

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

**Financial Statements
With Independent Auditors Report Thereon
June 30, 2006**



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

February 27, 2007

SAO Ref. No. 259

Matthew Chandler, District Attorney
Ninth Judicial District Attorney
700 North Main, Suite No. 15
Clovis, NM 88101

SUBJECT: Audit Report—Ninth Judicial District Attorney—2005-2006 Fiscal Year—Prepared by
Miller & Associates, CPA, PC

Your agency audit report was received by the Office of the State Auditor (Office) on December 15, 2006. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on page 29. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.** Section 2.2.2.10.J of the State Auditor's Rule 2.2.2 NMAC, *Requirements for Contracting and Conducting Audits of Agencies* requires that an exit conference be held with representatives of the agency's governing authority and top management. It does not appear from the audit report that a member of the governing authority was present.

HECTOR H. BALDERAS
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration
Financial Control Division & Budget Division
Office of the State Treasurer
Miller & Associates, CPA, PC
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INTRODUCTORY SECTION

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

**Table of Contents
June 30, 2006**

Introductory Section

Table of Contents	ii-iii
Official Roster	iv

Financial Section

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8

Basic Financial Statements:

Government-wide Financial Statements

A-1 Statement of Net Assets	9
B-1 Statement of Activities	10

Fund Financial Statements

C-1 Balance Sheet – Governmental Funds	11
C-2 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	12
C-3 Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	13
C-4 Reconciliation of Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
D-1 Statement of Revenues and Expenditures Budget and Actual – General Fund	15
D-2 Statement of Revenues and Expenditures Budget and Actual – Victim Assistance Program	16

Notes to the Financial Statements	17-26
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**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
NINTH JUDICIAL DISTRICT**

**Table of Contents
June 30, 2006**

Government Auditing Standards Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Schedule of Findings	29
Prior Year Audit Findings	30
Exit Conference	31

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

**Official Roster
June 30, 2006**

Attorney

Matthew Chandler

Administrative Officials

Kevin Spears, Fiscal Officer

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To Matthew Chandler, District Attorney
Office of the District Attorney
Ninth Judicial District
And
Domingo P. Martinez, CGFM
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, major funds, and budgetary comparisons of the State of New Mexico, Office of the District Attorney, Ninth Judicial District (the "District"), as of and for the year ended June 30, 2006 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the State of New Mexico, Office of the District Attorney, Ninth Judicial District are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2006 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, as discussed in Note 1, the District changed its budgetary basis of accounting to modified accrual as required by the provisions of the General Appropriation Act.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the

8-27-07

major 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 12, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Miller & Associates, CPA, P.C.

Miller & Associates, CPA, P.C.

December 12, 2006

**STATE OF NEW MEXICO
NINTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2006**

The Management's Discussion and Analysis (MD&A) for the Ninth Judicial District Attorney will provide an overview of the District Attorney's Office activities and programs by (1) evaluating the operating results for the year, (2) assessing its financial position and condition, (3) helping to understand its sources and uses of financial resources, (4) helping to determine if budgets were met, and (5) identifying budget issues or concerns. Finally, the MD&A will provide comparative data from fiscal 2005 and 2006.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District Attorney's Office as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets included all of the Office's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the Office's net assets and how they have changed.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements provide a more detailed look at the Office's significant funds. Funds are accounting methods that the District Attorney's Office uses to keep track of specific sources of funding and spending for a particular purpose. The District Attorney's Office operates on its General Fund Appropriations received from the State Legislature each year. Federal grants are also a revenue source for operation. The Fund Financial Statements also present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses/or budgeting compliance associated therewith.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and financial statements.

**STATE OF NEW MEXICO
NINTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2006**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: Below is a summary of the Office's net assets. The District Attorney's Office reports balances in the following three categories of net assets: (1) invested in capital assets, (2) restricted, and (3) unrestricted. Restricted net assets are created by State statute and are required to be used for the VOCA program. Unrestricted net assets are a combination of encumbrances and compensated absences because it is the government's policy to fund compensated absences payable out of current resources as they become due.

