

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

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2008

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SIXTH JUDICIAL DISTRICT ATTORNEY
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**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
DIRECTORY OF OFFICIALS
JUNE 30, 2008**

ATTORNEYS

Mary Lynne Newell	District Attorney
Susan Ybarra	Chief Deputy District Attorney
Edward Hand	Chief Deputy District Attorney
Canon P. Steven	Deputy District Attorney
Francesca Estevez	Deputy District Attorney
John Holguin	Deputy District Attorney
Aaron Jordan	Deputy District Attorney
Michael Martin	Deputy District Attorney
Timothy Flynn	Deputy District Attorney
George Zsoka	Deputy District Attorney
Norman Runyan	Deputy District Attorney
Nancy Clopton	Deputy District Attorney
Tim Garner	Deputy District Attorney
John Kerens	Associate Trial Attorney

ADMINISTRATIVE STAFF

Yolanda M. Villa	Chief Financial Officer
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Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor
and
Mary Lynne Newell, District Attorney
State of New Mexico, Sixth Judicial District
Silver City, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the state of New Mexico, Sixth Judicial District Attorney (District Attorney), as of and for the year ended June 30, 2008, which collectively comprise the District Attorney's basic financial statements as listed in the table of contents. We have also audited the financial statements of the District Attorney's nonmajor governmental fund presented as supplementary information in the accompanying individual fund financial statements as of, and for the year ended, June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District Attorney'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. 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 District Attorney are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the state of New Mexico that is attributable to the transactions of the District Attorney. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 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 Attorney, as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the nonmajor governmental fund of the District Attorney, as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparison for the nonmajor fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2008, on our consideration of the District Attorney'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 on pages four through eleven is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the individual fund financial statements, and budgetary comparisons. The accompanying schedule of changes in assets and liabilities – agency fund, and the joint powers agreement listed as other supplemental financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and the other opinion units listed above. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and the other opinion units listed above and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements and the other opinion units listed above, taken as a whole.



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

December 9, 2008

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

The following is an overview of the financial condition for the Office of the Sixth Judicial District Attorney (District Attorney) for the fiscal year ended June 30, 2008. This narrative highlights the major aspects of the District Attorney's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

During the fiscal year the District Attorney's office received additional federal award revenues of \$83,108 from Phases 15, 16, 17, and 18 of the Southwest Border Prosecution Initiative is to be expended for lawful purposes.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Governmental Funds (continued)

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

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

In addition to the general fund, the District Attorney maintains two other individual governmental funds that are both classified as special revenue funds. Information for the general fund and the narcotics prosecution fund, both of which are considered to be major funds, is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for the non-major governmental fund is provided following the notes to the financial statements.

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Government-Wide Financial Analysis

Condensed Statement of Net Assets Governmental Activities	June 30, 2008	June 30, 2007
Assets:		
Current and other assets	\$ 377,668	\$ 348,470
Capital assets, net of accumulated depreciation	83,319	30,110
Total assets	<u>460,987</u>	<u>378,580</u>
Liabilities:		
Current liabilities	306,952	358,164
Long-term liabilities	22,215	21,626
Total liabilities	<u>329,167</u>	<u>379,790</u>
Net Assets:		
Invested in capital assets	83,319	30,110
Restricted for program expenses	153,778	-
Unrestricted	(105,277)	(31,320)
Total net assets	<u>\$ 131,820</u>	<u>\$ (1,210)</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Sixth Judicial District Attorney's primary government, assets exceeded liabilities by \$131,820 at the close of the most recent fiscal year. The District Attorney's activities during the fiscal year increased the District Attorney's net assets by \$133,030. The increase is attributed in large part to the revenues received from the Southwest Border Prosecution Initiative which were not fully spent during the fiscal year. Net assets are composed of investment in capital assets (e.g., furniture, equipment and vehicles) of \$83,319 netted with unrestricted deficit of \$105,277 and net assets restricted for program expenses of \$153,778. The deficit amount is representative of the current and long-term portions of compensated absences that are accrued in the government-wide statements. The District Attorney uses its capital assets to provide services to the citizens; consequently, these assets are not available for future spending. The District Attorney made purchases of additional capital assets of \$70,000 during the most recent fiscal year.

Current and other assets consist of cash, investments, and grant receivables, all collectible within one year of the closing of the fiscal year. The amount increased by \$29,198 due in large part to the District Attorney having more grant receivables than the prior year.

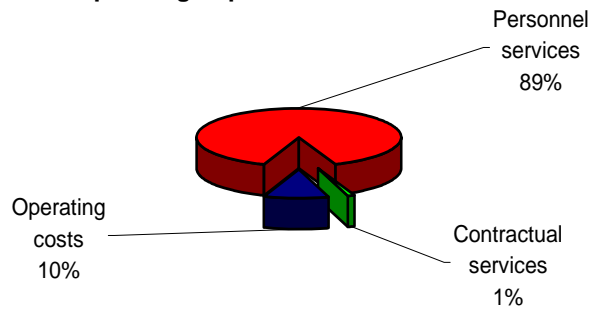
Current liabilities which consist of accounts payable, accrued salaries, current amounts of compensated absences, and amounts due to the state general fund as June 30, 2008, equaled \$306,952. At June 30, 2007, the District Attorney reported an amount equal to \$358,164. The current liability decreased by \$51,212 due largely to a decrease in the amounts due to the State Treasurer for cash overdrafts and the repayment of the short term operating loan of \$20,000 to the Board of Finance.

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

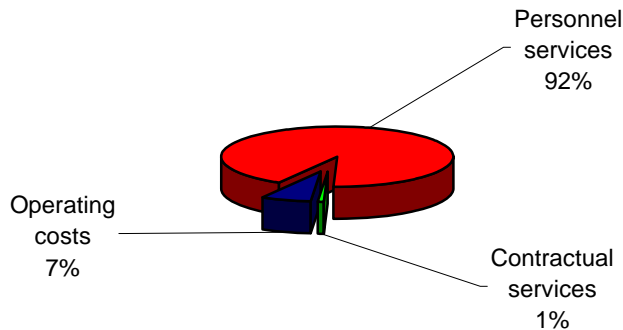
Government-Wide Financial Analysis (continued)

Condensed Statement of Activities Governmental Activities	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 443,676	\$ 485,184
Miscellaneous reimbursement	715	-
General revenues:		
State general fund appropriations	<u>2,466,134</u>	<u>2,066,408</u>
Total revenues	2,910,525	2,551,592
Expenses:		
Public safety	<u>2,777,495</u>	<u>2,506,645</u>
Change in net assets	<u>\$ 133,030</u>	<u>\$ 44,947</u>

Operating Expenses - FYE 6-30-08



Operating Expenses - FYE 06-30-07



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

Government-Wide Financial Analysis (continued)

The statement of activities shows increases and decreases in both revenues and expenses for fiscal year 2008 from fiscal year 2007. Operating grants and contributions decreased by \$41,508 due to decreases from the Southwest Border Prosecution Initiative and other federal grants. State general fund appropriations increased by \$399,726. The overall increase in expenses was \$270,850, which was attributed to an increase in operating expenses of \$119,352 and an increase in salaries and benefits of \$151,498.

