

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

**Financial Statements  
With Independent Auditors Report Thereon  
June 30, 2008**

## **INTRODUCTORY SECTION**

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

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June 30, 2008**

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

**Official Roster  
June 30, 2008**

**ATTORNEYS**

Floyd D. "Terry" Haake	District Attorney
Lesley S. Williams	Deputy District Attorney
Michael S. Sanchez	Deputy District Attorney
Ronald Walker	Deputy District Attorney
D'Ann Read	Senior Trial Attorney
Raymond L. Romero	Senior Trial Attorney
Laura K. Castillo	Senior Trial Attorney
Robert Cates	Senior Trial Attorney
Amanda Lucero	Senior Trial Attorney
Vernon O.M. Henning	Senior Trial Attorney
Debra Hutchins	Senior Trial Attorney
Robert P. Perozynski, II	Senior Trial Attorney
Armand Velez	Senior Trial Attorney
Stephen Kovach	Senior Trial Attorney
Lee Huntzinger	Senior Trial Attorney
Paul Asay	Assistant Trial Attorney
William Denning	Assistant Trial Attorney
Shay Lynn Denning	Assistant Trial Attorney

**ADMINISTRATIVE STAFF**

Melissa Walterscheid	Chief Financial Officer
Craig Vandenberg	Special Programs Director

MILLER & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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400 NORTH PENNSYLVANIA - SUITE 800  
POST OFFICE BOX 2504  
ROSWELL, NEW MEXICO 88202-2504

RONALD L. MILLER, CPA/ABV, CVA  
RYAN L. MILLER, CPA  

---

LARI E. GALLAGHER, CPA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE 575-622-4667  
FAX 575-622-5166  
E-MAIL: [rmiller@dfn.com](mailto:rmiller@dfn.com)

### INDEPENDENT AUDITOR'S REPORT

To Floyd D. "Terry" Haake, District Attorney  
Office of the District Attorney  
Fifth Judicial District  
And  
Hector H. Balderas  
New Mexico State Auditor

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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, Fifth 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, and the aggregate remaining fund information of the State that is attributable to the transactions of the District. 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 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 District as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the general fund, VOCA and HIDTA special revenue funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information, such as the Agency Funds' Schedule of Changes in Assets and Liabilities is presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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 basic financial statements taken as a whole.



Miller & Associates, CPA, P.C.  
December 18, 2008

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT ATTORNEY**

**Management's Discussion and Analysis  
(Required Supplementary Information)  
June 30, 2008**

**Overview of the Financial Statements**

The financial statements consist of the following: government-wide financial statements, governmental funds statements and a statement reconciling the above mentioned statements.

**Basic Financial Statements: Statement of Net Assets and Statement of Activities**

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

The basic financial statements report the Fifth Judicial District Attorney's net assets and how they have changed.

**Fund Financial Statements: Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

The fund financial statements provide more detailed information about the Fifth Judicial District Attorney's significant funds. Funds are accounting devices that the Fifth Judicial District Attorney uses to keep track of specific sources of funding and spending for particular purposes.

The Fifth Judicial District Attorney operates on its State General Fund appropriations, worthless check and pre-prosecution fees, federal awards, and a budget, which is approved by the State Legislature each year.

	<b>Net Assets</b>	
	<b>Government Activities</b>	
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 1,040,426	\$ 741,678
Non-current Assets	125,169	141,544
Total Assets	<u>1,165,595</u>	<u>883,222</u>
Current Liabilities	1,226,149	996,912
Long-term Liabilities	34,371	18,726
Total Liabilities	<u>1,260,520</u>	<u>1,015,638</u>
Net Assets:		
Invested in Capital Assets	125,169	141,544
Reserved for VOCA	(4,520)	(2,710)
Unrestricted	(215,574)	(271,250)
Total Net Assets	<u>\$ (94,925)</u>	<u>\$ (132,416)</u>

**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT ATTORNEY**

**Management's Discussion and Analysis  
(Required Supplementary Information)  
June 30, 2008**

Total Assets: Consists of cash of \$1,039,370 on deposit with the state treasurer, prepaid expenses of \$1,056 and capital assets, net of accumulated depreciation of \$125,169. Total assets are \$1,165,595. This represents an increase of \$282,373 from FY07.

Total Liabilities: Consists of current liabilities of \$1,226,149 and long-term liabilities of \$34,371. Total liabilities are \$1,260,520. This represents an increase in liabilities of \$244,882 from FY07.

Net Assets: Consists of \$125,169 invested in capital assets \$(4,520) in restricted net assets and unrestricted net assets of \$(215,574). This represents a increase of \$37,491 from FY07.

