

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
INDEPENDENT AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

**HINKLE & LANDERS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

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SIXTH JUDICIAL DISTRICT ATTORNEY

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

**Official Roster
As of June 30, 2009**

List of Officials and Attorneys

<u>Name</u>	<u>Title</u>
Mary Lynne Newell	District Attorney
Susan Ybarra	Chief Deputy District Attorney
Edward Hand	Chief Deputy District Attorney
Canon P. Stevens	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 Officials

Yolanda M. Villa	Chief Financial Officer
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Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Ms. Mary Lynne Newell
Sixth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sixth Judicial District Attorney of the State of New Mexico (DA) as of and for the year ended June 30, 2009, which collectively comprise the DA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the DA's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 DA are intended to present the financial position and the changes in financial position of each major fund of the State of New Mexico that is attributable to the transactions of the DA. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2009 the changes in its financial position for the year 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 and each major fund of the DA, as of June 30, 2009, and the respective changes in financial position and respective budgetary comparison for the general fund and major special revenue funds 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 15, 2009 on our consideration of the DA's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as noted in the Table of Contents, 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 primarily of inquiries of management regarding the methods of measurement and presentation of 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, the schedule of expenditures of federal awards and the schedule of special, deficiency, specific and capital outlay appropriations listed as “other supplemental information” in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C.". The signature is written in a cursive, flowing style.

Hinkle & Landers, PC
December 15, 2009

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009. 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 \$119,796 from Phase 8 and 9 of the Southwest Border Prosecution Initiative which can be expended for any 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 flow; 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 as noted in the Table of Contents.

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. 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance 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, the victims of crime act fund, and the narcotic prosecution fund, all 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 the change in fund balances.

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 funds are located as noted in the Table of Contents.

The basic governmental fund financial statements can be found as noted in the Table of Contents.

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 as noted in the Table of Contents.

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 as noted in the Table of Contents.

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**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets Governmental Activities	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets:		
Current and other assets	\$ 303,774	377,668
Capital assets, net of accumulated depreciation	<u>93,422</u>	<u>83,319</u>
Total assets	397,196	460,987
Liabilities:		
Current liabilities	341,339	306,952
Long-term liabilities	<u>26,492</u>	<u>22,215</u>
Total liabilities	367,831	329,167
Net Assets:		
Invested in capital assets	93,422	83,319
Restricted for program expenses	69,335	153,778
Unrestricted	<u>(133,392)</u>	<u>(105,277)</u>
Total net assets	<u>\$ 29,364</u>	<u>131,820</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 \$29,364 at the close of the most recent fiscal year. The District Attorney's activities during the fiscal year decreased the District Attorney's net assets by \$99,201. The decrease is attributed in large part to the expenditure of funds that were recorded as revenue in prior years, and reserved for the Southwest Border Prosecution Initiative. Net assets are composed of investment in capital assets (e.g. furniture, equipment and vehicles) of \$93,422 netted with unrestricted deficit of \$133,392 and net assets restricted for program expenses of \$69,335. 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 \$35,487 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 decreased by \$73,894 due in large part to the District Attorney expending cash recorded as revenue in prior years.

Current liabilities, which consist of accounts payable, accrued salaries, current amounts of compensated absences, amounts due to the state general fund investment pool for overdrafts and amounts due to the state general fund as June 30, 2009, equaled \$341,339. This is an increase of \$34,387, and due primarily to increases in amounts due to the state general fund investment pool for overdrafts.

The statement of activities, as shown on the following page, shows an overall increase in revenues as compared to fiscal year 2008. Operating grants and contributions increased by \$63,085 due to increased federal grants,

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and state general fund appropriations increased by \$167,704. The overall increase in revenues was \$230,074, which was attributed to an increase in expenses of \$462,305.

Condensed Statement of Activities Governmental Activities	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 506,761	443,676
Miscellaneous reimbursement	-	715
General revenues:		
State general fund appropriations	<u>2,633,838</u>	<u>2,466,134</u>
Total revenues	3,140,599	2,910,525
Expenses:		
Public safety	<u>3,239,800</u>	<u>2,777,495</u>
Change in net assets	<u>\$ (99,201)</u>	<u>133,030</u>

Operating Expenses	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Personnel services	88%	89%
Operating costs	10%	10%
Contractual services	2%	1%

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 21. The District Attorney received federal grant revenues of \$355,721 and \$31,244, respectively, for the year ended June 30, 2009. Both funds expended all current year grant revenues during fiscal year 2009. The Narcotics Prosecution fund has grant receivables of \$75,193 at year end, which will be used to cover its liabilities of \$75,193 at June 30, 2009. The Victims' Assistance fund has grant receivables of \$244 which will be used to cover its liabilities of the same amount.

ANALYSIS OF BUDGET RESULTS FOR THE GOVERNMENTAL FUNDS

The District Attorney revised its original general fund budget related to the Southwest Border Prosecution Initiative once during the year to increase personnel services by \$46,840 and contract services by \$25,400. The other budget revision was a category transfer – an increase to personnel services by \$15,500 and an increase to contractual services by \$420, and a reduction to other services by the net amount. The budget for the Victims' Assistance Fund was also adjusted twice during the year, the first time to address a \$4,900 decrease in funding, and the second adjustment was a category transfer to increase personnel services and reduce other expenses. The Narcotics Prosecution Fund was adjusted three times during the year. The first adjustment resulted from a decrease in funding of \$4,332. The second adjustment was a category transfer, and the third adjustment was due to an increase of funding of \$62,000 to pay for overtime.