Analysis of Individual Governmental Funds

Besides the general fund, the District Attorney has two other governmental funds: the Narcotics Prosecution fund, and the Victims' Assistance fund. A detailed description of these two funds can be found on page twenty-three. The District Attorney received federal grant revenues of \$329,268 and \$31,300, respectively, for the year ended June 30, 2008. The Narcotics Prosecution fund expended 99% of their revenues and the Victims' Assistance fund expended in full their respective grant revenues. The Narcotics Prosecution fund has grant receivables of \$94,673 at year end, which will be used to cover its liabilities of \$91,288 at June 30, 2008. The Victims' Assistance fund has grant receivables of \$6,688 and \$1,800 due from the Narcotics Prosecution fund at year end, which will be used to cover its liabilities of \$8,488. A transfer will be made from the general fund to cover the remaining liabilities of \$130.

Analysis of Budget Results for the Governmental Funds

The District Attorney revised its original general fund budget twice to account for additional federal awards from the Southwest Border Prosecution Initiative (SWBPI). It was adjusted five other times: twice to move funding from personnel services into the other costs category for replacement purchases of antiquated equipment and three times to move funding from other costs into contractual services to cover audit fees and restorative justice services. The Victims Assistance Program fund was adjusted twice to account for decreased funding in grant revenues of \$6,700. The Narcotics Prosecution fund was adjusted twice to account for increased funding in grant revenues of \$44,351.

Capital Assets

The District Attorney's investment in net assets as of June 30, 2008, amounted to \$83,319 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

Sixth Judicial District Attorney's Capital Assets (Net of Accumulated Depreciation)	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Vehicles	76,965	20,232
Furniture and Fixtures	5,602	8,276
Equipment	752	1,602
	<u>\$ 83,319</u>	<u>\$ 30,110</u>

The District Attorney purchased \$70,000 of capital additions for the fiscal year ended June 30, 2008. Additional information on the District Attorney's capital assets can be found in note seven on page thirty of this report.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Currently Known Facts, Decisions or Conditions

The District. The Sixth Judicial District is comprised of Grant, Luna and Hidalgo Counties, New Mexico. The area is unique of all the State's Judicial Districts in that all of its counties are "Border" counties with Mexico. This proximity is having a direct and detrimental impact on the economy and public safety of the entire District. Luna and Grant Counties have seen a sharp and substantial increase in violent crime, including homicides. The increase in violent crime and homicide is directly related to increases in domestic violence, drug trafficking, and the influence of Mexican cartels on our local population. The cheap and easy availability of imported methamphetamine has directly impacted the ability of employers to find reliable and drug free help, has taxed rehab and supervision programs, and has hampered offenders' abilities to become productive citizens.

The counties have their similarities and differences beyond these generalities. Hidalgo stands out as a county with a disproportionate level of criminal court cases filed for its low population, as it is the "Bootheel" of New Mexico and sees an extraordinarily high level of marijuana trafficking—hundreds of pounds of marijuana seizures are routine (i.e. weekly) in this county. Hidalgo and Luna also continue to see high undocumented alien numbers, due to their border proximity and remote locations. Silver City in Grant County, the District's largest city, is home to Western New Mexico University, which currently has an annual enrollment of approximately 3,500 students and some of the more stable employment, although that is changing into FY 09 as the mines begin to lay off in response to the current, massive, economic downturn, which in turn will send our crime rate up. Grant County is having a significant increase in gang activity, which is being addressed in FY09. Luna County continues to grow, population wise, still with more than 50% of its population under the age of 18.

The Prosecution Initiative. The emphasis for the District Attorney's Office this past year was to recruit and retain experienced career prosecutors to better address these problems as they impact the criminal justice system, and to continue to be proactive as best we can in heading them off before they do. For the first time, as of May 2008, we achieved our full slot of 14 attorneys. All three counties are staffed with mostly career prosecutors, and prosecute almost exclusively felony crimes. The only misdemeanor and petty misdemeanor offenses we handle are, for the most part, domestic violence and DWI cases. Multiple homicides, child sexual abuse, burglary/larceny cases, and other serious offenses take up the bulk of our time, along with a hefty percentage of revocations of probations based upon violations committed by previously adjudicated defendants against their sentence terms. For the fourth year in a row, we have had multiple homicides occur District-wide, whereas in the past, we might have at most one homicide a year, District-wide. In each county, we have prosecutors designated to handle the most serious cases, and they get the training needed specific to their areas. We have violent crime, gang, white collar, sex abuse, drug, and domestic violence prosecutors in Luna and Grant County, and then they and others share the other felonies and the DWI cases.

Our main focus therefore continues to be the timely, professional, and ethical prosecution of offenders. Holding offenders accountable for their crimes is not a matter of picking up a file and walking into a courtroom; every case takes preparation, diligence, and the support of many people to keep the whole matter on track, and it takes the right people in the right places, so resources are used most efficiently. It also takes follow-up and enforcement after sentencing and until the very last day of the offender's sentence is completed.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Currently Known Facts, Decisions or Conditions (continued)

Other Programs. We continue to use all our other programs as best we can. An Adult Pre-Prosecution Diversion Program operates for first time offenders who commit non-violent crimes, but those offenders are relatively rare. We may expand it in the future with a strong Restorative Justice component to try to encourage a better commitment to rehabilitation. We sit on panels for drug court in Hidalgo County. A Worthless Check Program is maintained for worthless check writers who are willing to pay restitution within a short time frame and in turn, charges are reduced. Our Domestic Violence program is established in each county, with dedicated Victim Advocates and priority attention of prosecutors, who continue to see the methamphetamine crisis apparently causing an upswing in the violence level of these cases. We have five HIDTA funded employees, including three investigators assigned full time to the local federal-state drug task force and a prosecutor and a secretary to exclusively handle drug cases in Luna County.

Victim Program. The District Attorney's office emphasizes accurate case management tracking, hiring competent, career prosecutors, and victim participation. In the thick of every case are our Victim Advocates, which offers Victim Assistance to all victims of crimes, in an effort to inform them of the judicial process and garner their support of our efforts on their behalf. This has been a focus of our Office since September 2003, along with improvements to service of the public in general. Throughout FY08, these efforts were made solely with the auspices of our regular staff, plus the HIDTA and VOCA staff. We have noted, at least in Grant County, both a downturn in reports of DV and a higher willingness of victims to make contact/keep contact with us. The victims who do not cooperate with us appear to be making an informed—if unwise--choice to “opt out” of the criminal justice system.