**Statement of Activities**

	Government Activities	
	2008	2007
Revenues:		
General Revenues		
State General Fund Appropriations	\$ 4,186,900	\$ 3,930,961
Federal Funds	244,711	142,499
Other Revenues	208,898	-
Total Revenues	4,640,509	4,073,460
Expenses:		
General Government	4,489,178	3,762,655
Total Expenses	4,489,178	3,762,655
Transfers out	113,840	412,419
Change in Net Assets	37,491	(101,614)
Net Assets – Beginning	(132,416)	(30,802)
Net Assets – Ending	\$ (92,925)	\$ (132,416)

Total Revenues: Consists of \$4,640,509 for operations purposes. State general fund appropriations and federal awards provide the majority of revenue. This represents an increase of total revenues of \$567,049 from FY07. The increase in the Federal Grant is the result of more Southwest Border monies being received during the current year. The State Appropriation increased due to a higher amount being allotted due to an increased budget.

Total Expenses: Consists of \$4,489,178 mainly for employee salaries and benefits, and operating cost purposes. This represents an approximate increase of total expenses of \$726,523 or 19% from FY07 as a result of increases in salaries.

Change in Net Assets: The Fifth Judicial District Attorney's total revenue increased from \$4,073,460 to \$4,640,509. The total expenses increased from \$3,762,655 to \$4,489,178. The increase in net assets was \$37,491.



**STATE OF NEW MEXICO  
FIFTH JUDICIAL DISTRICT ATTORNEY**

**Management's Discussion and Analysis  
(Required Supplementary Information)  
June 30, 2008**

**Analysis of Overall Financial Position and Results of Operations**

There are changes in the Fifth Judicial District Attorney's Financial Position (Statement of Net Assets) and Operations (Statement of Activities) from the prior year. Total assets increased from \$883,724 to \$1,165,595. Total net assets increased from \$(132,416) to \$(94,925).

Capitalization of capital assets in lieu of capital outlay recognition of \$66,112 netted with the additional increase of compensated absences of \$26,075 caused total net assets to increase. The total decrease in net assets for the year ended June 30, 2008 shown in the Statement of Activities is \$37,491.

The Fifth Judicial District Attorney anticipates increasing its activity from the Worthless Check and Pre-Prosecution Diversion Programs. We intend to do this by more aggressively seeking candidates for these programs. The Fifth Judicial District Attorney also intends to lobby the State Legislature more intensely to increase our funding from the state general fund, and it will continue to seek out sources of federal funds.

**Capital Asset Activity.**

The District's investment in capital assets for its government activities as of June 30, 2008 amount to \$125,169 (net of accumulated depreciation). This investment in capital assets consists of office equipment and vehicles. Major capital asset events during the current year included capital outlay purchases of \$66,112 for vehicles and equipment and depreciation expense of \$82,487.

**General and Budgetary Highlights**

The State Legislature makes annual appropriations to the Fifth Judicial District Attorney. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of a year, the Fifth Judicial District Attorney revised its budget two times. These budget amendments fall into one category:

- o Increases or reallocation of appropriations to prevent budget overruns.

With these adjustments, total actual expenditures were below final budget amount. The most significant positive variance resulted from unspent Southwest Border Prosecution Initiative reimbursements.

**Contacting the Office of the Fifth Judicial District Attorney's Management**

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

Office of the District Attorney  
Fifth Judicial District  
102 N. Canal St., Ste. 200  
Carlsbad, New Mexico 88220  
(575) 885-8822

**BASIC FINANCIAL STATEMENTS**

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

**Statement of Net Assets  
Government -Wide  
June 30, 2008**

<b>ASSETS</b>	<u>Governmental Activities</u>
Current assets:	
Investment in the State Treasurer General Fund Investment Pool	\$ 1,039,370
Prepaid expenses	1,056
Total current assets	<u>1,040,426</u>
Noncurrent assets:	
Capital assets, net of depreciation (Note 3)	<u>125,169</u>
Total assets	<u><u>\$ 1,165,595</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 108,364
Accrued payroll	76,302
Accrued Expenses	97,424
Compensated absences - current	137,353
Due to State General Fund	<u>806,706</u>
Total current liabilities	1,226,149
Noncurrent liabilities:	
Compensated absences	<u>34,371</u>
Total liabilities	<u><u>1,260,520</u></u>
<b>NET ASSETS</b>	
Invested in capital assets	125,169
Restricted for VOCA	(4,520)
Unrestricted (Note 6)	<u>(215,574)</u>
Total net assets	<u><u>(94,925)</u></u>
Total liabilities and net assets	<u><u>\$ 1,165,595</u></u>

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

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

**Statement of Activities  
Government -Wide  
For the Year Ended June 30, 2008**

	Governmental Activities
Expenses:	
Administrative services	\$ 4,406,691
Depreciation	82,487
Total program expenses	4,489,178
Program revenues:	
Operating grants and contributions:	
Federal grants	244,711
Total program revenues	244,711
Net program expense	(4,244,467)
General revenues and transfers:	
General fund appropriation	4,186,900
Other revenues	208,898
Transfer out - State general fund	(113,840)
Total general revenues and transfers	4,281,958
Change in net assets	37,491
Net assets -- beginning of the year	(132,416)
Net assets -- end of the year	\$ (94,925)