Net Assets

	Government Activities	
	2006	2005
Current Assets	\$ 207,602	\$ 210,394
Capital Assets	114,122	93,000
Total Assets	\$ 321,724	\$ 303,394
Current Liabilities	\$ 143,784	\$ 152,613
Long-term Liabilities Outstanding	21,031	26,871
Total Liabilities	\$ 164,815	\$ 179,484
Net Assets:		
Invested in Capital Assets	\$ 114,122	\$ 93,000
Restricted	182,148	97,135
Unrestricted	(139,361)	(66,225)
Total Net Assets	\$ 156,909	\$ 123,910

**STATE OF NEW MEXICO
NINTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2006**

Statement of Activities: The following represents the revenues and expenses for fiscal year 2006.

Changes in Net Assets

	Government Activities	
	2006	2005
Revenues:		
Program Revenues		
Operating Grants and Contributions	\$ 38,283	\$ 223,938
General Revenues		
State General Fund Appropriations	2,105,990	1,841,163
Other General Revenue	3,792	731
Total Revenues	2,148,065	2,065,832
Expenses:		
Judicial	2,115,066	2,129,480
Total Expenses	2,115,066	2,129,480
Change in Net Assets	32,999	(63,648)
Net Assets – Beginning	123,910	187,558
Net Assets – Ending	\$ 156,909	\$ 123,910

Total revenues increased by \$82,233 in FY06. The Federal Grant revenue decreased by \$185,655 and the State Appropriation was up \$264,827. The decrease in the Federal Grant is the result of fewer Southwest Border monies being received during the current year. The State Appropriation increased due to a higher amount being allotted due to an increased budget.

The decrease in expenditures of \$14,414 from FY05 to FY06 was attributable to a decrease in payroll and liability insurance expense during the year. Also, the increased budget contributed to this factor as well.

The net assets increase of \$32,999 was due to depreciation.

**STATE OF NEW MEXICO
NINTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2006**

FUND FINANCIAL ANALYSIS

Governmental Funds. The focus of the Office's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. For the current year the District Attorney's Office had two governmental funds, the General Operating Fund and the Victim Assistance Program. As of year-end, the General Operating Fund reported a deficit fund balance of \$(47,533) – an increase of \$662 from the previous year. The deficit fund balance of \$47,533 in the general fund is the result of the prior fiscal officer never making a transfer after a budget adjustment request that was submitted at the end of fiscal year 2005. In addition during the year the Worker's Compensation Premium was overpaid and the refund was still not received subsequent to year end. The Operating Fund balance is reserved for petty cash and encumbrances. The change in fund balance in the General Operating Fund from FY2005 to FY2006 was a result of our agency failing to receive a refund in the FY2005 from General Services Division for a Worker's Compensation Premium which was incorrectly paid. The non-major Victim Assistance Program Fund reported a fund balance of \$182,148. There was a significant increase in the fund balance of this fund as a result of the Southwest Border Grant that was received during the current year. This fund balance is reserved for expenditures on the program from the VOCA grant and encumbrances.

Comparisons Budgetary

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances stated on the government's budgetary basis. As required by the Office of the State Auditor in 2 NMAC 2.2, the budgetary comparison statement is presented as a basic statement. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Position and Vacancy Savings allowed for budgeted money to be transferred from Personal Service and Benefits to our "Other Expense" category.

Budget adjustments in the Victim Assistance Program Fund were a result of the Southwest Border Grant.

**STATE OF NEW MEXICO
NINTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2006**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Office's investment in capital assets for its government activities as of June 30, 2006 amount to \$114,122 (net of accumulated depreciation). This investment in capital assets consists of office equipment and vehicles. Major capital asset events during the current year included capital outlay purchases of \$78,811 and depreciation expense of \$57,689.

Capital Assets

	Governmental Activities	
	2006	2005
Capital Assets Net of Accumulated Depreciation	<u>\$ 114,122</u>	<u>\$ 93,000</u>

Long-Term Debt: At the end of the current fiscal year, the District Attorney's Office had a total long-term debt outstanding of \$21,031. This amount is due to employees and consists of accumulated balances for annual leave and sick leave eligible for payment to employees upon termination of their employment.