Southwest Border Prosecution Initiative. In FY08, we did see a resumption of Southwest Border Prosecution Initiative awards, which we used to repay the balance of a loan we had taken out for the FY07 budgetary shortfall. Those monies also funded reception and case management assistants in two counties, were used to purchase four vehicles for our traveling attorneys and victim advocates, and the District Attorney, and also enabled us to assist our Restorative Justice program with funding. The Southwest Border Prosecution Initiative funding and resolution of the reversion issue remained unsatisfactorily resolved for us in FY08, but we did not have any monies to carry over at the end of the year. We reverted a minor amount due to a failure of a local law enforcement agency and another group to complete training and activities planned, and an inability to rebudget the monies due to the lateness in the fiscal year.

In FY09, we were re-appropriated excess SWBPI monies that were claimed by the state in FY 07 but not needed to pay off the loan from the Board of Finance. The result is that we have these funds, but instead of being able use them for any prosecution purpose, we are restricted to using them for vehicles, and computer-related items. We have used most of the funds already to upgrade software, replace the servers in all three counties that run our CMS system, purchase laptops for attorneys, and take care of previously-postponed vehicle maintenance, and will use the balance to purchase another two vehicles prior to the end of the fiscal year, once the automotive crisis gives an indication who is left to deal with. We have other SWBPI monies which will be used to send lawyers to nationally rated training in prosecution at the National Advocacy Center in South Carolina, to refresh and improve their skills, including Prosecutor Bootcamp for new hires.

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

Currently Known Facts, Decisions or Conditions (continued)

2009 Legislative Session. In the 2008 Legislative Session, we did obtain funding for one fiscal assistant, but without the accompanying FTE, which we will seek in the 2009 Session. The hire has been made, and we were fortunate to find an employee with computer programming experience, per the recommendation of the SHARE staff. No other positions, though requested, were awarded, and in 2009 the effort will resume for at least one of them: a District Office Manager, to allow the DA to spend more time with the prosecutors and in court and less time tending minor personnel and office management matters. Because of the fiscal uncertainties of FY09 and FY10, requests for additional staff—secretaries and victim advocates—will wait until FY11. A key goal of the 2009 Session will be to restore our ability to carryover unspent federal funds to a subsequent fiscal year or years, to better harbor our non-General Fund resources.

Summary. We are hopeful that the financial crisis we are facing in FY09 and FY10 will not cause our General Fund budget to be cut, as 92% of that is for salaries and benefits. We can continue to be effective, help law enforcement, assist with preventative programs, and otherwise adapt to the economic stresses if we remain in control of the funds we are given. We will be asking that our ability to rollover uncommitted federal funds be restored, so we can budget carefully for extra needs. In FY09, with the further increase in deadly activities linked to the drug trade, we will not willingly present a face to our “opposition” that reflects anything but a full commitment to prosecute offenders. To that end, our Office needs each of our three counties to be fully staffed and funded.

Request for Information

This financial report is designed to provide a general overview of the District Attorney’s finances and to show the District Attorney’s accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Chief Financial Officer, P.O. Box 1025, Silver City, New Mexico 88062-1025.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 25
Investments	275,310
Grant receivables	101,361
Other receivable	972
Capital assets, net of accumulated depreciation	<u>83,319</u>
Total assets	<u>460,987</u>
 LIABILITIES	
Accounts payable	90,345
Accrued salaries	50,729
Accrued payroll taxes	19,396
Accrued employee withholdings and benefits	38,097
Due to state treasurer	16,171
Due to state general fund	9,257
Long-term liabilities:	
Due in one year	82,957
Due in more than one year	<u>22,215</u>
Total liabilities	<u>329,167</u>
 NET ASSETS	
Invested in capital assets	83,319
Restricted for federal grant expenses	153,778
Unrestricted	<u>(105,277)</u>
Total net assets	<u><u>\$ 131,820</u></u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities
Public Safety:	
Personnel services	\$ 2,465,782
Materials and services	294,922
Depreciation	16,791
Total program expenses	2,777,495
Program Revenues:	
Program-specific operating grants	443,676
Miscellaneous reimbursement	715
Total program revenues	444,391
Net program expense	(2,333,104)
Transfers:	
State general fund appropriations	2,334,291
Other state appropriations	141,100
Reversion to state general fund - FY08	(9,257)
Total net transfers	2,466,134
Change in net assets	133,030
Net assets, beginning of year	(1,210)
Net assets, end of year	\$ 131,820

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Major Funds			Total
	General Fund	Narcotics Prosecution Fund	Non-Major Fund	
ASSETS				
Cash	\$ 25	\$ -	\$ -	\$ 25
Investments	275,310	-	-	275,310
Grant receivables	-	94,673	6,688	101,361
Other receivable	972	-	-	972
Due from other funds	77,474	-	1,800	79,274
Total assets	<u>\$ 353,781</u>	<u>\$ 94,673</u>	<u>\$ 8,488</u>	<u>\$ 456,942</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 90,345	\$ -	\$ -	\$ 90,345
Accrued salaries	48,980	1,680	69	50,729
Accrued payroll taxes	18,500	881	15	19,396
Accrued employee withholdings and benefits	36,281	1,737	79	38,097
Due to other funds	-	79,274	-	79,274
Due to state treasurer	-	7,716	8,455	16,171
Due to state general fund	9,257	-	-	9,257
Total liabilities	203,363	91,288	8,618	303,269
Fund Balances:				
Unreserved	25	-	(130)	(105)
Reserved for SWBPI expenditures	150,393	-	-	150,393
Reserved for border operation expenditures	-	3,385	-	3,385
Total fund balances	<u>150,418</u>	<u>3,385</u>	<u>(130)</u>	<u>153,673</u>
Total liabilities and fund balances	<u>\$ 353,781</u>	<u>\$ 94,673</u>	<u>\$ 8,488</u>	<u>\$ 456,942</u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

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

Total fund balance governmental funds (page fourteen)	\$ 153,673
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	83,319
Long term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(105,172)</u>
Net assets of governmental activities (page twelve)	<u><u>\$ 131,820</u></u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Major Funds			Total Governmental Funds
	General Fund	Narcotics Prosecution Fund	Non-Major Fund	
Revenues:				
Federal grants	\$ 83,108	\$ 329,268	\$ 31,300	\$ 443,676
Miscellaneous reimbursement	715	-	-	715
Total revenues	83,823	329,268	31,300	444,391
Expenditures:				
Current:				
Personnel services & employee benefits	2,116,385	322,081	31,130	2,469,596
Contractual services	32,609	-	-	32,609
Other operating costs	328,213	3,800	300	332,313
Total expenditures	2,477,207	325,881	31,430	2,834,518
Excess (deficiency) of revenues over expenditures	(2,393,384)	3,387	(130)	(2,390,127)
Other Financing Sources (Uses):				
State general fund appropriations	2,334,291	-	-	2,334,291
Other state appropriations	141,100	-	-	141,100
Reversion to state general fund - FY08	(9,257)	-	-	(9,257)
Total other financing sources (uses)	2,466,134	-	-	2,466,134
Net change in fund balances	72,750	3,387	(130)	76,007
Fund balances, beginning of year	77,668	(2)	-	77,666
Fund balances, end of year	\$ 150,418	\$ 3,385	\$ (130)	\$ 153,673