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

**FUND FINANCIAL STATEMENTS**

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

**Balance Sheet  
Governmental Funds  
June 30, 2008**

	Major			Total
	General Fund	HIDTA	VOCA	
<b>ASSETS</b>				
Investment in the State Treasurer				
General Fund Investment Pool	\$ 984,713	\$ -	\$ 54,657	\$ 1,039,370
Due From Other Funds	53,439	208,034	-	261,473
Prepaid Expenses	1,056	-	-	1,056
	<u>1,039,208</u>	<u>208,034</u>	<u>54,657</u>	<u>1,301,899</u>
<b>Total Assets</b>	<b>\$ 1,039,208</b>	<b>\$ 208,034</b>	<b>\$ 54,657</b>	<b>\$ 1,301,899</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 108,364	\$ -	\$ -	\$ 108,364
Accrued Payroll	69,770	6,532	-	76,302
Accrued Expenses	90,380	7,044	-	97,424
Due to Other Funds	202,296	-	59,177	261,473
Due to State General Fund	568,098	238,608	-	806,706
<b>Total Liabilities</b>	<u>1,038,908</u>	<u>252,184</u>	<u>59,177</u>	<u>1,350,269</u>
<b>Fund Balances:</b>				
Reserved for HIDTA	-	(44,150)	-	(44,150)
Unreserved	300	-	(4,520)	(4,220)
<b>Total Fund Balances</b>	<u>300</u>	<u>(44,150)</u>	<u>(4,520)</u>	<u>(48,370)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,039,208</u>	<u>\$ 208,034</u>	<u>\$ 54,657</u>	<u>\$ 1,301,899</u>

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

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

**Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2008**

Total fund balances - Governmental Funds (from C-1) \$ (48,370)

Amounts reported for *governmental activities* in the Statement of Net Assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Furniture and fixtures	\$ 84,324	
Equipment and machinery	208,993	
Vehicles	326,047	
Accumulated Depreciation	<u>(494,195)</u>	
Total capital assets		125,169

The compensated absences are not due and payable in the current period and therefore are not reported in the funds.

(171,724)

Net assets of governmental activities (See A-1)

\$ (94,925)

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

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2008**

	Major			Total
	General Fund	HIDTA	VOCA	
<b>REVENUES</b>				
Federal Funds	\$ 208,898	\$ 244,711	\$ -	\$ 453,609
Total Revenues	<u>208,898</u>	<u>244,711</u>	<u>-</u>	<u>453,609</u>
<b>EXPENDITURES</b>				
Public Safety:				
Current:				
Personnel Services	3,514,916	162,960	1,810	3,679,686
Contract Services	209,127	-	-	209,127
Capital Outlay	66,112	-	-	66,112
Other	491,803	-	-	491,803
Total Expenditures	<u>4,281,958</u>	<u>162,960</u>	<u>1,810</u>	<u>4,446,728</u>
Excess (deficiency) of revenues over expenditures	<u>(4,073,060)</u>	<u>81,751</u>	<u>(1,810)</u>	<u>(3,993,119)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
General Fund Appropriation	4,186,900	-	-	4,186,900
Reversion to the State General Fund-2008	(113,840)	-	-	(113,840)
Total Other Financing Sources and Uses	<u>4,073,060</u>	<u>-</u>	<u>-</u>	<u>4,073,060</u>
Net Change in Fund Balance	-	81,751	(1,810)	79,941
Fund Balances--Beginning of the Year	<u>300</u>	<u>(125,901)</u>	<u>(2,710)</u>	<u>(128,311)</u>
Fund Balances--End of the Year	<u>\$ 300</u>	<u>\$ (44,150)</u>	<u>\$ (4,520)</u>	<u>\$ (48,370)</u>

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



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

**Reconciliation of Changes in Fund Balance of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds (from C-3) \$ 79,941

Amounts reported for *governmental activities* in the Statement of Activities (B-1) are different because:

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	66,112	
Depreciation Expense	(82,487)	
Excess of capital outlay over depreciation expense		(16,375)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reportable as expenditures in governmental funds.		(26,075)
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Change in net assets of governmental activities (see B-1)		\$ 37,491
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The accompanying notes are an integral part of these financial statements.