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CAPITAL ASSETS

The District Attorney’s investment in net assets at June 30, 2009, amount to \$93,422 (net of accumulated depreciation). This investment in capital assets includes construction works-in-progress, furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

Sixth Judicial District Attorney Capital Assets (net of accumulated depreciation)	June 30, 2009	June 30, 2008
Construction work-in-progress	\$ 15,605	-
Furniture and fixtures	2,813	5,602
Equipment	-	752
Vehicles	75,005	76,965
Total capital assets, net	\$ 93,422	83,319

As of June 30, 2009, the District Attorney was in the process of remodeling administrative offices, and had spent \$15,605. The construction was completed in October 2009, and no additional costs were incurred. The District Attorney also purchased another vehicle in fiscal year 2009 for \$19,882. Additional information on the District Attorney’s capital assets can be found in Note 11 on page 25.

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 considered “Border” counties with Mexico, and we have the longest border with Mexico of any District in the State. This proximity continues to have a direct and detrimental impact on the economy and public safety of the entire District. Luna and Grant Counties continue to experience homicides and violent crime at rates not previously experienced. These increases are known to come from the area’s connections with drug trafficking and the infiltration of the Mexican cartels into the local drug and gang communities. These types of crimes often leave us with no witnesses or fearful witnesses, which impact our ability to bring offenders to justice. 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. Luna County is catching a great deal of the spillover of violence from the Palomas, Mexico area, with cartel retribution being carried out in Luna County as directed by Mexico. 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, including many of the displaced miners from the massive layoffs in that industry. Although population is dropping as people leave to look for work, many more people have no choice but to stay and try to ride out the economic downturn. We have seen a significant increase in domestic violence, DWI, and white collar crime with the worsening economy. And, we have also had serious crimes occur here that have been, reportedly, caused at the behest of our neighbors to the South.

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FOR THE YEAR ENDED JUNE 30, 2009**

The Prosecution Initiative. The New Mexico Sentencing Commission study shows we should have 14 full time criminal prosecutors for our case load—right now we have 11. Unfortunately, we have lost a career oriented, up and coming homicide prosecutor in Luna County who was lured away from us by a massive pay offer from the Federal Government. We have not been able to refill the position with an experienced prosecutor because we cannot pay enough to convince someone, at that stage of their career, to change jobs/homes and move to Deming. The cutback in our funding levels means this position will go unfilled for at least another couple of years. This is putting a great deal of stress on the other prosecutors in Luna County, who are not experienced homicide prosecutors, as well as my homicide prosecutor from Grant County, who is having to cover his large case load while first-chairing a Luna homicide case from sixty miles away. This is really not possible to do, but for now we have no choice. We continue to prosecute almost exclusively felony crimes. However, misdemeanor and petty misdemeanor domestic violence and DWI cases are taking up far too much time of my prosecutors, given the other cases they must tend. We have long had a commitment to the DV cases, but the DWI cases are extremely frustrating to prioritize due to the time it takes to track down priors and documentation of same. The State's MVD system has many flaws, including that it does not have data from surrounding states, and we often must resolve a case on less than its full possibility due to a lack of record-keeping from the state. We also continue to spend large amounts of investigative time on white collar cases which local law enforcement wants us to handle, which means that my investigators are not available to help all of the attorneys on case preparation on other cases. This is a serious drain on our resources, and creates potential for many problems, in that people try to come to us as if we are another police agency, which we are not. Repeat offenders and recidivist probationers cause us to take a high percentage of our closed cases back to court within months of the first disposition. Our main focus will continue to be the timely, professional, and ethical prosecution of offenders, but our resources are suffering this year, especially in Grant and Luna Counties.

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 sit on panels for drug court in Hidalgo and Grant Counties. We have worked closely with our local Restorative Justice center, and have used them repeatedly to keep juveniles and adults out of the court system, at much reduced costs. Unfortunately, that center has been struggling without firm funding for a long time now, and we are no longer able to afford to help support them, as we have done in the past with some Federal funds. 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 FY 08, these efforts were made solely with the auspices of our regular staff, plus the HIDTA and VOCA staff. In FY 09, we applied for and received a grant commencing in FY 010 for a victim advocate and secretary to serve DV, sexual assault, and stalking violence cases, which frees our other advocates to handle "more of the rest".

Southwest Border Prosecution Initiative. In FY 09, federal funds received were Phase 8 and 9, which had been committed to the District Attorney in prior years, but not received by the District Attorney until FY 09.

**STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Currently, program funding is frozen pending a Justice Department audit at the federal level. We had some funds from prior awards that we used as sparingly as possible, to offset shortfalls and budget revisions. We also had \$78,000 from Southwest Border that the state had reverted at the last minute in FY 08, and which the legislature "awarded" back to us in FY 09 but with restrictions that it could only be spent on cars and computer items [as opposed to the intent of the program, which is for the funds to be used for any purpose]. We upgraded our software for some 50+ computers, purchased one vehicle, replaced computers and printers that were about 5 years old, and did expend these funds per the restrictions imposed. We continued to use the unrestricted SWBPI funds to make careful investments in the tools of the prosecution trade: the most appropriate training, travel to the annual State prosecution conferences, and upgrades to our library and audio visual presentation equipment.