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

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

Net change in fund balances total governmental funds (page sixteen)	\$ 76,007
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay (70,000) exceeded depreciation (16,791) in the current period.	53,209
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>3,814</u>
Change in net assets of governmental activities (page thirteen)	<u><u>\$ 133,030</u></u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Federal grants	\$ -	\$ 83,108	\$ 83,108	\$ -
Miscellaneous reimbursement	-	-	715	715
Total revenues	-	83,108	83,823	715
Expenditures:				
Current:				
Personnel services & employee benefits	2,261,100	2,118,700	2,116,385	2,315
Contractual services	12,100	33,730	32,609	1,121
Other operating costs	202,200	406,078	328,522	77,556
Total expenditures	2,475,400	2,558,508	2,477,516	80,992
Excess (deficiency) of revenues over expenditures	(2,475,400)	(2,475,400)	(2,393,693)	81,707
Other Financing Sources (Uses):				
State general fund appropriations	2,334,300	2,334,300	2,334,291	(9)
Other state appropriations	141,100	141,100	141,100	-
Reversions to state general fund	-	-	(9,257)	(9,257)
Total other financing sources (uses)	2,475,400	2,475,400	2,466,134	(9,266)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,441</u>	<u>\$ 72,441</u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS
NARCOTICS PROSECUTION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal grants	\$ 277,300	\$ 321,651	\$ 329,268	\$ 7,617
Expenditures:				
Current:				
Personnel services & employee benefits	277,300	317,851	322,081	(4,230)
Other operating costs	<u>-</u>	<u>3,800</u>	<u>3,800</u>	<u>-</u>
Total expenditures	<u>277,300</u>	<u>321,651</u>	<u>325,881</u>	<u>(4,230)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,387</u>	<u>\$ 3,387</u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2008

ASSETS	
Cash	\$ 35,953
	<hr/>
Total assets	35,953
	<hr/> <hr/>
 LIABILITIES	
Due to others	35,953
	<hr/>
Total liabilities	\$ 35,953
	<hr/> <hr/>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District Attorney is given his authority under Section 24 of the New Mexico State Constitution and Sections 36-1-1 through 36-1-27 of the New Mexico State Statutes Annotated, 1978 Compilation, and is a component unit of the state of New Mexico. The agency code assigned by the Department of Finance and Administration for the District Attorney is 25600. The District Attorney is elected to serve a four-year term by the qualified voters within the District, which comprises all of Grant, Luna, and Hidalgo counties. The function of the District Attorney involves criminal prosecutions of violators of state law and civil representation and advice to the counties served and the officers thereof.

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

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

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

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

The District Attorney's Office has no component units.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District Attorney does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among *program revenues* are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide and fiduciary funds financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the District Attorney considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditure is recorded as liabilities when they are incurred, except for certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are recorded.

The District Attorney reports the following major governmental funds:

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General Fund

The *general fund* is the general operating fund of the District Attorney. It is used to account for all financial resources except those required to be accounted for in another fund. Any unreserved fund balance from state appropriations remaining at the end of the fiscal year reverts to the general fund of the state of New Mexico. This fund is also used to account for federal grant proceeds from the U.S. Department of Justice. The fund balance created from these proceeds will not revert to the state of New Mexico's general fund as the source of revenues is the federal government. The SHARE fund number and description for the *general fund* of the District Attorney is 16000 – Sixth Judicial District Attorney Regular.

Narcotics Prosecution Fund

The *Narcotics Prosecution fund* is used to account for the grant proceeds from the Office of National Drug Control Policy – High Intensity Drug Trafficking Area grant, and the Border Operations Task Force, and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the federal government to maintain a separate fund. The fund balance will not revert to the state of New Mexico's general fund as the source of revenues is the federal government. The District Attorney has determined that the *Narcotics Prosecution fund* is a major fund whose SHARE fund number is 26600.

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

Victims' Assistance Program Fund

The *Victims' Assistance fund* is used to account for the grant proceeds from the Victims of Crime Act (VOCA), and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the state of New Mexico Crime Victims Reparation Commission to maintain a separate fund. The fund balance will not revert to the state of New Mexico's general fund, as the source of revenues is the federal government. The District Attorney has determined that the *Victims' Assistance fund* is a nonmajor fund whose SHARE fund number is 26500.

All government-wide financial statements of the District Attorney follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements. Governments also have the option of following subsequent private-sector guidance for the government-wide financial statements. The District Attorney has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fiduciary Funds

Agency Funds

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

The District Attorney has one agency fund to account for court ordered victim restitution payments that are collected from the defendant and subsequently distributed per a restitution order.

D. Budgets

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

1. Prior to September 15th, the District Attorney submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1st. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The Governor of the state of New Mexico within the legally prescribed time limit signs the Act into law.
4. The District Attorney submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA – Budget Division reviews and approves the operating budget, which becomes effective on July 1st. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal level of budgetary control is at the appropriation unit level.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

7. The General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the state of New Mexico. So long as the appropriation period has not lapsed, and a budget has been approved by the DFA, an encumbrance can be charged against that budget. However, when the appropriation period lapses, so does the authority for the budget. The result is the encumbrance can no longer be charged to that budget. If the Legislature has provided a new appropriation, the encumbrance is carried forward to a new appropriation period to be charged against the new budget. If the Legislature has not, the encumbrance is no longer authorized and the amount of the encumbrance must be restored to unreserved fund balance. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of the appropriation period.
8. There is one statutory exception to the modified accrual basis for budget. That exception address accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash

The District Attorney has defined cash to include cash on hand and demand deposits.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Prior to June 17, 2005, the District Attorney defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, the District Attorney changed its capitalization threshold to include only assets with a cost of \$5,000 or more, per Section 12-6-10 NMSA 1978.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Capital Assets (continued)

All assets capitalized prior to June 17, 2005 that are property of the District Attorney remain on the financial and accounting records of the District Attorney. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation. Costs other than personnel expenses for computer software developed internally are capitalized and depreciated over its useful life. Purchased computer software is recorded at historical cost.

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

Furniture and fixtures	7 years
Equipment and machinery	6 years
Automotive	5 years
Data processing	3 years

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

4. Compensated Absences

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

5. Net Assets

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

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Net Assets (continued)

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

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

6. Use of Estimates

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

2. CASH AND DEPOSITS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash includes cash on hand and cash deposits in three financial institutions. The District Attorney's deposits are carried at cost.