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

**Statement of Revenues and Expenditures  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State General Fund Appropriations	\$ 4,186,900	\$ 4,186,900	\$ 4,186,900	\$ -
Miscellaneous Revenue	208,900	208,900	208,898	(2)
	4,395,800	4,395,800	4,395,798	(2)
<b>EXPENDITURES</b>				
Personal Services and Employee Benefits	3,642,540	3,642,540	3,514,916	127,624
Contractual Services	204,600	212,600	209,127	3,473
Other	548,660	540,660	557,915	(17,255)
	4,395,800	4,395,800	4,281,958	113,842
<b>OTHER FINANCING USES</b>				
General Fund Appropriation	-	-	113,840	(113,840)
Excess (deficiency) of revenues over expenditures	-	-	\$ -	\$ -
Prior year fund balance	300	300		
End of year fund balance	\$ 300	\$ 300		

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

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

**Statement of Revenues and Expenditures  
Budget and Actual  
High Intensity Drug Trafficking Area (HIDTA)  
For the Year Ended June 30, 2008**

	<u>Special Revenue - High Intensity Drug Trafficking Program (HIDTA)</u>			
	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ -	\$ -	\$ 244,711	\$ 244,711
<b>EXPENDITURES</b>				
Personal Services and Employee Benefits	97,231	97,231	162,960	(65,729)
Contractual Services	-	-	-	-
Other	-	-	-	-
	<u>97,231</u>	<u>97,231</u>	<u>162,960</u>	<u>(65,729)</u>
Excess (deficiency) of revenues over expenditures	(97,231)	(97,231)	<u>\$ 81,751</u>	<u>\$ 178,982</u>
Prior year fund balance	<u>(125,901)</u>	<u>(125,901)</u>		
End of year fund balance	<u>\$ (223,132)</u>	<u>\$ (223,132)</u>		

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

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

**Statement of Revenues and Expenditures  
Budget and Actual  
Victim Assistance Program (VOCA)  
For the Year Ended June 30, 2008**

	Special Revenue - Victim Assistance Program (VOCA)			
	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenue	-	-	-	-
	-	-	-	-
<b>EXPENDITURES</b>				
Personal Services and Employee Benefits	33,600	33,600	1,810	31,790
Contractual Services	-	-	-	-
Other	-	-	-	-
	33,600	33,600	1,810	31,790
Excess (deficiency) of revenues over expenditures	(33,600)	(33,600)	<u>\$ (1,810)</u>	<u>\$ 31,790</u>
Prior year fund balance	<u>(2,710)</u>	<u>(2,710)</u>		
End of year fund balance	<u>\$ (36,310)</u>	<u>\$ (36,310)</u>		

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

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

**Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 2,734</u>
<b>LIABILITIES</b>	
Deposits Held for Others	<u>\$ 2,734</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**Notes to the Financial Statements  
June 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Office of the District Attorney, Fifth Judicial District (the "District") operates under Article 6 Section 24, NMSA 1978 Compilation. The District is comprised of two divisions as authorized in the above statutes. The District Attorney provides law enforcement as its primary service. Financing of the District is by state appropriation and federal grants.

The District is an agency of the State of New Mexico and these financial statements include all funds and activities over which the District Attorney has oversight responsibility. The District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. The District Attorney has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District has no component units, and is not a component unit of another governmental agency.

The accounting policies of the Fifth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. The financial statements have incorporated all applicable FASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. A summary of the District's significant accounting policies follows:

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

The statement of net assets and the statement of activities display information about the District, 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 District 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are changes between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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

**Notes to the Financial Statements  
June 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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. The program revenues are directly associated with the function. The only program revenues are operating grants that consist of a VOCA grant and a Southwest Border Grant to be utilized in the Victim Assistance Program and the High Intensity Drug Trafficking Area, respectively. The District does not have a policy for allocating indirect expenses since there is only one function in the Statement of Activities.

The governmental fund and agency fund financial 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. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available 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 District’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.

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

The accounts of the District 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 District:

**Governmental Fund Types**

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The SHARE number and description of the General Fund of the District is #159 – District Regular.



**STATE OF NEW MEXICO  
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**Notes to the Financial Statements  
June 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Special Revenue Funds**

The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from the special revenue fund for operations of the Court. The Following special revenue funds are reported as major:

Victim of Crime Act (VOCA) Fund – The district receives a federal VOCA grant #02-VA-GX-0035 and a Southwest Border Grant to provide assistance to victims of crime. The SHARE number of the Victim Assistance Program is #937. The funds received under these grants are non-reverting.

High Intensity Drug Trafficking Area (HIDTA) Fund – The HIDTA fund is used to account for proceeds from the Office of National Drug Control Policy – High Intensity Drug Trafficking Area Grant, and the U.S. Department of Justice – Southwest Border Prosecution Initiative (SWBPI) reimbursements and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the federal government to maintain a separate fund. The District has determined that the HIDTA fund is a major fund whose SHARE number is #399.

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

**Fiduciary Funds**

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The District reports the following Agency funds:

- a) The worthless check fund accounts for all amounts collected and distributed through the process restitution on worthless checks.
- b) The pre-prosecution fund accounts for all amounts collected and distributed through the prosecution process.

**C. Assets, Liabilities and Equity**

1. Cash and investments

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

**Notes to the Financial Statements  
June 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District'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 funds allotted to the District are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits in accordance with GASB 40.

