u>	<u>3,382,438</u>
Change in Net Assets	(29,999)	14,578
Beginning Net Assets	284,816	270,238
Ending Net Assets	<u>\$ 254,817</u>	<u>\$ 284,816</u>

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

June 30, 2010

Management Discussion and Analysis

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 \$64,179. During the year, the net assets of the Office decreased by \$29,999. This was due to fixed asset acquisitions of \$12,653 netted against depreciation expense of \$83,168, an increase in supplies inventory of \$37,461, and an increase in compensated absences of \$3,055.

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 budget was revised four times. One was to reflect the receipt of federal grant revenue, two were to reflect reductions passed the State legislature and the fourth was to make changes between categories to ensure that the budget reflects the most accurate budget allocation, based on expenditure projections.

Actual expenditures were \$64,178 below final budget amounts. The final approved budget was \$3,156,600 and the total expenditures were \$3,092,422.

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 \$180,807, which is \$70,515 less than in the prior year. The Office purchase \$12,653 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 \$3,055.

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

June 30, 2010

Management Discussion and Analysis

OTHER FINANCIAL HIGHLIGHTS:

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.

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.

**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.

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

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investment in State General Fund Investment Pool	\$ 363,537
Supplies inventory	43,937
Total current assets	<u>407,474</u>
Noncurrent assets:	
Capital assets, net (note 5)	<u>180,807</u>
TOTAL ASSETS	<u><u>\$ 588,281</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,482
Accrued payroll	128,340
Due to State General Fund	64,179
Accrued compensated absences	101,365
Total current liabilities	<u>307,366</u>
Noncurrent liabilities:	
Accrued compensated absences	<u>26,098</u>
Total liabilities	<u>333,464</u>
NET ASSETS	
Invested in capital assets	180,807
Unrestricted (deficit)	74,010
Total net assets	<u>254,817</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 588,281</u></u>

See Notes to the Financial Statements.

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

Statement of Activities

For the Year Ended June 30, 2010

	<u>Governmental Activities</u>
Program Expenses:	
Judicial:	
Administrative services	\$ 3,039,253
Deprecation expense	83,168
Total Expenses	<u>3,122,421</u>
Program Revenues	
	<hr/>
Net program expenses	<u>3,122,421</u>
General Revenues and Transfers:	
State General Fund appropriations	3,156,600
Other financing sources	-
Reversion to State General Fund - current	(64,178)
	<u>3,092,422</u>
Change in net assets	(29,999)
Net assets, beginning of year	<u>284,816</u>
Net assets, end of year	<u><u>\$ 254,817</u></u>

See Notes to the Financial Statements.

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

Balance Sheet - Governmental Fund

June 30, 2010

	<u>General Fund</u>
ASSETS	
Current Assets:	
Investment in State General Fund Investment Pool	\$ 363,537
Supplies inventory	43,937
	<hr/>
TOTAL ASSETS	<u><u>\$ 407,474</u></u>
LIABILITIES AND FUND BALANCES	
Current Liabilities:	
Accounts payable	\$ 13,482
Accrued payroll	128,340
Due to State General Fund	64,179
	<hr/>
Total liabilities	<u>206,001</u>
FUND BALANCES	
Reserved for Federal Grant Expenditures	157,536
Reserved for Inventories	43,937
Unreserved	-
	<hr/>
Total fund balances	<u>201,473</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 407,474</u></u>

See Notes to the Financial Statements.

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

**Reconciliation of Balance Sheet
To The Statement of Net Assets - Governmental Fund**

June 30, 2010

Total fund balance - total governmental funds	\$ 201,473
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Amounts reported for governmental activities on the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported on the balance sheet

Capital assets, net	180,807
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Some liabilities are not due and payable in the current period, and therefore are not reported on the balance sheet.

Compensated absences	<u>(127,463)</u>
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Net Assets of governmental activities	<u><u>\$ 254,817</u></u>
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See Notes to the Financial Statements.

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

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

For the Year Ended June 30, 2010

	<u>General Fund</u>
REVENUES	<u>\$ -</u>
Total Revenues	<u>-</u>
EXPENDITURES	
Current:	
Personal services & benefits	2,776,123
Contract services	116,087
Other costs	187,559
Capital Outlay	<u>12,653</u>
Total Expenditures	<u>3,092,422</u>
Excess (deficiency) of revenues over expenditures	<u>(3,092,422)</u>
OTHER FINANCING SOURCES/(USES)	
Transfers In:	
Compensation package appropriation	-
State appropriation	3,156,600
Transfers Out:	
Reversion to State General Fund - FY10	<u>(64,178)</u>
Total other financing sources (uses)	<u>3,092,422</u>
Net change in fund balances	-
Fund balances, beginning of year	164,012
Increase in reserve for supplies inventory	<u>37,461</u>
Fund balances, end of year	<u><u>\$ 201,473</u></u>

See Notes to the Financial Statements.