As of June 30, 2008, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

2. CASH AND DEPOSITS (continued)

Cash (continued)

	Type of Account	Per Bank Balance 06/30/08	Reconciling Items	Reconciled Balance 06/30/08
<i>General Fund</i>				
Cash on hand		\$ -	\$ 25	\$ 25
<i>Agency Funds</i>				
Silver City Trust Account:				
Wells Fargo Bank, N.A. 1201 Pope Street Silver City, NM 88061	Checking	37,838	(17,817)	20,021
Deming Trust Account:				
Wells Fargo Bank, N.A. 223 South Gold Avenue Deming, NM 88030	Checking	24,848	(10,039)	14,809
Lordsburg Trust Account:				
Western Bank P.O. Box 490 Lordsburg, NM 88045	Checking	1,892	(769)	1,123
Total		<u>\$ 64,578</u>	<u>\$ (28,600)</u>	<u>\$ 35,978</u>

Statement of Net Assets	\$ 25
Statement of Fiduciary Net Assets	<u>35,953</u>
Total cash reported on financial statements	<u>\$ 35,978</u>

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

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

	Wells Fargo Bank	Wells Fargo Bank	Western Bank
Checking accounts	\$ 20,021	\$ 14,809	\$ 1,123
FDIC coverage	(20,021)	(14,809)	(1,123)
Total uninsured public funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District Attorney does not have a deposit policy for custodial credit risk. As of June 30, 2008, all of the District Attorney's deposits were insured and the District Attorney was not exposed to custodial credit risk.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

3. INVESTMENTS

New Mexico State statutes require that the New Mexico State Treasurer holds all operating funds on behalf of the District Attorney. Such funds are held in the State's General Fund Investment Pool. Those funds are reflected as investments on the District Attorney's statements of financial position. At June 30, 2008, the balance is as follows:

	Fund	Maturities	Fair Value
<i>State General Fund Investment Pool</i>	16000	1 day to 3 years	\$ 275,310

Interest Rate Risk – The District Attorney does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The State's General Fund Investment Pool is not rated.

For additional GASB 40 disclosure information related to the State's General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer for the fiscal year ended June 30, 2008.

4. GRANT RECEIVABLES

Amounts due from governmental grants at June 30, 2008, consisted of the following:

HIDTA	\$	59,447
Border Operations Task Force		32,832
Victims of Crimes Act		6,688
Department of Homeland Security		2,394
Total	\$	101,361

The amounts were collected in full subsequent to year ending.

5. OTHER RECEIVABLE

The District Attorney recorded a receivable of \$972 from unexpended contractual services paid to Restorative Justice Community Center of Southwestern New Mexico. The amount was collected in full subsequent to the year ending.

6. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2008, is as follows:

Receivable Fund	Payable Fund	Amount
General	Narcotics Prosecution	\$ 77,474
Victims' Assistance Program	Narcotics Prosecution	1,800
	Total	\$ 79,274

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

6. INTERFUND RECEIVABLES AND PAYABLES (continued)

These balances resulted from erroneous postings in the payroll tax liability and other withholdings liability accounts between the funds. The balances are expected to be adjusted within one year.

7. CAPITAL ASSETS

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

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Capital assets, being depreciated:				
Furniture and fixtures	\$ 34,130	\$ -	\$ -	\$ 34,130
Equipment	127,200	-	-	127,200
Vehicles	161,404	70,000	7,850	223,554
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated	322,734	70,000	7,850	384,884
Less accumulated depreciation for:				
Furniture and fixtures	(25,854)	(2,674)	-	(28,528)
Equipment	(125,599)	(850)	-	(126,449)
Vehicles	(141,171)	(13,267)	7,850	(146,588)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(292,624)	(16,791)	7,850	(301,565)
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, net	<u>\$ 30,110</u>	<u>\$ 53,209</u>	<u>\$ -</u>	<u>\$ 83,319</u>

The District Attorney recorded a depreciation expense of \$16,791 for the year ended June 30, 2008. The depreciation expense is a direct expense of the public safety function.

8. DUE TO STATE OF NEW MEXICO GENERAL FUND

The excess of unexpended funds per budgetary comparisons does not agree to the balance being reverted to the state general fund from the general fund. This is because reverting and nonreverting monies are co-mingled in the general fund. The nonreverting monies are from federal awards. Even though they are in one fund, the federal award expenditures are accounted for in separate line items and by separate payroll codes. This procedure ensures proper calculations of unexpended state appropriations in the general fund throughout the year. For the year ending June 30, 2008, the District Attorney recorded \$9,257 due to the state general fund, from fiscal year 08.

9. DUE TO STATE OF NEW MEXICO STATE TREASURER

The Department of Finance and Administration MAP Standards and Policies Chapter 6, Section 3.2, Paragraph D2 requires a positive cash balance. The federal grants that the District Attorney receives are funded on a reimbursement basis. Expenditures must be incurred before funding is received, which result in cash overdraws. As such, the District Attorney receives an annual exception to the positive cash balance policy.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

9. DUE TO STATE OF NEW MEXICO STATE TREASURER (continued)

As of June 30, 2008, the total amounts due to the State Treasurer to cover overdrafts were as follows:

	Fund	Amounts Due
Narcotics Prosecution	26600	\$ 7,716
Victims' Assistance Program	26500	8,455
		\$ 16,171

10. DUE TO STATE BOARD OF FINANCE

On April 17, 2007, the State Board of Finance granted the District Attorney an operating loan in the amount of \$67,452. A non-bearing interest loan was granted on a short term basis to cover the fiscal year 07 anticipated budget shortfall in salaries and benefits. The total amount due of \$67,452 was to be paid in full on June 1, 2008. On June 30, 2007, the District Attorney made a partial payment of \$47,452, leaving a balance of \$20,000. The District Attorney made its final payment of \$20,000 in September 2007.

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Operating loan	\$ 20,000	\$ -	\$ 20,000	\$ -

11. COMPENSATED ABSENCES

Accrued Annual Leave

Qualified employees accumulate annual leave as a rate of:

Years of Service	Hours Earned Per Pay Period	Hours of Maximum Accrual
1 pay period - 4 years	4.62	240
Over 4 years - 8 years	5.08	240
Over 8 years - 12 years	5.54	240
Over 12 years - 16 years	6.00	240
Over 16 years and beyond	6.46	240

A maximum of 240 hours of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums.

Accrued Sick Leave

Chapter 150, Laws of 1983 provided for the payment to employees for accumulated sick leave under certain conditions.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

11. COMPENSATED ABSENCES (continued)

Accrued Sick Leave (continued)

Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on the payday following the first full pay period or the paydays following the first full pay period in January of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. A maximum of 120 hours of sick leave can be paid in one fiscal year. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2008, over 600 hours. Expenditures for accumulated sick leave pay for less than 600 hours will be recognized as employees take such absences. The current period adjustment recorded as a charge to the general government function for compensated absences is \$3,814.