Long-Term Debt

	Government Activities	
	2006	2005
Accumulated Leave Balances:		
Annual Leave	\$ 19,173	\$ 25,796
Compensatory Leave	-	173
Sick Leave	1,857	902
Total	<u>\$ 21,031</u>	<u>\$ 26,871</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The overall financial position of the District Attorney's office is virtually unchanged. The District Attorney's office receives state funded appropriations to pay for operating costs. Any unused portion of the appropriation is reverted to the General Fund at the end of the fiscal year. We expect the general operation of the District Attorney's office to remain consistent with the past.

AGENCY HIGHLIGHTS

The Ninth Judicial District is comprised of Curry and Roosevelt Counties. The current total caseload for the Ninth Judicial District Attorney's office is approximately 2,400 cases, which include felony, misdemeanor and juvenile cases. Our office has a total of twelve attorneys on staff with an average caseload of over 200 per attorney. Our office handles conflict cases from other Districts and the assigned attorney will travel to and from other Districts for court hearings and trials.

**STATE OF NEW MEXICO
NINTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2006**

REQUESTS FOR INFORMATION

The purpose of this financial report is to provide the general public and other interested parties with a general overview of this Office's finances and accountability of funds. Questions concerning this report or requests for additional information should be addressed to the Ninth Judicial District Attorney, 417 Gidding, Suite 200, Clovis, New Mexico 88101. 505-769-2246.

BASIC FINANCIAL STATEMENTS

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

**Statement of Net Assets
Government -Wide
June 30, 2006**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 206,962
Accounts receivable	640
Total current assets	<u>207,602</u>
Noncurrent assets:	
Capital assets, net of depreciation (Note 3)	<u>114,122</u>
 Total Assets	 <u><u>\$ 321,724</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,065
Accrued payroll	71,922
Compensated absences - current	70,797
Total current liabilities	<u>143,784</u>
Noncurrent liabilities:	
Compensated absences	<u>21,031</u>
Total liabilities	<u>164,815</u>
NET ASSETS	
Invested in capital assets	114,122
Restricted for VOCA	182,148
Unrestricted (Note 6)	<u>(139,361)</u>
Total net assets	<u>156,909</u>
 Total liabilities and net assets	 <u><u>\$ 321,724</u></u>

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

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

**Statement of Activities
Government -Wide
For the Year Ended June 30, 2006**

	Governmental Activities
Expenses:	
Administrative services	\$ 2,057,377
Depreciation	57,689
Total program expenses	2,115,066
Program revenues:	
Federal grant	38,283
Net program expense	(2,076,783)
General revenues and transfers:	
General fund appropriation	2,105,990
Other revenues	3,792
Total general revenues and transfers	2,109,782
Change in net assets	32,999
Net assets -- beginning of the year	123,910
Net assets -- end of the year	\$ 156,909

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

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

**Balance Sheet
Governmental Funds
June 30, 2006**

	General Fund	Major Victims Assistance Program	Total
ASSETS			
Cash and cash equivalents	\$ 24,966	\$ 181,996	\$ 206,962
Accounts receivable	-	640	640
 Total assets	 <u>\$ 24,966</u>	 <u>\$ 182,636</u>	 <u>\$ 207,602</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 577	\$ 488	\$ 1,065
Accrued payroll	71,922	-	71,922
Total liabilities	<u>72,499</u>	<u>488</u>	<u>72,987</u>
Fund balances:			
Reserved for petty cash	100	-	100
Reserved for VOCA	-	182,148	182,148
Unreserved	(47,633)	-	(47,633)
Total fund balances	<u>(47,533)</u>	<u>182,148</u>	<u>134,615</u>
 Total liabilities and fund balances	 <u>\$ 24,966</u>	 <u>\$ 182,636</u>	 <u>\$ 207,602</u>

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

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

**Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Assets
June 30, 2006**

Total fund balances - Governmental Funds (from C-1)		\$ 134,615
Amounts reported for <i>governmental activities</i> in the Statement of Net Assets (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Furniture, fixtures, and equipment	284,646	
Vehicles	228,084	
Accumulated Depreciation	<u>(398,608)</u>	
Total capital assets		114,122
The compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(91,828)</u>
Net assets of governmental activities		<u><u>\$ 156,909</u></u>