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

**RECONCILIATION OF THE CHANGE IN FUND BALANCE
OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ -

Amounts reported for governmental activities on the Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Certain outlays are reported as expenditures in governmental funds; however, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives. During the year ended June 30, 2009 these amounts were as follows:

Capital outlay	12,653	
Depreciation expense	(83,168)	
Excess of capital outlay over depreciation expense		(70,515)
Supplies Inventory		37,461

Expenses recognized on Statement of Activities not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances:

Change in compensated absences (increase)		3,055
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Change in net assets of governmental activities \$ (29,999)

See Notes to the 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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriations	\$ 3,221,100	3,156,600	3,156,600	\$ -
Other financing sources				-
Program Revenue				-
Total Revenues	<u>3,221,100</u>	<u>3,156,600</u>	<u>3,156,600</u>	<u>\$ -</u>
Fund Balance		157,536		
		<u>\$ 3,314,136</u>		
EXPENDITURES				
Personnel services & employee benefits	\$ 2,944,700	2,809,700	2,776,123	\$ 33,577
Contractual services	80,800	149,300	116,087	33,213
Other costs	195,600	355,136	200,212	154,924
Total Expenditures	<u>\$ 3,221,100</u>	<u>3,314,136</u>	<u>3,092,422</u>	<u>\$ 221,714</u>

See Notes to the Financial Statements.

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

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

June 30, 2010

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 6,174
TOTAL ASSETS	<u>\$ 6,174</u>
LIABILITIES	
Due to other State agencies	\$ 895
Assets held for others	<u>5,279</u>
TOTAL LIABILITIES	<u>\$ 6,174</u>

See Notes to the Financial Statements.

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

June 30, 2010

Notes to the Financial Statements

(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. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

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

June 30, 2010

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting – Fund Accounting

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.

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.

Fund Financial Statements

The governmental fund statements are presented on a current financial resources measurement focus and the 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, reconciliations are presented on the page following each statement, which briefly explain the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

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

June 30, 2010

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting – Fund Accounting (Continued)

Fund Financial Statements (continued)

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.

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. Any unexpended balance remaining in this fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. 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.

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

June 30, 2010

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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.

Supplies Inventory

Supplies inventory consists of non-resale paper, postage, and office supplies. Supplies inventory is stated on the consumption method in the government-wide statements to be consistent with the accrual basis of accounting. The purchases method is used on the fund financial statements and inventory balances are reported as assets in the governmental fund balance sheet. The supplies inventory is offset by fund balance reserve on the fund financial statements, which indicates they are unavailable for appropriation even though they are a component of reported assets.

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.

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
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June 30, 2010

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Assets, Liabilities and Equity (Continued)

Capital Assets (continued)

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.

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.

Long-Term Liabilities

The Office's policies regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

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 on the Government-Wide financial statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

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

June 30, 2010

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Assets, Liabilities and Equity (Continued)

Compensated Absences (continued)

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.

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.

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

June 30, 2010

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Assets, Liabilities and Equity (Continued)

Equity (continued)

Government-wide Statements (continued)

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". The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

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 Federal grant money received for the Southwest Border Initiative drug program prosecution cases.

C. 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.

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

June 30, 2010

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets and Budgetary Accounting (continued)

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.

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.

(2) CASH AND CASH EQUIVALENTS

At June 30, 2010, cash consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds:		
Investment in the State General Fund		
Investment Pool, fund 15800	\$ 363,537	\$363,537
Agency Funds:		
Cash in Bank: Wells Fargo Checking	<u>\$ 21,669</u>	<u>\$ 6,174</u>

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

June 30, 2010

Notes to the Financial Statements

(2) CASH AND CASH EQUIVALENTS (continued)

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, 2010.

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) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beg Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>End Balance</u>
Capital Assets:				
Machinery & Equipment	\$ 149,046	6,417	-	155,463
Data Processing Equipment	63,695	6,236	-	69,931
Furniture & Fixtures	37,251	-	-	37,251
Vehicles	339,369	-	-	339,369
Software	3,723	-	-	3,723
Total	<u>593,084</u>	<u>12,653</u>	<u>-</u>	<u>605,737</u>
Accumulated Depreciation:				
Machinery & Equipment	106,141	23,710	-	129,851
Data Processing Equipment	63,237	780	-	64,017
Furniture & Fixtures	27,765	4,019	-	31,784
Vehicles	140,896	54,659	-	195,555
Software	3,723	-	-	3,723
Total	<u>341,762</u>	<u>83,168</u>	<u>-</u>	<u>424,930</u>
Net Assets	<u>\$ 251,322</u>	<u>(70,515)</u>	<u>-\$</u>	<u>180,807</u>

Depreciation expense for the fiscal year ended June 30, 2010 was \$83,168

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

June 30, 2010

Notes to the Financial Statements

(4) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$64,179 in fiscal year 2010 reversions that will be remitted to the State General Fund.