The amount recorded as a long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave as follows:

	<u>Balance 06/30/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/08</u>	<u>Amounts Due Within One Year</u>
Accrued annual leave	\$ 107,275	\$ 138,612	\$ 142,603	\$ 103,284	\$ 81,757
Accrued sick leave	1,711	5,128	4,951	1,888	1,200
Total	<u>\$ 108,986</u>	<u>\$ 143,740</u>	<u>\$ 147,554</u>	<u>\$ 105,172</u>	<u>\$ 82,957</u>

In the prior years, ninety-eight percent has been paid by the general fund, one percent by the narcotics prosecution fund and one percent by the victim's assistance fund.

12. OPERATING LEASES

The District Attorney has the operating leases for three mailing machines and three copiers. The leases have terms that vary from three to four years and are payable on a monthly or quarterly basis. Each individual lease can be terminated due to lack of funding from the legislature with no penalty to the District Attorney. Minimum future rental payments under operating leases having terms in excess of one year as of June 30, 2008, and for the next three years and in the aggregate are:

<u>Period Ending</u>	<u>Amounts</u>
June 30, 2009	\$ 18,762
June 30, 2010	7,829
June 30, 2011	770
	<u>\$ 27,361</u>

The District Attorney recorded rental of equipment expense of \$17,914 for the year ending June 30, 2008.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

13. PENSION PLANS

Public Employees Retirement Act (PERA)

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

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The District Attorney is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the District Attorney are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District Attorney's contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006, were \$291,115, \$269,371, and \$258,468 respectively, which equal to the amount of the required contributions for each fiscal year.

14. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

14. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

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

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

The District Attorney's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$21,772, \$20,638 and \$20,254, respectively, which equal the required contributions for each year.

Pursuant to GASB 43, a legal determination has been made whereby the Retiree Healthcare Authority is considered a multiple-employer cost-sharing trust. Under this determination, the extensive OPEB disclosure concerning the funded status of the plan is made on the Authority's books rather than at the participant or agency level. Accordingly, no accrual has been made for this liability on the District Attorney's books.

15. RISK OF LOSS

The District Attorney's Office is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the state of New Mexico.

In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workman's compensation, general and property insurance, and attempts to reduce the number of suits against the state and state agencies through the risk management process.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

15. RISK OF LOSS (continued)

The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Attorney is not liable for more than the premiums paid.

16. UNRESTRICTED DEFICIT NET ASSETS

GASB #34 requires recording of capitalized assets, net of accumulated depreciation and long term liabilities, which results in an unrestricted net asset deficit of \$105,277. The deficit is created by compensated absence liabilities which are expected to be paid from subsequent years state general fund appropriations.

17. INDIVIDUAL FUND – DEFICIT FUND BALANCE

As of June 30, 2008, the Victims' Assistance Fund 26500 had a deficit fund balance of \$130. A transfer of \$130 will be made from the general fund to cover the deficit fund balance.

18. RECONCILIATION OF BUDGETARY COMPARISON SCHEDULE AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>General Fund</u>	<u>Narcotics Prosecution Fund</u>
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison statement.	\$ 2,477,516	\$ 325,881
Differences - Budget to GAAP:		
The District budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities that did not get paid by the end of the year are not included in the budgetary basis but are expenses for financial reporting purposes.	<u>(309)</u>	<u>-</u>
Total expenditures as reported on the statements of revenues, expenses, and changes in net assets	<u><u>\$ 2,477,207</u></u>	<u><u>\$ 325,881</u></u>

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

19. STATEMENT OF INTER-AGENCY TRANSFERS

	<u>From Share Fund No.</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund - 16000			
Department of Finance and Administration State General Fund Appropriation Laws 2007 Chapter 28, Section 4	85300	\$ 2,176,400	
Department of Finance and Administration State Compensation Package Laws 2007, Chapter 28, Section 8A(3) & 8A(4)	62000	\$ 157,891	
Department of Finance and Administration Special Appropriation Laws 2007, Section 8, Item 5, House Bill 291	85300	\$ 141,100	
Department of Finance and Administration Reversion to State General Fund - FY08	85300		\$ 9,257
Administrative Office of the District Attorneys Southwest Border Initiative Phases 15, 16, 17, & 18	26400	\$ 83,108	

INDIVIDUAL FUND STATEMENTS

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET – NON-MAJOR FUND
JUNE 30, 2008

ASSETS	<u>Victims' Assistance Program</u>
Grant receivables	\$ 6,688
Due to other funds	<u>1,800</u>
Total assets	<u><u>\$ 8,488</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accrued salaries	\$ 69
Accrued payroll taxes	15
Accrued employee withholdings and benefits	79
Due to state treasurer	<u>8,455</u>
Total liabilities	8,618
Fund Balances:	
Unreserved	<u>(130)</u>
Total liabilities and fund balances	<u><u>\$ 8,488</u></u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – NON-MAJOR FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Victims' Assistance Program
Revenues:	
Federal grant	\$ 31,300
Expenditures:	
Current:	
Personnel services & employee benefits	31,130
Other operating costs	300
Total expenditures	31,430
Excess (deficiency) of revenues over expenditures	(130)
Fund balance, beginning of year	-
Fund balance, end of year	\$ (130)

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL ON BUDGETARY BASIS
NON-MAJOR FUND
VICTIMS' ASSISTANCE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal grant	\$ 38,000	\$ 31,300	\$ 31,300	\$ -
Expenditures:				
Current:				
Personnel services & employee benefits	38,000	31,000	31,130	(130)
Other operating costs	<u>-</u>	<u>300</u>	<u>300</u>	<u>-</u>
Total expenditures	<u>38,000</u>	<u>31,300</u>	<u>31,430</u>	<u>(130)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (130)</u>	<u>\$ (130)</u>

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/08</u>
Assets				
Cash - Silver City	\$ 19,029	\$ 131,124	\$ (130,132)	\$ 20,021
Cash - Deming	10,310	82,956	(78,457)	14,809
Cash - Lordsburg	<u>3,396</u>	<u>12,624</u>	<u>(14,897)</u>	<u>1,123</u>
Total assets	<u>\$ 32,735</u>	<u>\$ 226,704</u>	<u>\$ (223,486)</u>	<u>\$ 35,953</u>
Liabilities				
Due to Others	<u>\$ 32,735</u>	<u>\$ 226,704</u>	<u>\$ (223,486)</u>	<u>\$ 35,953</u>

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

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
JOINT POWERS AGREEMENT
JUNE 30, 2008

Border Operations Task Force:

- A. Participants – Sixth Judicial District Attorney, Deming Police Department, Luna County Sheriff’s Department, Grant County Sheriff’s Department, Lordsburg Police Department, Hidalgo County Sheriff’s Department, Hurley Police Department, Bayard Police Department, Santa Clara Police Department, Western New Mexico University Police Department, New Mexico State Police, U.S. Border Patrol and U.S. Customs Service.
- B. Party responsible for operations – Hidalgo County.
- C. Description – To undertake a joint controlled substances investigation project known as the Southwestern New Mexico Task Force.
- D. Beginning and ending of agreement – May be terminated with thirty (30) days notice, otherwise it will remain intact for one year.
- E. Total estimated amount of project – Unknown.
- F. Amount contributed – None.
- G. Entity responsible for the annual audit – Hidalgo County is responsible for the annual audit of all the financial activity.
- H. Fiscal Agent – Hidalgo County is the fiscal agent.
- I. Name of entity accounting for revenues and expenditures – Hidalgo County has reflected all revenues and expenses.