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

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2006**

	General Fund	Major Victims Assistance Program	Total
REVENUES			
Federal funds	\$ -	\$ 38,283	\$ 38,283
Other revenues	217	3,575	3,792
Total revenues	<u>217</u>	<u>41,858</u>	<u>42,075</u>
EXPENDITURES			
Public safety:			
Current:			
Administrative services	2,106,869	26,845	2,133,714
Total expenditures	<u>2,106,869</u>	<u>26,845</u>	<u>2,133,714</u>
Excess (deficiency) of revenues over expenditures	<u>(2,106,652)</u>	<u>15,013</u>	<u>(2,091,639)</u>
OTHER FINANCING SOURCES (USES)			
General fund appropriation	2,105,990	-	2,105,990
Total other financing sources and uses	<u>2,105,990</u>	<u>-</u>	<u>2,105,990</u>
Net change in fund balance	(662)	15,013	14,351
Fund balances--beginning of the year	<u>(46,871)</u>	<u>167,135</u>	<u>120,264</u>
Fund balances--end of the year	<u>\$ (47,533)</u>	<u>\$ 182,148</u>	<u>\$ 134,615</u>

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

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

**Reconciliation of Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006**

Net change in fund balances -- total governmental funds (from C-3)		\$ 14,351
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities (B-1) are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>		
Capital outlay	78,811	
Depreciation expense	<u>(57,689)</u>	
Excess of capital outlay over depreciation expense		21,122
<p>Compensated absences reported in the Statement of Activities require the use of current financial resources and therefore are not reportable as expenditures in governmental funds.</p>		
		<u>(2,474)</u>
Change in net assets of governmental activities (see B-1)		<u><u>\$ 32,999</u></u>

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

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

**Statement of Revenues and Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2006**

	General Fund			
	Budgeted Amounts		Actual Amounts (Modified Accrual Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State general fund appropriations	\$ 2,105,990	\$ 2,105,990	\$ 2,105,990	\$ -
Federal grants		\$ 79,200	-	(79,200)
Miscellaneous revenue	-	-	217	217
Total revenues	2,105,990	2,185,190	2,106,207	(78,983)
EXPENDITURES				
Personal services and employee benefits	1,993,690	1,927,690	1,926,451	1,239
Contractual services	8,600	10,148	10,145	3
Other	103,700	247,352	170,273	77,079
Total expenditures	2,105,990	2,185,190	2,106,869	78,321
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ (662)</u>	<u>\$ (662)</u>
Prior year cash balance	37,039	37,039		
End of year cash balance	<u>\$ 37,039</u>	<u>\$ 37,039</u>		

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

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

**Statement of Revenues and Expenditures
Budget and Actual
Victim Assistance Program
For the Year Ended June 30, 2006**

	<u>Special Revenue - Victim Assistance Program</u>			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Modified Accrual Basis)	Final Budget Positive (Negative)
REVENUES				
Federal grants	\$ 31,300	\$ 31,300	\$ 38,283	\$ 6,983
Miscellaneous revenue	-	-	3,575	3,575
	31,300	31,300	41,858	10,558
EXPENDITURES				
Contractual services	5,000	5,000	2,540	2,460
Other	26,300	26,300	24,305	1,995
Total expenditures	31,300	31,300	26,845	4,455
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 15,013</u>	<u>\$ 15,013</u>
Prior year cash balance	171,640	171,640		
End of year cash balance	<u>\$ 171,640</u>	<u>\$ 171,640</u>		

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

NOTES TO THE FINANCIAL STATEMENTS

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

**Notes to the Financial Statements
June 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The District is an agency of the State of New Mexico and these financial statements include all funds and activities over which the District Attorney has oversight responsibility. The District will be included in the State of New Mexico Comprehensive Annual Financial Report.. The District Attorney has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District has no component units, and is not a component unit of another governmental agency.