(5) COMPENSATED ABSENCES PAYABLE

The following is a summary of changes in compensated absences:

	June 30, 2009	Increase	Decrease	June 30, 2010	Due in one year
Annual	\$130,308	120,045	125,103	\$125,250	\$99,152
Sick	210	86,852	84,849	2,213	2,213
Total	<u>\$130,518</u>	<u>206,897</u>	<u>209,952</u>	<u>\$127,463</u>	<u>\$101,365</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.

(6) 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 members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

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

June 30, 2010

Notes to the Financial Statements

(6) PERA RETIREMENT PLAN (continued)

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Fourth Judicial District Attorney is required to contribute 15.09% 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, 2010, 2009 and 2008 were \$290,279, \$308,188, and \$297,239, respectively, equal to the amount of the required contributions for each year.

(7) 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 makes 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 Employees' Retirement Association, which administers the plan.

(8) 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.

**STATE OF NEW MEXICO
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FOURTH JUDICIAL DISTRICT**

June 30, 2010

Notes to the Financial Statements

(8) RETIREE HEALTH CARE ACT CONTRIBUTION (Continued)

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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.

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required 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. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

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

June 30, 2010

Notes to the Financial Statements

(8) RETIREE HEALTH CARE ACT CONTRIBUTION (Continued)

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

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, 2010, 2009 and 2008 were \$24,637, \$23,412, and \$22,516, respectively, which equal the required contributions for each year.

(9) 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, and is 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, 2009 through June 30, 2010.

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

June 30, 2010

Notes to the Financial Statements

(10) 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 copy machines which require monthly payments of \$1,422, and postage machines which require quarterly payments of \$351. Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2009, for each of the next five years and in the aggregate are:

2011	17,771
2012	16,718
2013	16,718
2014	1,291
2015	
Total	<u>43,459</u>

Total rental payments for fiscal year 2010 were \$18,235.

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

Schedule of Operating Transfers

For the Year Ended June 30, 2010

<u>SHARE FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
		<u>In</u>	<u>Out</u>
(1) 85300	Department of Finance & Administration	\$ 3,156,600	\$ -
(2) 85300	Department of Finance & Administration		64,178
Total		<u>\$ 3,156,600</u>	<u>\$ 64,178</u>

(1) General Fund Appropriation, Laws of 2009, Chapter 124, Section 4

(2) Reversion to the General Fund

See Auditor's Report

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

Supplementary Section

Schedule of Changes in Assets and Liabilities - Agency Fund

For the Year Ended June 30, 2010

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash and cash equivalents	\$ 5,989	79,161	78,976	\$ 6,174
TOTAL ASSETS	<u>\$ 5,989</u>	<u>79,161</u>	<u>78,976</u>	<u>\$ 6,174</u>
LIABILITIES				
Due to other State agencies	\$ 990	10,138	10,233	\$ 895
Assets held for others	4,999	69,023	68,743	5,279
TOTAL LIABILITIES	<u>\$ 5,989</u>	<u>79,161</u>	<u>78,976</u>	<u>\$ 6,174</u>

See Auditor's Report

Zlotnick, Laws & Sandoval, P.C.

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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, the major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the general fund of the State of New Mexico, Office of the District Attorney, Fourth Judicial District (Office), as of and for the year ended June 30, 2010, which collectively comprise the Office's basic financial statements and have issued our report thereon dated November 11, 2010. 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and response, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 07-02 in the accompanying schedule of findings and responses to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and responses

As item 10-01

We noted no matters that are required to be reported under Government Auditing Standards paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978.

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.

November 11, 2010

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

June 30, 2010

Schedule of Findings and Responses

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**

June 30, 2010

Schedule of Findings and Responses

LATE REPORT

10-01

Condition:

The audit report for the fiscal year ended June 30, 2010 was not accepted by the December 15, 2010 deadline.

Criteria:

The deadline for submitting State agency audit reports for the year ended June 30, 2010 cannot extend beyond December 15, 2010 as stated in the SAO Rule 2.2.2.9(e).

Effect:

The agency did not meet comply with SOA rule 2.2.2.9(e).

Cause:

The auditors made last minute revisions to the audit report and did not thoroughly review the changes. The result was that the report on internal control and financial reporting and on compliance did not include the proper language.

Recommendation:

The agency and its auditors should follow the proper procedures to assure that the audit meets generally accepted auditing standards.

Agency Response:

The auditors were contracted to draft the audit report since we do not have the appropriate level of expertise. The part of the audit report that was substandard was a report written by the auditors and signed by them.

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

June 30, 2010

Prior Year Findings

<u>Condition</u>	<u>Current Year Status</u>
07-1 No Reconciliation of Accounts	Resolved
07-2 Auditor Prepared the Financial Statements	Revised and 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**

June 30, 2010

Exit Conference

The contents of this report were discussed at an exit conference held on December 3, 2010. The following were in attendance:

Office of the Fourth Judicial District Attorney

Richard D. Flores, District Attorney
Karla Martinez, Chief Financial Officer
Mary Lou Umbarger, Office Manager

Zlotnick, Laws & Sandoval, P.C.

Asa Laws, CPA
Keith Sorensen, Staff