2009 & 2010 Legislative Sessions. We did receive the FTE position to match funding which had been awarded to us in the 2008 Legislative Session, for one fiscal assistant. We have given up, temporarily the hope of getting a District Office Manager, but are trying to get full funding for the homicide attorney for FY 011. The Special Session saw us cut 2%, which we should be able to cover without layoffs with careful spending and harboring of funds.

Summary. We are hopeful that the financial crisis the state is facing in FY 10 and 11 will not result in an impossible situation such that we have to restrict the cases we prosecute due to shortness in staff. My commitment is to protect the prosecution initiative above all else. Grave cuts may endanger this, and the current inability to attract and pay needed candidates is already creating many problems. We have had repeated turnover in secretarial staff in Deming as they drift off to higher paying jobs, can only refill at the minimum salary levels, and as a result senior staff from Grant County are having to either travel to fill in or else to both fill in and train new staff, which cannot be done over just a few days. It is very difficult to have staff attempt to cover or train in such a large District. A single such trip involves a two hour commute, which cuts actual work hours to either a minimal number, in the case of non-exempt employees, or requires an extended, extra-stressful work day for the attorneys. Long-distance homicide prosecution is not ideal for working with offices, victims' families, etc. as well as tending one's own case load. Our number of court settings are phenomenal on any given day, cover 12 courts, and one person gone (whether for illness, covering in another county, or whatever) results in a step by step shuffling of available attorneys akin to the child's game with the multiple squares within a square, with only one free slot to maneuver with. And, it increases the exposure to harm (as well as extra vehicle costs) to employees and vehicles from increased road travel.

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 requests for additional information should be addressed to the Chief Financial Officer, P.O. Box 1025, Silver City, New Mexico 88062-1025.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS (DEFICIT)
AS OF JUNE 30, 2009**

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 25
State General Fund Investment Pool	227,868
Prepaid expenses	444
Due from federal government	36,086
Due from other state agencies	244
Due from local governments	39,108
Total current assets	303,775
Capital assets, net	93,422
Total assets	\$ 397,196
LIABILITIES	
Current liabilities	
Accounts payable	\$ 52,547
Due to State General Fund Investment Pool	59,196
Due to State General Fund	1,562
Accrued payroll	57,554
Accrued payroll-related liabilities	63,553
Compensated absences - expected to be paid within one year	106,927
Total current liabilities	341,339
Non-current liabilities	
Compensated absences - expected to be paid after one year	26,492
Total liabilities	367,831
NET ASSETS (DEFICIT)	
Restricted for:	
Federal Grant Expenses	69,335
Unrestricted	(133,393)
Invested in capital assets	93,422
Total net assets	29,364
Total liabilities and net assets	\$ 397,196

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
GOVERNMENT-WIDE-STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2009**