**2. Capital Assets**

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized.

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

Furniture, fixtures, machinery and equipment (including software)	3-7 years
Vehicles	5 years

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

**3. Long-Term Liabilities**

Compensated Absences – The District'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. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

**4. 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 District has no outstanding debt relating to capital assets.

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

**Notes to the Financial Statements  
June 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 by 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 or unreserved.

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the District 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.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
4. The District submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA – Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was revised in a legal manner.
5. Legal budget control for expenditures is by category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
7. The General Appropriation Act of 2004, which applies to fiscal year 2006 budgets, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. State agencies have a different budget basis beginning in the fiscal year ended June 30, 2006. Under the new law, encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance

**STATE OF NEW MEXICO  
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**Notes to the Financial Statements  
June 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

and a liability recorded to recognize any amounts subject to reversion. If the Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized. The General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, which applies to fiscal year 2008 establishes the modified accrual basis of accounting as the budgetary basis except for accounts payable accrued at the end of fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. The accounts payable that do not get paid timely must be paid out of the next year's budget.

**E. Compensated Absences**

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July.

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

In accordance with GASB Statement No. 16 *Accounting for Compensated Absences*, accrued compensated absences consist of accumulated annual leave, sick leave, and compensatory leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**G. Accrued Expenses**

Accrued expenses consist of payroll tax liabilities and post employment benefit liabilities as of 6/30/08.

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

**Notes to the Financial Statements  
June 30, 2008**

**NOTE 2: CASH AND INVESTMENTS**

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. At June 30, 2007, the New MexiGROW Local Government Investment Pool was rated at AAAM and was considered a 24-day WAM.

The pool does not have unit shares. Per Section 6-10-10-1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Participation in the local government investment pool is voluntary.

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

<u>Account Name</u>	<u>Share Fund #</u>	<u>Maturities</u>	<u>Per Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<u>General Fund:</u>					
Petty Cash			\$ -	\$ 300	\$ 300
Investment in the State General Fund Investment Pool	159	<180 days	984,413	-	984,413
<u>Special Revenue Fund:</u>					
Investment in the State General Fund Investment Pool					
High Intensity Drug Program	399	<180 days	(238,608)	-	(238,608)
Victims Assistance Program	937	<180 days	54,657	-	54,657
Total			<u>\$ 800,462</u>	<u>300</u>	<u>\$ 800,762</u>
<u>Agency Funds</u>					
Worthless Check Account		N/A	\$ 690	-	\$ 690
Pre-Prosecution Account		N/A	2,044	-	2,044
Total			<u>\$ 2,734</u>	<u>\$ -</u>	<u>\$ 2,734</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk since investments are held by the State Treasurer.

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

**Notes to the Financial Statements  
June 30, 2008**

**NOTE 2: CASH AND INVESTMENTS (continued)**

*Credit Risk*

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. As of June 30, 2008, the District's investment in the state investment pool was rated as follows:

Investment Type	Rating
U.S. Government Obligations	no rating
Commercial Paper	A-1, P-1 by 2 national rating services
Corporate Bonds	BBB+ or Baa1
Asset-Backed Obligations	AAA
Repurchase Agreements	no rating
Bank, Savings and Loan Association or Credit Union Deposits	no rating
Securities Lending	no rating
Variable Rate Notes	no rating
Tax Exempt Securities	A
Mutual Funds	no rating

The investments are valued at fair value based on quoted market prices as of the valuation date.

*Investment Risk*

The District has no investment policy that would further limit its investment choices.

**NOTE 3: CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and Fixtures	\$ 85,564	\$ -	\$ (1,241)	\$ 84,324
Equipment and Machinery	251,656	-	(42,661)	208,993
Vehicles	278,564	66,112	(18,630)	326,047
	<u>615,784</u>	<u>66,112</u>	<u>(62,532)</u>	<u>619,364</u>
Less Accumulated Depreciation:				
Furniture and Fixtures	(40,743)	(8,366)	1,241	(47,868)
Equipment and Machinery	(209,894)	(46,493)	42,661	(213,726)
Vehicles	(223,603)	(27,628)	18,630	(232,601)
	<u>(474,240)</u>	<u>(82,487)</u>	<u>62,532</u>	<u>(494,195)</u>
Net Capital Assets	<u>\$ 141,544</u>	<u>\$ (16,375)</u>	<u>\$ -</u>	<u>\$ 125,169</u>

Current depreciation expense is \$82,487.