The accounting policies of the Ninth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the District's significant accounting policies follows:

A. Basis of Accounting – GASB Statement #34

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

B. Basis of Presentation – Fund Accounting

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The District has no business-type activities; therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature. The two funds of the District do not have interfund activity. Therefore, there are no eliminations in the government-wide financial statements.

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

Notes to the Financial Statements
June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation – Fund Accounting (continued)

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. The program revenues are directly associated with the function. The only program revenues are operating grants that consist of a VOCA grant and a Southwest Border Grant to be utilized in the Victim Assistance Program.

Fund Financial Statements

The governmental fund and agency fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days of year end in order to pay current liabilities. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the District’s actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

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

The accounts of the District are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the District:

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

Notes to the Financial Statements
June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation – Fund Accounting (continued)

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The CAS number and description of the General Fund of the District is #163 – District Regular.

Special Revenue Funds

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

Victim Assistance Program – The district receives a federal VOCA grant #02-VA-GX-0035 and a Southwest Border Grant to provide assistance to victims of crime. The CAS number of the Victim Assistance Program is #942. The funds received under these grants are non-reverting.

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

C. Assets, Liabilities and Equity

Cash and cash equivalents

The District's cash and cash equivalents are demand deposits. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 2. All funds allotted to the District are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

Capital Assets

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

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

Furniture, fixtures and equipment (including software)	3-12 years
Vehicles	5 years

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

**Notes to the Financial Statements
June 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

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

Long-Term Liabilities

Compensated Absences – The District’s policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. As the State of New Mexico does not budget funds in the current year to pay any portion of the compensated absence liability at the end of the fiscal year, no current liability is recorded in the fund financial statements.

Equity

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

1. *Invested in capital assets, net of related debt*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District has no outstanding debt relating to capital assets.
2. *Restricted* net assets, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations by other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted* net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved.

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

**Notes to the Financial Statements
June 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the District submits to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
4. The District submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA – Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division. The current year budget was revised in a legal manner.
5. Legal budget control for expenditures is by category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
7. The General Appropriation Act of 2004, which applies to fiscal year 2005 budgets, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. State agencies have a different budget basis beginning in the fiscal year ended June 30, 2005. Under the new law, encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion. If the Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

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

**Notes to the Financial Statements
June 30, 2006**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Accrued Compensated Absences

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

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

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

F. Use of Estimates

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

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

**Notes to the Financial Statements
June 30, 2006**

(2) CASH AND CASH EQUIVALENTS

At June 30, 2006, cash consisted of the following:

<u>Account Name</u>	<u>Agency #</u>	<u>Fund #</u>	<u>Balance per Financial Statements</u>	<u>Balance Per Depository</u>
<u>General Fund:</u>				
Petty Cash			\$ 100	\$ -
On Deposit with the State Treasurer 9 th Judicial District Attorney	259	163	24,866	37,675
<u>Special Revenue Fund:</u>				
On Deposit with the State Treasurer Victims Assistance Program	259	942	181,996	184,031
Total			<u>\$ 206,962</u>	<u>\$ 221,706</u>

(3) CAPITAL ASSETS

Capital asset and depreciation activity as of and for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Furniture, Fixtures and Equipment & Machinery	\$ 242,835	\$ 41,811	\$ -	\$ 284,646
Vehicles	191,084	37,000	-	228,084
	<u>433,919</u>	<u>78,811</u>	<u>-</u>	<u>512,730</u>
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment & Machinery	(178,351)	(18,346)	-	(196,697)
Vehicles	(162,568)	(39,343)	-	(201,911)
Total Accumulated Depreciation	<u>(340,919)</u>	<u>(57,689)</u>	<u>-</u>	<u>(398,608)</u>
Net Capital Assets	<u>\$ 93,000</u>	<u>\$ 21,122</u>	<u>\$ -</u>	<u>\$ 114,122</u>

Current depreciation expense is \$57,689.