	Governmental Activities
EXPENSES	
Public safety	
Personnel services and employee benefits	\$ (2,838,821)
Contractual services	(80,096)
Other	(295,499)
Depreciation	(25,384)
Total program expenses	<u>(3,239,800)</u>
REVENUES	
Program revenues	
Operating grants and contracts	<u>506,761</u>
Net program (expenses)/revenue	<u>(2,733,039)</u>
General revenues	
Transfers	
State General Fund appropriation	2,588,200
Compensation allocation	49,000
Reversion to State General Fund FY09	(3,362)
Total net transfers	<u>2,633,838</u>
Change in net assets	(99,201)
Net assets, beginning	131,820
Restatements:	
To correct fund balance in Victims' Assistance fund	130
To remove invalid receivables in Narcotics Prosecution fund	(3,385)
	<u>(3,255)</u>
Net assets, beginning as restated	<u>128,565</u>
Net assets, ending	<u><u>\$ 29,364</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2009**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>160 General Fund</u>	<u>265 Victims' Assistance Fund</u>	<u>266 Narcotics Prosecution Fund</u>	
ASSETS				
Cash	\$ 25	-	-	25
State General Fund Investment Pool	227,868	-	-	227,868
Travel advances	442	-	-	442
Due from federal government	-	-	36,086	36,086
Due from other state agencies	-	244	-	244
Due from local governments	-	-	39,108	39,108
Total assets	<u>228,335</u>	<u>244</u>	<u>75,194</u>	<u>303,772</u>
LIABILITIES				
Due to State General Fund Investment Pool	-	244	58,952	59,196
Due to State General Fund	1,562	-	-	1,562
Accounts payable	52,547	-	-	52,547
Accrued payroll	49,328	-	8,226	57,554
Accrued payroll-related liabilities	55,538	-	8,015	63,553
Current liabilities	<u>158,975</u>	<u>244</u>	<u>75,194</u>	<u>234,412</u>
FUND BALANCE				
General fund: reserved for petty cash	25	-	-	25
Reserved for SWBPI expenditures	69,335	-	-	69,335
Unreserved/undesignated reported in:				
Special revenue funds	-	-	-	-
Total fund balance	<u>69,360</u>	<u>-</u>	<u>-</u>	<u>69,360</u>
Total liabilities and fund balance	<u>\$ 228,335</u>	<u>244</u>	<u>75,194</u>	<u>303,772</u>
Total fund balance governmental funds			\$	69,360
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds				93,422
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds				<u>(133,419)</u>
Net assets of governmental activities			\$	<u>29,364</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 (DEFICITS) - GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2009**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>160 General Fund</u>	<u>265 Victims' Assistance Fund</u>	<u>266 Narcotics Prosecution Fund</u>	
REVENUES				
Federal grants	\$ 119,796	31,244	355,721	506,761
Total revenues	<u>119,796</u>	<u>31,244</u>	<u>355,721</u>	<u>506,761</u>
EXPENDITURES				
Current				
General government:				
Personal services and benefits	2,426,825	30,944	352,806	2,810,575
Contractual services	80,096	-	-	80,096
Other costs	327,771	300	2,915	330,986
Capital outlay	-	-	-	-
Total expenditures	<u>2,834,692</u>	<u>31,244</u>	<u>355,721</u>	<u>3,221,657</u>
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	2,588,200	-	-	2,588,200
Compensation allocation	49,000	-	-	49,000
Reversion to State General Fund FY09	(3,362)	-	-	(3,362)
Net other financing sources	<u>2,633,838</u>	<u>-</u>	<u>-</u>	<u>2,633,838</u>
Net change in fund balance	<u>(81,058)</u>	<u>-</u>	<u>-</u>	<u>(81,058)</u>
Fund balance, beginning, as originally reported	150,418	(130)	3,385	153,673
Restatement	<u>-</u>	<u>130</u>	<u>(3,385)</u>	<u>(3,255)</u>
Fund balance, restated	<u>150,418</u>	<u>-</u>	<u>-</u>	<u>150,418</u>
Fund balance, ending	<u>\$ 69,360</u>	<u>-</u>	<u>-</u>	<u>72,615</u>
Net change fund balance in governmental funds				\$ (81,058)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay (\$35,487) exceeded depreciation (\$25,384) in the current period.				10,103
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. The increase in compensated absences is included in the statement of activities.				<u>(28,247)</u>
Change in net assets - governmental activities				<u>\$ (99,201)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
GENERAL FUND (160)
FOR YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal grants	\$ -	119,796	119,796	-
EXPENDITURES				
Current:				
General government				
Personal services	2,378,700	2,440,240	2,426,825	13,415
Contractual services	19,500	133,420	80,096	53,324
Other costs	249,600	331,776	326,973	4,803
Capital outlay	-	-	-	-
Total expenditures	<u>2,647,800</u>	<u>2,905,436</u>	<u>2,833,894</u>	<u>71,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,647,800)</u>	<u>(2,785,640)</u>	<u>(2,714,098)</u>	<u>71,542</u>
OTHER FINANCING SOURCES (USES)				
Interagency transfers in (out)				
State general fund appropriations FY09	2,598,800	2,588,200	2,588,200	
Compensation allocation	49,000	49,000	49,000	
Reversion to state general fund	-	-	(3,362)	
Total Interagency transfers	<u>2,647,800</u>	<u>2,637,200</u>	<u>2,633,838</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>(148,440)</u>	<u>(80,260)</u>	<u>71,542</u>
Fund balance budgeted	<u>-</u>	<u>78,000</u>	<u>-</u>	
Fund balance, beginning		<u>150,418</u>	<u>150,418</u>	
Fund balance, ending	<u>\$</u>	<u>1,978</u>	<u>70,158</u>	
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total Budget Basis Expenditures for fiscal year 2009:			\$ 2,833,894	
Amounts expensed in current year and paid out of fiscal year 2010 budget			<u>798</u>	
Total GAAP Basis Governmental Fund Expenditures for the fiscal year ended June 30, 2009			<u>\$ 2,834,692</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
VICTIMS' ASSISTANCE FUND (265)
FOR YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal grants	\$ 41,700	31,300	31,244	(56)
EXPENDITURES				
Current:				
General government				
Personal services	41,700	31,000	30,944	56
Contractual services	-	-	-	-
Other costs	-	300	300	-
Capital outlay	-	-	-	-
Total expenditures	41,700	31,300	31,244	56
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Interagency transfers in (out)				
State general fund appropriations FY09	-	-	-	-
Compensation allocation	-	-	-	-
Reversion to state general fund FY09	-	-	-	-
Total Interagency transfers	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	(130)	(130)	(130)	
Restatement	-	130	130	
Fund balance, beginning, restated	(130)	-	-	
Fund balance, ending	\$ (130)	-	-	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
NARCOTICS PROSECUTION FUND (266)
FOR YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal grants	\$ 294,000	294,000	355,721	61,721
EXPENDITURES				
Current:				
General government				
Personal services	294,000	357,397	352,806	4,591
Contractual services	-	-	-	-
Other costs	-	2,935	2,915	20
Capital outlay	-	-	-	-
Total expenditures	294,000	360,332	355,721	4,611
Excess (deficiency) of revenues over (under) expenditures	-	(66,332)	-	(57,110)
OTHER FINANCING SOURCES (USES)				
Interagency transfers in (out)				
State general fund appropriations FY09	-	-	-	-
Compensation allocation	-	-	-	-
Reversion to state general fund FY09	-	-	-	-
Total Interagency transfers	-	-	-	-
Net change in fund balance	-	(66,332)	-	(57,110)
Fund balance, beginning		3,385	3,385	
Restatement	-	(3,385)	(3,385)	
Fund balance, beginning, restated	-	-	-	
Fund balance, ending	\$	(66,332)	-	

