

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

**Financial Statements
With Independent Auditors Report Thereon
June 30, 2009**

INTRODUCTORY SECTION

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

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June 30, 2009**

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

**Official Roster
June 30, 2009**

ATTORNEYS

Janetta B. Hicks	District Attorney
D'Ann Read	Chief Deputy District Attorney
Dianna Luce	Chief Deputy District Attorney
Anna Marie Green	Deputy District Attorney
Michael Sanchez	Senior Trial Attorney
Debra Hutchins	Senior Trial Attorney
Lee Huntzinger	Senior Trial Attorney
Lesley Williams	Senior Trial Attorney
Ray Romero	Senior Trial Attorney
Robert P. Perozynski	Senior Trial Attorney
Ben Schrope	Senior Trial Attorney
Vern Henning	Senior Trial Attorney
Tara Wood	Senior Trial Attorney
Paul Cash	Associate Trial Attorney
Amber Cash	Associate Trial Attorney
Ben Watson	Associate Trial Attorney
Paul Sanchez	Associate Trial Attorney
Patrick Melvin	Associate Trial Attorney
Brandt Graham	Associate Trial Attorney
David Finger	Associate Trial Attorney
Evan Arendell	Associate Trial Attorney

ADMINISTRATIVE STAFF

Melissa Walterscheid	Chief Financial Officer
Craig Vandenberg	Special Programs Director

FINANCIAL SECTION

Ronald L. Miller, CPA/ABV, CVA
Ryan L. Miller, CPA
Robert C. Castillo, CPA



Members
American Institute of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To Janetta B. Hicks, 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, 2009 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.

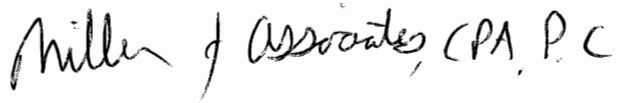
As discussed in Note 1, the financial statements of the State of New Mexico, Office of the District Attorney, Fifth Judicial District are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate 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, 2009 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, 2009, and the respective changes in financial position and the respective budgetary comparison for the general fund and VOCA special revenue fund 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 10, 2009 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 10, 2009

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

**Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2009**

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.

	Net Assets	
	<u>Government Activities</u>	
	<u>2009</u>	<u>2008</u>
Current Assets	\$ 1,106,912	\$ 1,040,426
Non-current Assets	195,326	125,169
Total Assets	<u>1,302,238</u>	<u>1,165,595</u>
Current Liabilities	995,462	1,226,149
Long-term Liabilities	34,371	34,371
Total Liabilities	<u>1,029,833</u>	<u>1,260,520</u>
Net Assets:		
Invested in Capital Assets	195,326	125,169
Reserved for VOCA	(4,520)	(4,520)
Unrestricted	81,599	(215,574)
Total Net Assets	<u>\$ 272,405</u>	<u>\$ (94,925)</u>

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

**Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2009**

Total Assets: Consists of cash of \$1,105,856 on deposit with the state treasurer, prepaid expenses of \$1,056 and capital assets, net of accumulated depreciation of \$195,326. Total assets are \$1,302,238. This represents an increase of \$136,643 from FY08.

Total Liabilities: Consists of current liabilities of \$995,462 and long-term liabilities of \$34,371. Total liabilities are \$1,029,833. This represents an increase in liabilities of \$230,687 from FY08.

Net Assets: Consists of \$195,326 invested in capital assets \$(4,520) in restricted net assets and unrestricted net assets of \$81,599. This represents an increase of \$367,330 from FY08.