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

**Notes to the Financial Statements  
June 30, 2008**

**NOTE 5: COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences is as follows:

	Balance 07/01/07	Increase	(Decrease)	Balance 06/30/08	Amount Due Within One Year
Accrued Annual Leave	\$ 141,218	\$ 226,591	\$ (198,420)	\$ 169,389	\$ 137,353
Accrued Sick Leave	4,431	-	(2,096)	2,335	-
<b>Total</b>	<b>\$ 145,649</b>	<b>\$ 226,591</b>	<b>\$ (200,516)</b>	<b>\$ 171,724</b>	<b>\$ 137,353</b>

Compensated absences are liquidated with available financial resources out of the general fund. The State of NM does not budget in the current year, funds to pay any portion of the compensated absence liability at the end of the year; therefore, the current portion of compensated absences is not recorded in the fund financial statements. The District Attorney has no other debt.

**NOTE 6: DEFICIT NET ASSETS AND FUND BALANCES**

The VOCA fund and the HIDTA fund have a deficit fund balance of \$4,520 and \$44,150, respectively. The VOCA funds deficit is the result of management not submitting reimbursements in a timely manner. The deficit in the HIDTA fund is the result of management spending Southwest Border grant monies before they were collected or deemed collectible. Management is taking action to transfer funds from within the budget to absorb the deficit balances. In addition monies have been set aside from the remaining Southwest Border grant monies to help the District absorb some of the deficit in the HIDTA fund.

The implementation of GASB #34, which requires restatement of beginning balances for capitalized assets, net of accumulated depreciation, and inclusion of long-term debt results in an unrestricted net asset deficit of \$215,574. This deficit is created primarily by compensated absences which will be paid from subsequent years' State General Fund appropriations and the items noted above.

**NOTE 7: DUE TO THE STATE GENERAL FUND**

The HIDTA fund over spent amounts held by the New Mexico State Treasurer due to anticipated grant reimbursements from the Southwest Border Grant. These monies were not reimbursed to the District resulting in \$238,608 being owed to the State General Fund.

**NOTE 8: OPERATING LEASES**

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

Three separate leases for copiers were entered into on various dates from February 2002 through January 2007, which required monthly payments that range from \$399 to \$613 each month.

**STATE OF NEW MEXICO  
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**Notes to the Financial Statements  
June 30, 2008**

**NOTE 9: PERA RETIREMENT PLAN**

Substantially all of the Fifth Judicial District'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, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Plan members are required to contribute 7.42% of their gross salary. The Fifth Judicial District is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Ninth Judicial District are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature.

The District's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$448,620, \$381,526, and \$356,126, respectively, equal to the amount of the required contributions for each year.

**NOTE 10: RETIREE HEALTH CARE ACT CONTRIBUTION**

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

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retired on or before July 1, 1995, in which event that time period required for employee and employer contributions shall become the period of time between July 1, 1990, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an amount equal to 0.65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to



**STATE OF NEW MEXICO  
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**Notes to the Financial Statements  
June 30, 2008**

**NOTE 10: RETIREE HEALTH CARE ACT CONTRIBUTION (continued)**

July 1, 1990 or is a former legislator. Participants may also enroll in optional plans of coverage.

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

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2008, the Fifth Judicial District remitted \$31,642 in employer contributions and \$15,821 in employee contributions to the Retiree Health Care Authority.

**NOTE 11: RISKS OF LOSS**

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

**NOTE 12: INTERAGENCY TRANSFERS**

The District had the following transfer for the fiscal year ending June 30, 2008:

<u>Transfers From:</u>	<u>SHARE Fund No.</u>	<u>Transfer To:</u>	<u>SHARE Fund No.</u>	<u>Agency No.</u>	<u>Amount</u>
State General Fund	85300	General Fund	15900	34100	\$ 3,904,900
State General Fund	62000	General Fund	15900	34100	\$ 208,900
State General Fund	01000	General Fund	15900	34100	\$ 282,000

**NOTE 13: INTERFUND PAYABLES AND RECEIVABLES**

The District recorded interfund receivables/payables to reflect a temporary loan between funds to cover expenditures under a reimbursable grant. These funds are not expected to be paid back within a year.

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General Fund	VOCA Fund	\$ 53,439
HIDTA Fund	General Fund	202,296
HIDTA Fund	VOCA Fund	5,738
Total		\$ 261,473

**STATE OF NEW MEXICO  
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**Notes to the Financial Statements  
June 30, 2008**

**NOTE 14: REVERSIONS**

The Due to State General Fund in the Statement of Net Assets includes \$113,840 from 2008, \$412,419 from 2007, \$23,513 from 2006, \$7,900 from 2004, and \$10,426 from 2003 that will be remitted to the State General Fund. The reversion amounts include only state appropriations. Grant revenues accounted for in the special revenue fund are non-reverting.

**NOTE 15: ACCOUNTING STANDARDS**

In August 2005, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for financial statements for periods beginning after June 30, 2007. The statement establishes uniform financial reporting standards for OPEB plans and supersedes the interim guidance included in Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The

approach followed in this Statement generally is consistent with the approach adopted in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, with modifications to reflect differences between pension plans and OPEB plans. The District believes it will have no significant effect on the financial statements for the upcoming year.