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 FUNDS
AS OF JUNE 30, 2009**

	<u>Agency Fund</u>
Assets	
Cash	\$ <u>34,123</u>
Total assets	\$ <u><u>34,123</u></u>
Liabilities	
Deposits held in custody for others	\$ <u>34,123</u>
Total liabilities	\$ <u><u>34,123</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

NATURE OF BUSINESS AND REPORTING ENTITY

The Sixth Judicial District Attorney (DA) is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The DA is elected to a four-year term. Functions of the DA are defined in Section 36-1-1 through 36-1-26 NMSA 1978 as amended. The DA serves all of Grant, Luna, and Hidalgo Counties.

It is the duty of the DA to prosecute and defend the state, in all courts of record, in all cases criminal and civil, in which the state or any county in the district may be a party. The DA must represent any county in the district, at the request of the Board of County Commissioners. The DA may also appear before the Board, without being requested to do so, when the Board is sitting as a Board of Equalization. The DA must advise all county and state officers, whenever requested. The DA is required to represent any county in the district before the Supreme Court or the Court of Appeals in all civil cases in which the county may be concerned, but not in suits brought in the name of the state.

Section 36-1A-1 through Section 16-1A-15 cited as the “DA Personnel and Compensation Act” established for all DAs a uniform equitable and binding system of personnel administration.

The DA is legally separate and fiscally independent of other state agencies, has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The DA is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Included within the reporting entity is the DA as described above. Other Executive Branch entities of government are excluded because they are established separately by statutes.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statement 14.

The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the DA is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units identified or excluded from the reporting entity.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements – GASB Statement No. 34

The financial statements of the DA have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the DA's accounting policies are described below.

For its government-wide activities, the DA has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with 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*.

The government-wide focus is more on the sustainability of the DA as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a *current financial resource* and *modified accrual basis* of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the DA's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements in to the governmental column on the government-wide presentation.

2. Basis of Presentation

The financial transactions of the DA are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by the type and reported by generic classification the accompanying financial statements.

The new reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The DA has elected to consider all their special revenue funds as major funds regardless of size.

Major individual governmental funds are reported as separate columns in the fund financial statements. The following are the DA's major funds:

Governmental Funds:

General Fund (16600)-The general fund is the operating fund of the DA. It is used to account for all financial resources except those required to be accounted for in another fund. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame. This fund is also used to account for federal grant proceeds from the US 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 DA receives all State of New Mexico appropriations in their General Fund. The DA's Special Revenue Funds, as noted below, receive funds from various grants and contracts and therefore the funds are not subject to reversion to the State of New Mexico.

Victims' Assistance Program Fund (26500) –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.

Narcotics Prosecution Fund (26600) - 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.

All government-wide financial statements of the DA 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 THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Fiduciary Funds:

Agency Funds

Agency funds are used to account for assets held by the DA 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 DA 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. Fees may be charged to individuals in the pre-prosecution program, and in accordance with agreements between the program participant and the DA attorney, these fees are remitted to the State Treasurer for the account of the Administration Office of the DAs.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and the fiduciary financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

The statement of net assets and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support the DA's programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the DA's policy to use restricted resources first, then unrestricted resources as needed.

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$69,335 of restricted net assets. All the restricted net assets are considered restricted by enabling legislation under the Southwest Border Fund. The enabling legislation has been determined to be legally enforceable.

Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the DA, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

The interfund transactions are eliminated. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds".

4. Budgetary Data

The New Mexico State Legislature makes annual appropriations to the DA. Legal compliance is monitored through the establishment of a budget (modified-accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

The DA follows these procedures in establishing the budgetary date reflected in the financial statements:

1. By September 1st, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
4. Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.

STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. The DA's budget for the fiscal year ending June 30, 2009 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The DA submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts.
13. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2009. The DA's General Fund is a reverting fund (funds revert back to the State General Fund).
14. Appropriations lapse at the end of the year except for those amounts encumbered.
15. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
16. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 2009.
17. The legal level of budgetary control is at the appropriation unit level.

5. Encumbrances

Encumbrances outstanding at year-end related to single year appropriations are classified as unreserved fund balance and as a liability recorded to recognize any amounts subject to reversion to the State General Fund.

If the New Mexico State Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

6. Reservations of Fund Balances

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

*Reserved for Petty Cash*_- This reserve was created to represent the portion of fund balance that is used in petty cash or imprest cash in bank account.

*Reserved for Prepaid Expenses*_- This reserve was created to represent the portion of fund balance that was used to prepay expenses that will be expensed in the subsequent year.

7. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, net of related debt - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The DA did not have any related debt during the year ended June 30, 2009.

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

Unrestricted (Deficit) – This category reflects net assets of the DA, not restricted for any project or other purpose.

It is expected that this deficit related to the compensated absences payable will be financed by future state appropriations.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

9. Cash and Cash Equivalents

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

10. Receivables and Payables

Receivables consist of amounts due from federal, and other state and local governments. No allowance for doubtful accounts is established, since all amounts are considered collectible in the subsequent fiscal year.

11. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the DA's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the DA's depreciation guidelines.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Depreciation on all exhaustible assets is provided on the straight-line basis with no salvage value. The estimated useful life for capital assets is estimated as follows:

Furniture and fixtures	7 years
Equipment and Machinery	6 years
Vehicles	5 years
Data processing	3 years

There is no debt related to capital assets as of June 30, 2009.

12. Accrued Compensated Absences

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>	<u>Hours of Maximum Accrual</u>
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

The maximum 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 at their current hourly rate. At June 30, 2009, accrued compensated absences payable for accumulated annual leave totaled \$133,419.

13. Accrued Sick Leave

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. 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, 2009 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the Governmental Activities Funds. As of June 30, 2009, sick pay liability amounted to \$1,629 of the total noted below in the long-term debt note.

14. Interfund Activity

Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

15. Program Revenues

Program revenues include federal and state grants.

B. CASH AND INVESTMENTS POLICY WITH STATE TREASURER AND BANKING INSTITUTIONS

Cash includes cash on hand and cash deposits in three financial institutions. In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration.

Deposits (cash or cash equivalents) are carried at cost, which approximates market value. FDIC advisory opinion 94-24 states that public funds are entitled to \$100,000 insurance for time or savings deposits (including bank money market accounts) and \$100,000 for demand deposits deposited within the state in compliance with 12 CFR Subsection 330.15. The US Congress has temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2009. Changes have also been made to other account types. For more information, visit www.fdic.gov.

As of June 30, 2009, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of outstanding checks.

In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978 as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

- of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
 - (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.;
 - (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
 - (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
 - (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or.
 - (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser. For additional GASB 40 disclosure information regarding cash/investments held by the State Treasurer, see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2009.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The DA does not have an investment policy that limits investment interest rate risk.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

At year-end, the carrying amounts of the State Treasurer accounts and bank accounts were as follows:

<u>Account Name</u>	<u>Account Number/ Type</u>	<u>Balance per Depository</u>	<u>Deposits In Transit</u>	<u>Out- standing Checks</u>	<u>Balance per Financial Statements</u>
General Fund					
State Treasurer	256-160000	\$ 227,868	-	-	227,868
Petty cash	on-site	25	-	-	25
Victims of Crime Act Fund	256-265000	(244)	-	-	(244)
Narcotics Prosecution Fund	256-266000	<u>(58,952)</u>	<u>-</u>	<u>-</u>	<u>(58,952)</u>
Total governmental funds		<u>\$ 168,697</u>	<u>-</u>	<u>-</u>	<u>168,697</u>
Fiduciary Accounts					
Wells Fargo - Silver City	Demand	24,261	-	(6,668)	17,593
Wells Fargo - Deming	Demand	19,702	-	(5,723)	13,979
Western Bank - Lordsburg	Demand	2,985	-	(433)	2,552
Total fiduciary funds		<u>46,948</u>	<u>-</u>	<u>(12,824)</u>	<u>34,123</u>
Total cash and investments		<u>\$ 215,645</u>	<u>-</u>	<u>(12,824)</u>	<u>202,820</u>

The DA's bank balances were fully collateralized in compliance with the State of New Mexico's state statute as follows:

	<u>Wells Fargo Silver City</u>	<u>Wells Fargo Deming</u>	<u>Western Bank Lordsburg</u>
Demand accounts	\$ 24,261	19,702	2,985
FDIC coverage	<u>(24,261)</u>	<u>(19,702)</u>	<u>(2,985)</u>
Total uninsured public funds	<u>\$ -</u>	<u>-</u>	<u>-</u>

C. RECEIVABLES

Significant receivables consist of \$36,086 due from the federal government, and \$39,108 due from local governments, for various grant programs and contracts. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

D. CAPITAL ASSETS

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

	<u>Balance 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2009</u>
Capital assets not depreciated				
Construction work-in-progress	\$ -	15,605	-	15,605
Total capital assets not depreciated	<u>-</u>	<u>15,605</u>	<u>-</u>	<u>15,605</u>
Capital assets depreciated				
Furniture and fixtures	34,130	-	-	34,130
Equipment	127,200	-	(11,190)	116,010
Vehicles	223,554	19,882	-	243,436
Total capital assets depreciated	<u>384,884</u>	<u>19,882</u>	<u>(11,190)</u>	<u>393,576</u>
Total capital assets	<u>384,884</u>	<u>35,487</u>	<u>(11,190)</u>	<u>409,181</u>
Less accumulated depreciation for				
Furniture and fixtures	(28,528)	(2,789)	-	(31,317)
Equipment	(126,449)	(752)	11,190	(116,011)
Vehicles	(146,588)	(21,843)	-	(168,431)
Total accumulated depreciation	<u>(301,565)</u>	<u>(25,384)</u>	<u>11,190</u>	<u>(315,759)</u>
Total capital assets, net	<u>\$ 83,319</u>	<u>10,103</u>	<u>-</u>	<u>93,422</u>

Significant additions for the year included a vehicle and building improvements, classified as construction works-in-progress, at June 30, 2009. The construction was completed in October 2009, at no additional cost. Deletions included fully depreciated idle equipment. The DA recorded a depreciation expense of \$25,384 for the year ended June 30, 2009. The depreciation expense is a direct expense of the public safety function.