Statement of Activities

	Government Activities	
	2009	2008
Revenues:		
General Revenues		
State General Fund Appropriations	\$ 4,485,900	\$ 4,186,900
Federal Funds	408,505	244,711
Other Revenues	104,095	208,898
Total Revenues	4,998,500	4,640,509
Expenses:		
General Government	4,575,122	4,489,178
Total Expenses	4,575,122	4,489,178
Transfers out	56,048	113,840
Change in Net Assets	367,330	37,491
Net Assets – Beginning	(94,925)	(132,416)
Net Assets – Ending	\$ 272,405	\$ (94,925)

Total Revenues: Consists of \$4,998,500 for operations purposes. State general fund appropriations and federal awards provide the majority of revenue. This represents an increase of total revenues of \$357,991 from FY08. 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 \$4,575,122 mainly for employee salaries and benefits, and operating cost purposes. This represents an increase of total expenses of \$85,944 or 2% from FY08 as a result of increases in salaries.

Change in Net Assets: The Fifth Judicial District Attorney's total revenue increased from \$4,640,509 to \$4,998,500. The total expenses increased from \$4,489,178 to \$4,575,122. The increase in net assets was \$367,330.

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

**Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2009**

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 \$1,165,595 to \$1,302,238. Total net assets increased from \$(94,925) to \$272,405.

Capitalization of capital assets in lieu of capital outlay recognition of \$132,059 caused total net assets to increase. The total increase in net assets for the year ended June 30, 2009 shown in the Statement of Activities is \$367,330.

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, 2009 amount to \$195,326 (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 \$132,059 for vehicles and equipment and depreciation expense of \$61,902.

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 three 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 still below final budget amount. The most significant negative variance resulted from unbudgeted for salary expenses in the HIDTA Fund.

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, 2009**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investment in the State Treasurer General Fund Investment Pool	\$ 1,105,856
Prepaid expenses	1,056
Total current assets	<u>1,106,912</u>
Noncurrent assets:	
Capital assets, net of depreciation (Note 3)	<u>195,326</u>
Total assets	<u><u>\$ 1,302,238</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 96,288
Accrued payroll	88,783
Accrued Expenses	48,892
Compensated absences - current	137,353
Due to State General Fund	624,146
Total current liabilities	<u>995,462</u>
Noncurrent liabilities:	
Compensated absences	<u>34,371</u>
Total liabilities	<u><u>1,029,833</u></u>
NET ASSETS	
Invested in capital assets	195,326
Restricted for VOCA (Note 5)	(4,520)
Unrestricted	81,599
Total net assets	<u><u>272,405</u></u>
Total liabilities and net assets	<u><u>\$ 1,302,238</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, 2009**

	<u>Governmental Activities</u>
Expenses:	
Administrative services	\$ 4,513,220
Depreciation	61,902
Total program expenses	<u>4,575,122</u>
Program revenues:	
Operating grants and contributions:	
Federal grants	408,505
Total program revenues	<u>408,505</u>
Net program expense	<u>(4,166,617)</u>
General revenues and transfers:	
General fund appropriation	4,485,900
Other revenues	104,095
Transfer out - State general fund	(56,048)
Total general revenues and transfers	<u>4,533,947</u>
Change in net assets	367,330
Net assets -- beginning of the year	<u>(94,925)</u>
Net assets -- end of the year	<u><u>\$ 272,405</u></u>

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

FUND FINANCIAL STATEMENTS

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

**Balance Sheet
Governmental Funds
June 30, 2009**

	Major			Total
	General Fund	HIDTA	VOCA	
ASSETS				
Investment in the State Treasurer				
General Fund Investment Pool	\$ 923,660	\$ 127,539	\$ 54,657	\$ 1,105,856
Due From Other Funds	53,439	281,402	-	334,841
Prepaid Expenses	1,056	-	-	1,056
Total Assets	<u>\$ 978,155</u>	<u>\$ 408,941</u>	<u>\$ 54,657</u>	<u>\$ 1,441,753</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 54,798	\$ 41,490	\$ -	\$ 96,288
Accrued Payroll	14,358	74,425	-	88,783
Accrued Expenses	8,889	40,003	-	48,892
Due to Other Funds	275,664	-	59,177	334,841
Due to State General Fund	624,146	-	-	624,146
Total Liabilities	<u>977,855</u>	<u>155,918</u>	<u>59,177</u>	<u>1,192,950</u>
Fund Balances:				
Reserved for HIDTA	-	253,023	-	253,023
Unreserved	300	-	(4,520)	(4,220)
Total Fund Balances	<u>300</u>	<u>253,023</u>	<u>(4,520)</u>	<u>248,803</u>
Total Liabilities and Fund Balances	<u>\$ 978,155</u>	<u>\$ 408,941</u>	<u>\$ 54,657</u>	<u>\$ 1,441,753</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, 2009**