In August 2005, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 is effective for financial statements for the periods beginning after June 30, 2007. This statement establishes standards for the measurement, recognition, and display of OPEB, expense/expenditures and related liabilities (assets), note disclosures, and if application, required supplementary information (RSI) in the financial reports of state and local governmental employers. The District believes it will have no significant effect on the financial statements for the upcoming year.

In September 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues*. This statement is effective for financial statements for the periods beginning after December 15, 2006. This statement establishes the criteria that governments will use to determine whether the proceeds received from the sale or pledge of receivables and future revenue should be reported as revenue or as a liability. The transaction will be treated as collateralized borrowing unless the criteria indicating a sale has taken place are met. The statements stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The District is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In December 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Pollution Remedial Obligations*. This statement is effective for financial statements for the periods beginning after December 15, 2007. This statement establishes accounting standards for the recognition and reporting of liabilities related to environmental clean-up efforts. The District believes it will have no significant effect on the financial statements for the upcoming year.

**SUPPLEMENTARY INFORMATION SECTION**

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

**Schedule of Changes in Assets and Liabilities  
Agency Funds  
June 30, 2008**

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
<b>ASSETS</b>				
Cash				
Worthless Checks Fund	\$ 261	\$ 429	\$ -	\$ 690
Pre-Prosecution Fund	2,675	23,251	23,882	2,044
	<u>\$ 2,936</u>	<u>\$ 23,680</u>	<u>\$ 23,882</u>	<u>\$ 2,734</u>
<b>LIABILITIES</b>				
Due To State				
Worthless Checks Fund	\$ 261	\$ 429	\$ -	\$ 690
Pre-Prosecution Fund	2,675	23,251	23,882	2,044
	<u>\$ 2,936</u>	<u>\$ 23,680</u>	<u>\$ 23,882</u>	<u>\$ 2,734</u>

See auditor's report.

## **COMPLIANCE**

MILLER & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

400 NORTH PENNSYLVANIA - SUITE 800  
POST OFFICE BOX 2504  
ROSWELL, NEW MEXICO 88202-2504

RONALD L. MILLER, CPA/ABV, CVA  
RYAN L. MILLER, CPA  
LARI E. GALLAGHER, CPA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE 575-622-4667  
FAX 575-622-5166  
E-MAIL: rmiller@dfm.com

**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**

To Floyd D. "Terry" Haake, District Attorney  
Office of the District Attorney  
Fifth Judicial District  
and  
Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund and the respective budgetary comparisons and the aggregate remaining fund information of the State of New Mexico, Office of the District Attorney, Fifth Judicial District (the "District") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 18, 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2005-1, 2005-2 and 2007-1 to be significant deficiencies in internal control over financial reporting.

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 District's internal control.

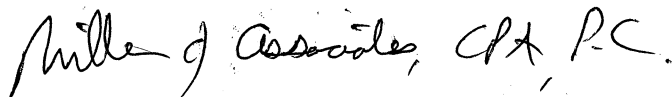
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that any of the control deficiencies described above are material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that are described in the accompanying schedule of findings and responses as items 2007-1 and 2007-2.

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

This report is intended solely for information and use of management, the Department of Finance and Administration, New Mexico State Legislature and Committees, federal grantors, 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.



Miller & Associates, CPA, P.C.  
December 18, 2008

STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FIFTH JUDICIAL DISTRICT

Schedule of Findings and Responses  
June 30, 2008

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2005-1

**DEFICIT CASH AND FUND BALANCE - Revised & Repeated**

Condition

During past fiscal years, the financial specialist did not submit timely requests for reimbursement of grant expenditures. As of June 30, 2008, the VOCA had a deficit fund balance of \$4,520 and the HIDTA had a deficit fund balance of \$44,150. The VOCA fund deficit is the result of not requesting reimbursement timely. The HIDTA fund deficit is the result of overspending funds that have not been reimbursed by Southwest Border Grant monies.

Criteria

The District Attorney's financial personnel had the responsibility to insure that all reimbursement requests are submitted on a timely basis and collectible in order to insure that the District Attorney's Office receives the correct reimbursement. In addition, the Department of Finance and Administration MAP Standards and Policies Chapter 6, Section 3.2, Paragraph D2 requires a positive cash balance.

Cause

Procedures are not in place to ensure that reimbursement requests are made timely and that grant monies will be reimbursed prior to spending monies.

Effect

Not submitting the reimbursement requests on a timely basis and spending monies before they are deemed collectible causes the District to forfeit reimbursement of expenses. In addition, the District is not in compliance with the Department of Finance and Administration MAP Standards and Policies Chapter 6, Section 3.2, Paragraph D2

Recommendation

We recommend that the District Attorney's Office needs to seek authority to transfer funds from within the budget to absorb the un-reimbursed federal funds and put controls in place to ensure that grant monies are available for draw down before expenditures are incurred in the future.