E. DUE TO STATE GENERAL FUND INVESTMENT POOL

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 DA receives are funded on a reimbursement basis. Expenditures must be incurred before funding is received, which result in cash overdraws. As such, the DA receives an annual exemption to the positive cash balance policy. As of June 30, 2009, the total amounts due to the State Treasurer to cover overdraws were as follows:

	<u>Fund</u>	<u>Amount due</u>
Victims of Crime Act	265	\$ 244
Narcotics Prosecution	266	<u>58,952</u>
		<u>\$ 59,196</u>

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

F. COMPENSATED ABSENCES

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 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2009</u>	<u>Due Within One Year</u>
Accrued annual leave	\$ 103,284	130,607	(102,102)	131,789	104,321
Accrued sick leave	1,888	1,700	(1,959)	1,629	2,606
Total	<u>\$ 105,172</u>	<u>132,307</u>	<u>(104,061)</u>	<u>133,419</u>	<u>106,927</u>

Prior year compensated absences have been liquidated by the general fund

G. OPERATING LEASES

The DA has operating leases for office equipment, and recorded rental expense of \$19,108 for the year ended June 30, 2009. The leases are accounted for as operating leases and future minimum payments are as follows:

For the Year Ended June 30	<u>Office Equipment</u>
2010	\$ 14,703
2011	4,620
2012	4,620
2013	4,620
2014	770
Thereafter	<u>-</u>
Total	\$ <u>29,333</u>

All leases may be terminated at any time with sixty days notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the DA decides that termination is necessary to protect the best interests of the State of New Mexico.

H. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the DA keeps their budget on the modified GAAP basis there is no need to reconcile the budget financial statements to the fund financial statements, with the exception if accounts payables shown on the balance sheet – governmental funds was paid out of a different fiscal year budget.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

I. CONTINGENCIES

The DA is a party to various claims and other legal matters coming about in their normal course of business. The DA does not believe that the results of all claims and other legal matters, individually or in the aggregate will have a material adverse effect on its operations or financial positions.

1. Risk of loss

The DA 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, workers' compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and were not included in this report. However, the DA is not liable for more than the premiums paid.

J. INTERAGENCY TRANSFERS

Transfers from other state agencies for the year ended June 30, 2009 include the following:

Transfers in or out of the Agency (Fund #160) are as follows:

	Out	In
Department of Finance and Administration (Fund #853)	\$	
State General Fund Appropriation		
Laws of 2008, Chapter 3, Section 4	-	2,588,200
Department of Finance and Administration (Fund #853)		
State Compensation Package		
Laws of 2008, Chapter 3, Section 4	-	49,000
Department of Finance and Administration (Fund #853)		
Reversion to State General Fund FY09	3,362	-
	\$ 3,362	2,637,200

All interagency transfers made during the year were considered routine and were consistent with the general characteristics of the DA's transfers.

K. PERA PENSION PLAN

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

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Funding Policy: Plan members are required to contribute 7.42% of their gross salary. The DA is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The DA's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$323,395, \$291,115, and \$269,371, respectively, which equal the amount of the required contributions for each fiscal year.

L. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. 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.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

The DA's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$24,270, \$21,772 and \$20,638, respectively, which equal the required contributions for each year.

M. JOINT POWER AGREEMENTS AND MEMORANDUM OF UNDERSTANDING

The DA's joint power agreements and one memorandum of understanding is as follows:

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.
Responsible Party:	Hidalgo County
Description:	To undertake a joint controlled substances investigation project known as the Southwestern New Mexico Task Force.
Term:	FY 09
Amount Involved:	Unknown
Revenue/Expenditures Reported:	Hidalgo County has reflected all revenues and expenses
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Hidalgo County

Note: This amount is recorded in the DA's books as part of the special appropriation derived from SB 611 Laws 2007, CH 21.

N. REVERSIONS

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report. 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. The amount due to the State General Fund is \$1,562 from the fiscal year 2009 appropriations. All amounts revert from the DA's SHARE fund #16600 to the State General Fund #34100.

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

O. 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 \$133,393. The deficit is created by compensated absences liabilities which are expected to be paid from subsequent years' state general fund appropriations.