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards*

Hector H. Balderas, State Auditor
and
Mary Lynne Newell, District Attorney
State of New Mexico, Sixth Judicial District
Silver City, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the State of New Mexico's Sixth Judicial District Attorney (District Attorney) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 9, 2008. We also have audited the financial statement of each of the District Attorney's nonmajor governmental funds and the respective budgetary comparison statement for the nonmajor special revenue funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2008, and have issued our report thereon dated December 9, 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 Attorney's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District Attorney's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Sixth Judicial District Attorney's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2007-01 to be a significant deficiency 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 entity'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, the significant deficiency described above as item 2007-01 is a material weakness.

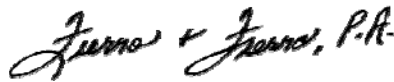
Compliance and Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as item 2007-02 and 2007-03.

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

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



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

December 9, 2008

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008

Item 2007-01 – Reconciliation of General Ledger and Preparation of Financial Statements

Statement of Condition – The District Attorney is a user of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE). The service organization is Department of Finance and Administration (DFA). The District Attorney did not reconcile the general ledger account balances related to accrued salaries and the related tax and withholding liabilities prepared from the SHARE program by DFA. As such, the individual fund financial statements prepared by the District Attorney were materially misstated. The related disclosures are not being prepared by the District Attorney.

Criteria – According to the American Institute of Certified Public Accountants' *Statement on Auditing Standards No. 112*, a system of internal control over financial reporting does not stop at preparation of a general ledger. It is the entity's responsibility to reliably control the initiation, authorization, recording, processing and reporting of financial data in accordance with generally accepted accounting principles. Well designed systems include controls over financial statement preparation, including footnote disclosures. The auditor can not be part of an entity's internal control.

Effect – When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause – The task of general ledger maintenance and reconciliation has been challenging. The District Attorney did not receive adequate pre and post training on the SHARE program and continues to have difficulties with reconciliations related to asset and liability accounts. The District Attorney's personnel have not been adequately trained in understanding the elements of external financial reporting including the preparation of financial statements and related footnote disclosures.

Recommendation – We recommend that the personnel responsible for the preparation and maintenance, including all reconciliations and preparation of financial statements, receive adequate training on understanding the requirements of external financial reporting. In addition, we recommend that the District Attorney develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Views of Responsible Officials and Planned Corrective Actions – We disagree that there should be a finding for failure to reconcile general ledger account balances and to prepare financial statements. If allowed by the Rules, we request the audit either eliminate it completely or post it only as a comment.

State audit regulation 2.2.2.8B1c, NMAC allows an agency to contract with its auditor to prepare its financial statement, subject to agency review. Our contract with Fierro firm, as signed and as approved by the State Auditor, lists a fee of \$3,350 for Fierro to prepare our financial statement. Our obligation, therefore, becomes that we must be able to read and understand the financial statement, to ensure that it is accurate and understandable to others reviewing it. We are prepared to do so.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008

Item 2007-01 – Reconciliation of General Ledger and Preparation of Financial Statements (cont)

Views of Responsible Officials and Planned Corrective Actions (continued) – In accord with our plan as stated in last year’s audit planned corrective actions, our chief finance officer (CFO) did attend training put on by the CAFR Unit about preparing financial statements, in September 2008. However, the training did not include a process for preparing footnotes and a narrative. We will ask that CAFR or the State Auditor offer the rest of the training as soon as possible.

Demonstrating that the agency does indeed understand financial statements and what goes into them, we did prepare a draft of a financial statement for the audit year, which was submitted to our auditor. Our CFO then compared the financial statements with what the auditor prepared and found the figures were in agreement, except for a couple of errors.

The general ledger account balance related to accrued salaries and the related tax and withholding liabilities entries have been an on-going problem with the People Soft program for our agency and other agencies, as well. According to the CAFR Unit Manager in a telephone conversation on December 16, 2008: 1) the CAFR unit is aware of these issues and has been working to correct them; 2) CAFR recognizes that our agency has received conflicting information from the State regarding whether we could adjust the cash and liabilities funds ourselves 3) payroll and expenditures were reconciled correctly, therefore a finding in this area is too harsh.

The problem has been that payroll is posting correctly, but third party liabilities associated with payroll (FICA, PERA, etc.) are posting incorrectly. CAFR was not correcting all problems, but our agency was not made aware of this, and in fact our CFO had been told that CAFR would tend the corrections based on what our auditor had done in this regard. The CAFR unit manger is meeting with our CFO the first of January to get all the corrections done. The Unit Manger acknowledges this is not an issue of not having funds or overspending, but just correcting entries in the proper way.

Auditing Firm Response – Although the auditor can propose adjustments and assist in assembling or drafting the financial statements, the auditor cannot establish or maintain the agency’s controls, including monitoring ongoing activities, since doing so would impair independence. The individual fund financial statements presented by the District Attorney were materially misstated, due to posting errors not detected and not corrected by the CAFR unit in the accrued salaries and related payroll liability accounts among the District Attorney’s three individual funds. At the conclusion of our fieldwork and before we issued the report, we proposed adjusting entries to correct the errors. We concluded and reported that because the District Attorney did not recognize there were errors with these account balances, which resulted in financial statements that were materially misstated at the fund level, they have a sufficient deficiency that is a material weakness in internal control over financial reporting. This is a repeat finding.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2008**

OTHER MATTERS – SECTION 12-6-5 NMSA 1978

Item 2007-02 – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2008, was due to the New Mexico State Auditor's office by December 15, 2008. The audit report was submitted on December 19, 2008.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* requires that the District Attorney submit its audit report no later than sixty days after they have provided notification to the Financial Control Division of DFA that the agency's books and records are ready and available for audit. The deadline cannot extend beyond December 15th (Section 12-6-3-C, NMSA 1978).

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – The District Attorney had not reconciled accrued payroll and the related liabilities in a timely matter. This caused a reporting of a significant deficiency. The District Attorney did not agree with the finding and requested more time to prepare responses.