Agency Response

An operating transfer is currently being processed by the Administrative Office of the District Attorneys to correct this issue. The BAR is already approved by DFA and monies should be deposited to bring our cash balance to a positive balance by January 30, 2009.



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

**Schedule of Findings and Responses  
June 30, 2008**

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2005-2

**REVERSION OF UNRESERVED UNDESIGNATED FUND BALANCES - Revised & Repeated**

Condition

The Office of the Fifth Judicial District Attorney did not revert to the State General Fund all unreserved, undesignated fund balances as of June 30. As of June 30, 2008 there was \$568,098 in the general fund that should have been reverted.

Criteria

New Mexico Statutes Section 6-5-10, NMSA 1978, as amended, requires that all unreserved, undesignated fund balances in reverting funds and accounts, as of June 30, revert to the State General Fund by September 30.

Cause

Failure by the fiscal staff to process and deliver the proper documentation to DFA.

Effect

The District is not in compliance with New Mexico Statutes Section 6-5-10, NMSA 1978, as amended. State statutes define the penalties for not complying with applicable sections. In addition, this money was not available for legislative discretion. The unavailability of monies could also affect state and federal funding.

Recommendation

We suggest that the Fifth Judicial District establish the appropriate internal controls to provide reasonable assurance of compliance with the regulations.

Agency Response

The Chief Financial Officer will ensure that the paperwork to revert these funds are processed timely in the future. The current reversion will be processed.

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

**Schedule of Findings and Responses  
June 30, 2008**

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**2007-1**

**LATE AUDIT REPORT**

Condition

The District's June 30, 2008 audit report was not submitted to the State Auditors Office by December 15, 2008.

Criteria

The New Mexico State Auditor Rule, (Section 2.2.2.9 (A) (3) NMAC) required the audit report to be filed by December 15, 2008.

Cause

The auditors were not able to obtain documentation supporting the balances and adjustments to be made in a timely manner.

Effect

The audit report has not been issued in compliance with 2.2.2.9 NMAC.

Recommendation

We recommend that the District transfer cash to the appropriate funds for all balances prior to the end of the year.

Agency Response

The audit report for the Fifth Judicial District Attorney was not submitted in a timely manner due to issues with accrued payroll. Those issues were resolved by the audit team and the CAFR Unit and journal entries will be processed in order to correct the problem for future years.

STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
FIFTH JUDICIAL DISTRICT

Schedule of Findings and Responses  
June 30, 2008

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2007-2

**OVERSPENDING OF CERTAIN BUDGET LINE ITEMS**

Condition

During our examination we noted that one function line item in the High Intensity Drug Trafficking Program had expenditures in excess of budgeted amounts of \$65,729 and one line item in the General Fund had expenditures in excess of budgeted amounts of \$17,255.

Criteria

State budgeting requirement 6.20.2.9 NMSA 1978 sets forth budget preparation standards and states that budgetary control shall be at the function level and that over-expenditure of a function shall not be allowed.

Cause

No budget line item transfers for the overages were proposed or approved by the District. During fiscal year 2008, payroll entries in SHARE were being posted improperly. Payroll for some employees was being posted to fund 39900 when it should have been to fund 15900.

Effect

The District is in violation State budgeting requirement 6.20.2.9 NMSA 1978 which requires each fund to disburse money for its specific purpose in accordance with their budget. In addition, this money was not available for legislative discretion. The unavailability of monies could also affect state and federal funding.

Recommendation

We recommend that the District perform a periodic review of the budget. Any anticipated budgetary transfers can be isolated and authorization can be obtained before the overspending of line item expenditures.

Agency Response

During fiscal year 2008, payroll entries in SHARE were being posted improperly. Payroll for some employees was being posted to fund 39900 when it should have been to fund 15900. Budget balances are being monitored via an accounting method outside of SHARE to ensure correct balances.

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

**Schedule of Findings and Responses  
June 30, 2008**

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**PRIOR YEAR AUDIT FINDINGS**

2005-1	Deficit Fund Balance Victims of Crime Act Grant Revenues - Revised & Repeated
2005-2	Reversion of Unreserved Undesignated Fund Balances - Revised & Repeated
2007-1	Late Audit Report - Revised & Repeated
2007-2	Overspending of Certain Budget Line Items - Revised & Repeated
2007-3	The SHARE System - Accounting and Internal Controls - Resolved & Not Repeated
2007-4	Disposing of Property - Resolved & Not Repeated

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

**Exit Conference  
June 30, 2008**

The contents of this report were discussed at an exit conference held December 18, 2008. Ryan Miller, Shareholder represented Miller & Associates, CPA, P.C. Floyd D Haake, District Attorney and Melissa Walterscheid, Chief Financial Officer represented the Fifth Judicial District Attorney's office.

**FINANCIAL STATEMENT PRESENTATION**

The financial statements and audit report were prepared by Miller & Associates, CPA, PC from the original books and records provided by management.