Total fund balances - Governmental Funds (from C-1)	\$	248,803
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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		238,786	
Vehicles		413,256	
Accumulated Depreciation		(541,040)	
Total capital assets		195,326	195,326

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)

\$ 272,405

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, 2009**

	Major			Total
	General Fund	HIDTA	VOCA	
REVENUES				
Federal Funds	\$ 81,200	\$ 408,505	\$ -	\$ 489,705
Other Revenues	22,895	-	-	22,895
Total Revenues	<u>104,095</u>	<u>408,505</u>	<u>-</u>	<u>512,600</u>
EXPENDITURES				
Public Safety:				
Current:				
Personnel Services	3,818,880	85,296	-	3,904,176
Contract Services	192,169	-	-	192,169
Capital Outlay	132,059	-	-	132,059
Other	390,839	26,036	-	416,875
Total Expenditures	<u>4,533,947</u>	<u>111,332</u>	<u>-</u>	<u>4,645,279</u>
Excess (deficiency) of revenues over expenditures	<u>(4,429,852)</u>	<u>297,173</u>	<u>-</u>	<u>(4,132,679)</u>
OTHER FINANCING SOURCES (USES)				
General Fund Appropriation	4,485,900	-	-	4,485,900
Reversion to the State General Fund-2009	(56,048)	-	-	(56,048)
Total Other Financing Sources and Uses	<u>4,429,852</u>	<u>-</u>	<u>-</u>	<u>4,429,852</u>
Net Change in Fund Balance	-	297,173	-	297,173
Fund Balances--Beginning of the Year	<u>300</u>	<u>(44,150)</u>	<u>(4,520)</u>	<u>(48,370)</u>
Fund Balances--End of the Year	<u>\$ 300</u>	<u>\$ 253,023</u>	<u>\$ (4,520)</u>	<u>\$ 248,803</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, 2009**

Net change in fund balances - total governmental funds (from C-3) \$ 297,173

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	132,059	
Depreciation Expense	(61,902)	
Excess of capital outlay over depreciation expense		70,157

Change in net assets of governmental activities (see B-1) \$ 367,330

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, 2009**

	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous Revenue	15,000	15,000	22,895	7,895
	15,000	15,000	22,895	7,895
EXPENDITURES				
Personal Services and Employee Benefits	3,865,900	3,865,900	3,818,880	47,020
Contractual Services	192,170	192,170	192,169	1
Other	524,030	524,030	522,898	1,132
	4,582,100	4,582,100	4,533,947	48,153
OTHER FINANCING SOURCES (USES)				
General Fund Appropriation	4,567,100	4,567,100	4,567,100	-
Reversion	-	-	(56,048)	(56,048)
Excess (deficiency) of revenues over expenditures	(4,567,100)	(4,567,100)	\$ -	\$ -
Prior year fund balance	300	300		
End of year fund balance	\$ (4,566,800)	\$ (4,566,800)		