P. RESTATEMENTS

Prior period adjustments to the fund financial statements are as follows:

	<u>Fund 265</u>
Fund balance, June 30, 2008, as previously reported	\$ (130)
To remove invalid interfund payable	<u>130</u>
Fund balance, June 30, 2008, restated	<u><u>-</u></u>
	<u>Fund 266</u>
Fund balance, June 30, 2008, as previously reported	\$ 3,385
To remove invalid receivables	<u>(3,385)</u>
Fund balance, June 30, 2008, restated	<u><u>-</u></u>

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR YEAR ENDED JUNE 30, 2009**

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Assets				
Cash - Silver City	\$ 20,021	376,760	(379,188)	17,593
Cash - Deming	14,809	88,515	(89,345)	13,979
Cash - Lordsburg	1,123	12,707	(11,278)	2,552
Total assets	<u>\$ 35,953</u>	<u>477,982</u>	<u>(479,811)</u>	<u>34,123</u>
Liabilities				
Deposits held in custody for others	\$ 35,953	477,982	(479,811)	34,123
Total liabilities	<u>\$ 35,953</u>	<u>477,982</u>	<u>(479,811)</u>	<u>34,123</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor / Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through / Grantor No.</u>	<u>Grant Award Expended</u>
U.S. Department of Justice, Passed through New Mexico Department of Public Safety, Southwest Border Prosecution Initiative (SWBPI)	16.000	N/A	\$ 200,685
U.S. Department of Justice, Passed through New Mexico Crime Victims Reparation Commission	16.575	N/A	31,244
Executive Office of the President, passed through the Office of National Drug Control Policy, High Intensity Drug Trafficking Area (HIDTA) Operation Up the Ladder Cooperative Agreement Hildalgo County US Immigration and Customs Enforcement Department of Highway Enforcement, Town of Mesilla	07.000 *	N/A	105,032 226,719 10,111 <u>13,859</u> <u>355,721</u>
Total federal awards expensed			\$ <u><u>587,650</u></u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds			
Federal grant revenue			\$ 506,761
Fund balance budgeted and expended - General Fund, SWBPI			<u>80,889</u>
Total expenditures - federal grants			\$ <u><u>587,650</u></u>

* Major Program

Note 1. Basis of Presentation

The above Schedule of Federal Awards includes the federal grant activity of the Sixth Judicial District Attorney and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
FOR YEAR ENDED JUNE 30, 2009**

<u>Description</u>	<u>SHARE Identifier Number</u>	<u>Original Appropriation</u>	<u>Appropriation Period</u>	<u>Expenditures To Date</u>	<u>Outstanding Encumbrances</u>	<u>Unencumbered Balances</u>	<u>Notes:</u>
General Fund							
Laws of 2008, Chapter 6, Section 001, Item 10	Z81036	40,000	FY09	38,200	- \$	1,800	1
Laws of 2008, Chapter 3, Section 5, Item 10	Z80110	78,000	FY09	77,984	-	16	2
					\$	<u>1,816</u>	

Notes:

1 = Amount was reverted to the State General Fund during fiscal year 2009

2 = Amount is reserved fund balance - SWBPI

The accompanying notes are an integral part of these financial statements

**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***

Ms. Mary Lynne Newell
Sixth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds of the Sixth Judicial District Attorney (DA) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 DA's internal control. 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 DA'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DA'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 not do 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.

This report is intended solely for the information and use of management, others within the DA's agency, the audit committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, script font.

Hinkle & Landers, PC
December 15, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Ms. Mary Lynne Newell
Sixth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the compliance of the Sixth Judicial District Attorney, State of New Mexico, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Sixth Judicial District Attorney, State of New Mexico's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sixth Judicial District Attorney, State of New Mexico's management. Our responsibility is to express an opinion on Sixth Judicial District Attorney, State of New Mexico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sixth Judicial District Attorney, State of New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sixth Judicial District Attorney, State of New Mexico's compliance with those requirements.

In our opinion, Sixth Judicial District Attorney, State of New Mexico, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Sixth Judicial District Attorney, State of New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sixth Judicial District Attorney, State of New Mexico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sixth Judicial District Attorney, State of New Mexico's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the DA's agency, the audit committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Hinkle & Landers, P.C.

Hinkle & Landers, PC
December 15, 2009

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal Control over financial reporting:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses? __ Yes X No

Non-compliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses? __ Yes X No

Type of auditors' report issued on major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ Yes X No

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
07.000	High Intensity Drug Trafficking Area (HIDTA) Operation Up the Ladder	Executive Office of the President, passed through the Office of National Drug Control Policy

Dollar threshold used to distinguish between A and B programs: \$300,000

Auditee qualified as low-risk auditee? ___ Yes X No

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SECTION II AND III- FINANCIAL STATEMENT FINDINGS

Finding Number	Description	Status of Current & Prior Year Findings	Financial Statement Finding	Federal Awards Finding	State Auditor Finding
07-01	Reconciliation of General Ledger and Preparation of Financial Statements	Resolved	Yes	N/A	No
07-02	Submission of Audit Report	Resolved	No	N/A	Yes
07-03	Legal Compliance with Adopted Budget	Resolved	No	N/A	Yes

**STATE OF NEW MEXICO
SIXTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2009**

An exit conference was held in a closed session on December 15, 2009. In attendance were the following:

Mary Lynne Newell	DA
Yolanda M. Villa	CFO
Farley Vener, CPA, CFE	Independent Auditor, Hinkle & Landers, PC
Shannon Gilliland, CPA	Independent Auditor, Hinkle & Landers, PC

FINANCIAL STATEMENTS

The financial statements of the DA as of June 30, 2009, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.