Recommendation – We recommend the District Attorney complete all necessary adjustments to its financial data within three months after year-end which should allow the auditors sufficient time to complete the audit by the date established by the State auditor.

Views of Responsible Officials and Planned Corrective Actions – We disagree that there should be a finding for failure to meet the December 15, 2008 deadline. If allowed by the Rules, we request the auditor either eliminate it completely or post it only as a comment.

Our audit was performed during Thanksgiving week, November 24-26, 2008. The exit interview was at 10:30 on Wednesday, November 26, with the auditor orally reviewing materials with us but without us having hard copies in hand to further refer to. The auditor indicated she would have to make some changes to the audit and did not leave us a draft. For our response, we were waiting for more information from the CAFR unit addressing the accrued payroll and related liabilities issues which had been turned in to the HELP desk some time back and which issues were part of the findings proposed. We did not get the correct information until December 15, 2008, when we spoke to the Unit Manager.

The auditor emailed the findings to our office on Thursday, December 11. The District Attorney was in Albuquerque attending two sets of meetings—on Thursday and Friday—at the Second Judicial District Attorney's Office, and could not consult with her CFO until Monday the 15th the day the audit was due in Santa Fe and the day we were able to speak to the CAFR Unit Manager. Given the information we received from CAFR and for other reasons, it was apparent more time was needed (approximately 1 additional day) to prepare a response and the auditor was so informed. Our response was in fact emailed to the auditor on December 16 at 4:12 pm.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2008**

OTHER MATTERS – SECTION 12-6-5 NMSA 1978 (continued)

Item 2007-02 – Submission of Audit Report (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) - Given that this should only have delayed the report into Santa Fe by two or three days' difference, a finding seems extraordinarily harsh. In comparison—not excuse--reviewing audit reports of other state agencies from FY 07, several remain open even to date. We appreciate the usefulness of deadlines. However, we suspect that our audit being submitted even a week late (as is likely now, given this new finding received today—Thursday December 18 at 1:30 pm--and the necessity of making a further response—which is being emailed this same date by 4:00 pm), is not going to inhibit the Office of the State Auditor from completing its review in a timely manner.

We will continue to strive to improve our end of the audit process.

Audit Firm Response – At the conclusion of our field work on November 26, 2008, we informed management of the magnitude of the errors in postings. Further, we recommended to the District Attorney that it might be necessary to make a special trip to Santa Fe as soon as possible to work with the CAFR unit to address the problems we discovered. We held an exit conference on December 10, 2008, in which we discussed the final findings. The chief financial officer approved our proposed audit adjustments. Realizing that more time was needed for a response delayed the issuance of the report. This is a repeat finding.

Item 2007-03 – Legal Compliance With Adopted Budget

Statement of Condition – The District Attorney's authorized unit level budget for personnel services within the Narcotics Fund was \$317,851. During the fiscal year, the District Attorney expended \$322,081 within the unit level. The District Attorney exceeded its approved unit level budget by \$4,230. The District Attorney's authorized unit level budget for personnel services within the Victims' Assistance Fund was \$31,000. During the fiscal year, the District Attorney expended \$31,130 within the unit level. The District Attorney exceeded its approved unit level budget by \$130.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 Compilation prohibit state agencies from making expenditures in excess of the approved unit level budget and make public officials liable for such expenditures. The District Attorney's officials and governing authorities have the obligation to follow applicable State statutes.

Effect – Noncompliance with New Mexico State statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – The District Attorney's personnel did not prepare the necessary budget resolutions necessary to cover the expenditures.

Recommendation – We recommend that the District Attorney establish procedures that include a comprehensive, mid-year review of its budget. The review will allow the District Attorney to examine fiscal performance and make budget adjustments, if needed. It should include a comparison of revenues and expenditures to date to the approved budget.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2008**

OTHER MATTERS – SECTION 12-6-5 NMSA 1978 (continued)

Item 2007-03 – Legal Compliance With Adopted Budget (continued)

Recommendation - A review of planned activity for the last half of the fiscal year should be made and compared to the approved budget. Based on the mid-year review, a resolution requesting budget adjustments should be submitted to the Department of Finance and Administration, if necessary.

Views of Responsible Officials and Planned Corrective Actions – Our auditor believes that the legal level of budgetary compliance is at the individual fund level. However, both the CAFR Unit Manger and the Office of the State Auditor have told us that the legal level is not the line item level, but the Program or P level. We did not exceed our budget in our P levels. The budget was met both by program and category. We have reimbursement grants which require periodic movement of monies as well as adjustments for end of year reimbursements. In fact, at the Program level these monies are accounted for and present, so there is no actual overspending.

Furthermore, the recommendation listed is unnecessary. The budget is constantly being reviewed and budget adjustment requests are made in response to needs, for the general fund as well as the federal grant programs. Our Narcotics fund is subject to constant change due to the need to adjust for overtime invoicing to federal agencies. We do not, at mid-year, know the demands of the next six months for the employees working as drug task force investigators. All of the apparent exceeded expenditures are in fact invoiced and paid for.

Audit Firm Response – Neither, the State statutes nor the State Auditor Rule, 2.2.2.10 P (1), make reference to the program or P level. The legal level of budgetary compliance is at the appropriation level. This is a repeat finding.

Prior Year Audit Findings

Item 2007-01 – Reconciliation of General Ledger and Preparation of Financial Statements

In the prior year, the District Attorney did not reconcile the general ledger account balances prepared from the SHARE program by DFA. In addition, the financial statements and related disclosures are not being prepared by the District Attorney. The finding is not considered resolved. It has been modified and is repeated in the current year audit.

Item 2007-02 – Submission of Audit Report

The audit report for the fiscal year ended June 30, 2007, was due to the New Mexico state auditor's office by December 15, 2007. The audit report was submitted February 7, 2008. The finding was unique to fiscal year ending June 30, 2007. The finding is not resolved and is repeated in the current year audit report.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2008

Prior Year Audit Findings (continued)

Item 2007-03 – Legal Compliance With Adopted Budget

In the prior year, the District Attorney's authorized budget within the Narcotics Fund was \$330,100. During the fiscal year, the District Attorney expended \$332,019 within the fund. The District Attorney exceeded its approved budget by \$1,919. The District Attorney exceeded its approved unit level budget in the Narcotics Fund by \$4,230 in the current year. As such, the finding is not considered resolved. It has been modified and is repeated in the current year audit.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2008**

EXIT CONFERENCE

This report was discussed during the exit conference held in Silver City, New Mexico on December 10, 2008. Present for the District Attorney's Office was Mary Lynne Newell, district attorney; and Yolanda Villa, chief financial officer. Present for the auditing firm was Rose Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, Certified Public Accountants, prepared the financial statements of the Sixth Judicial District Attorney as of June 30, 2008. The District Attorney's management has reviewed and approved the financial statements and related notes, and they believe that the District Attorney's books and records adequately support them.