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, 2009

	<u>Special Revenue - High Intensity Drug Trafficking Program (HIDTA)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Modified</u> <u>Accrual Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Federal Grants	\$ 340,235	\$ 340,235	\$ 408,505	\$ 68,270
EXPENDITURES				
Personal Services and Employee Benefits	-	-	85,296	(85,296)
Contractual Services	-	-	-	-
Other	340,235	340,235	26,036	314,199
	<u>340,235</u>	<u>340,235</u>	<u>111,332</u>	<u>228,903</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 297,173</u>	<u>\$ 297,173</u>
Prior year fund balance	<u>(44,150)</u>	<u>(44,150)</u>		
End of year fund balance	<u>\$ (44,150)</u>	<u>\$ (44,150)</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, 2009

	Special Revenue - Victim Assistance Program (VOCA)			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Modified Accrual Basis)	Final Budget Positive (Negative)
REVENUES				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous Revenue	-	-	-	-
	-	-	-	-
EXPENDITURES				
Personal Services and Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	\$ -	\$ -
Prior year fund balance	(4,520)	(4,520)		
End of year fund balance	\$ (4,520)	\$ (4,520)		

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, 2009**

	Agency Funds
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ -
	<hr/> <hr/>
LIABILITIES	
Deposits Held for Others	\$ -
	<hr/> <hr/>

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, 2009**

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, 2009**

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
OFFICE OF THE DISTRICT ATTORNEY
FIFTH JUDICIAL DISTRICT**

**Notes to the Financial Statements
June 30, 2009**

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 is 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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity

1. Cash and investments

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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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).

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 6/30/09.

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, 2009, 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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 2: CASH AND INVESTMENTS (continued)

At June 30, 2009, 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	923,360	-	923,360
<u>Special Revenue Fund:</u>					
Investment in the State General Fund Investment Pool					
High Intensity Drug Program	399	<180 days	127,539	-	127,539
Victims Assistance Program	937	<180 days	54,657	-	54,657
Total			<u>\$ 1,105,556</u>	<u>\$ 300</u>	<u>\$ 1,105,856</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.

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, 2009, the District's investment in the state investment pool was rated as follows:

<u>Investment Type</u>	<u>Rating</u>
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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 3: CAPITAL ASSETS

Capital asset and depreciation activity as of and for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Furniture and Fixtures	\$ 84,324	\$ -	\$ -	\$ 84,324
Equipment and Machinery	208,993	44,850	15,057	238,786
Vehicles	326,047	87,209	-	413,256
	<u>619,364</u>	<u>132,059</u>	<u>15,057</u>	<u>736,366</u>
Less Accumulated Depreciation:				
Furniture and Fixtures	47,868	10,929	-	58,797
Equipment and Machinery	213,726	8,984	15,057	207,653
Vehicles	232,601	41,989	-	274,590
	<u>494,195</u>	<u>61,902</u>	<u>15,057</u>	<u>541,040</u>
Net Capital Assets	<u>\$ 125,169</u>	<u>\$ 70,157</u>	<u>\$ -</u>	<u>\$ 195,326</u>

Current depreciation expense is \$61,902

NOTE 4: COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences is as follows:

	Balance 07/01/08	Increase	Decrease	Balance 06/30/09	Amount Due Within One Year
Accrued Annual Leave	\$ 169,389	\$ 189,648	\$ (189,648)	\$ 169,389	\$ 137,353
Accrued Sick Leave	2,335	72	(72)	2,335	-
Total	<u>\$ 171,724</u>	<u>\$ 189,720</u>	<u>\$ (189,720)</u>	<u>\$ 171,724</u>	<u>\$ 137,353</u>

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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 5: DEFICIT NET ASSETS AND FUND BALANCES

The VOCA fund has a deficit fund balance of \$4,520. The VOCA fund's deficit is the result of management not submitting reimbursements in a timely manner.

NOTE 6: 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 July 2003 through March 2008, which required monthly payments that range from \$274 to \$605 each month.

NOTE 7: 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, 2009, 2008, and 2007 were \$474,321, \$448,620, and \$381,526, respectively, equal to the amount of the required contributions for each year.

NOTE 8: 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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 8: RETIREE HEALTH CARE ACT CONTRIBUTION (continued)

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 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, 2009, the Fifth Judicial District remitted \$33,084 in employer contributions and \$16,540 in employee contributions to the Retiree Health Care Authority.

NOTE 9: 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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 10: INTERAGENCY TRANSFERS

The District had the following transfer for the fiscal year ending June 30, 2009:

<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	499105	General Fund	15900	34100	\$ 4,485,900
State General Fund	499105	General Fund	15900	34100	\$ 81,200

NOTE 11: 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	275,664
HIDTA Fund	VOCA Fund	5,738
Total		\$ 334,841

NOTE 12: REVERSIONS

The Due to State General Fund in the Statement of Net Assets includes \$56,048 from 2009, \$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 13: ACCOUNTING STANDARDS

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.

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. 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.

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

**Notes to the Financial Statements
June 30, 2009**

NOTE 13: ACCOUNTING STANDARDS (continued)

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. Reporting those investments at fair value provides more decision-useful information about their composition, current value, and recent changes in value. GASB Statement No. 52 is effective for financial statements for periods beginning after June 15, 2008. 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 June 2008, the Governmental Accounting Standards Board (GASB) issued Statement No. 52, *Derivative Instruments*. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, can also expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.

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, 2009

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
ASSETS				
Cash				
Worthless Checks Fund	\$ 690	\$ 300	\$ 990	\$ -
Pre-Prosecution Fund	2,044	7,122	9,166	-
	<u>\$ 2,734</u>	<u>\$ 7,422</u>	<u>\$ 10,156</u>	<u>\$ -</u>
 LIABILITIES				
Due To State				
Worthless Checks Fund	\$ 690	\$ 300	\$ 990	\$ -
Pre-Prosecution Fund	2,044	7,122	9,166	-
	<u>\$ 2,734</u>	<u>\$ 7,422</u>	<u>\$ 10,156</u>	<u>\$ -</u>

See auditor's report.

COMPLIANCE

**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 Janetta B. Hicks, 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, 2009, and have issued our report thereon dated December 3, 2009. 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 item 2005-1 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.

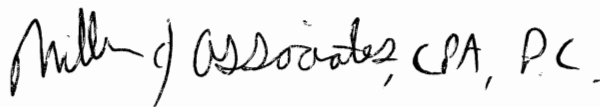
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* that is described in the accompanying schedule of findings and responses as items 2005-2 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 10, 2009

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

**Schedule of Findings and Responses
June 30, 2009**

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, 2009, the VOCA had a deficit fund balance of \$4,520. The VOCA fund deficit is the result of not requesting reimbursement timely.

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

This has been an ongoing issue which we have been unable to resolve through DFA State Budget Division or the DFA CAFR Unit. Steps are being taken to bring this fund out of a negative balance before the end of the current fiscal year.

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

**Schedule of Findings and Responses
June 30, 2009**

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, 2009 there was \$624,146 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 Agency CFO worked with the CAFR Unit on all FY08 audit entries and though this had been taken care of. Follow up on the JV processed would have avoided this finding and procedures are in place to prevent the same finding in future years.

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

**Schedule of Findings and Responses
June 30, 2009**

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 \$85,296.

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

A journal entry was created to attempt to make actual expenditures equal to budgeted expenditures in the General Fund. This accidentally created the over-expenditure of \$2 in the General Fund. A BAR was unable to be completed before the deadline resulting in no adjustment to the budget being able to be made.

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

The deadline to process BAR's had passed at the time the error in PS/EB was found and State Budget would not allow an exception.

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

**Schedule of Findings and Responses
June 30, 2009**

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 - Resolved & Not Repeated
2007-2	Overspending of Certain Budget Line Items - Revised & Repeated

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

**Exit Conference
June 30, 2009**

The contents of this report were discussed at an exit conference held December 10, 2009. Ryan Miller, Shareholder represented Miller & Associates, CPA, P.C. Janetta B. Hicks, 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.