(4) INTERAGENCY TRANSFERS

The District had the following transfer for the fiscal year ending June 30, 2006:

<u>Transfers From:</u>	<u>Amount</u>
State General Fund	\$2,105,990

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

**Notes to the Financial Statements
June 30, 2006**

(5) COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences is as follows:

	Balance 07/01/05	Increase	(Decrease)	Balance 06/30/06	Amount Due Within One Year
Compensated Absences Payable	\$ 89,354	\$ 82,797	\$ (80,323)	\$ 91,828	\$ 70,797

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

(6) DEFICIT NET ASSETS AND FUND BALANCE

The deficit fund balance of \$47,533 in the general fund is the result of the prior fiscal officer never making a transfer after a budget adjustment request that was submitted at the end of fiscal year 2005. In addition during the year the Worker's Compensation Premium was overpaid and the refund was still not received subsequent to year end.

The implementation of GASB #34, which requires restatement of beginning balances for capitalized assets, net of accumulated depreciation, and inclusion of long-term debt results in an unrestricted net asset deficit of \$139,361. This deficit is created primarily by compensated absences which will be paid from subsequent years State General Fund appropriations and the above.

(7) OPERATING LEASES

The District has the following leases, which can be terminated if the Legislature does not appropriate money to the District with no penalty to the District.

1. A lease for a F18 MO Postage Meter was entered into on December 31, 2000, which required 20 quarterly payments of \$346.00.
2. A lease for a 3K00 Postage Meter was entered into on December 31, 2000, which required 20 quarterly payments of \$157.00.

Equipment rentals for the year ended June 30, 2006 amounted to \$1,112.

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

**Notes to the Financial Statements
June 30, 2006**

(8) PERA RETIREMENT PLAN

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

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Ninth Judicial District is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Ninth Judicial District are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were \$225,935, \$204,532, and \$192,725, respectively, equal to the amount of the required contributions for each year.

(9) RETIREE HEALTH CARE ACT CONTRIBUTION

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

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state districts, magistrate districts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contribution becomes the times between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

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

**Notes to the Financial Statements
June 30, 2006**

(9) RETIREE HEALTH CARE ACT CONTRIBUTION (continued)

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium ranging from \$23.20 to \$374.27 depending on the plan type and whether or not on Medicare and an additional fee of five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990 and made no contributions to the plan. Amounts for spouses and children are additional.

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

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

For the fiscal year ended June 30, 2006, the Ninth Judicial District remitted \$17,704 in employer contributions and \$8,852 in employee contributions to the Retiree Health Care Authority.

(10) RISKS OF LOSS

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

(11) CHANGES IN ACCOUNTING ESTIMATE

During the 2005 Regular Legislative Session, the Legislature enacted HB 1074 amending Section 12-6-10, NMSA 1978, which changed the capitalization threshold for moveable chattel and equipment. The 2005 amendment, effective June 17, 2005, increases the value of state property that must be inventoried and listed from \$1,000 to \$5,000.

GOVERNMENT AUDITING STANDARDS REPORT

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To Matthew Chandler, District Attorney
Office of the District Attorney
Ninth Judicial District
and
Domingo P. Martinez, CGFM
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund and budgetary comparisons of the State of New Mexico, Office of the District Attorney, Ninth Judicial District (the "District") as of and for the year ended June 30, 2006, and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected

within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

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

Miller & Associates, CPA, PC

Miller & Associates, CPA, P.C.
December 12, 2006

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

Schedule of Findings
June 30, 2006

02-2

CAPITAL ASSETS – Revised & Repeated

Condition

Invoices were not properly coded to capital outlay and inventory exempt (less than \$5,000) accounts during the year. Some invoices for items that were for capital outlay were coded to inventory exempt accounts and items that were not capital outlay were coded to capital outlay line items.

Criteria

Good accounting practice would prescribe that invoices be coded consistently to the account that is most descriptive of their nature. The Audit Act (12-6-10 NMSA 1978) requires agencies to capitalize only chattels and equipment whose cost is over \$5,000. Therefore, the District Attorney should only code specific purchases with a cost of greater than \$5,000 to capital outlay accounts.

Cause

No specific procedures have been put into place to ensure that current year capital asset additions are coded to capital outlay accounts.

Effect

Current year capital asset additions do not agree to the capital outlay accounts. The result is that assets of the District may be over or under stated.

Recommendation

We recommend that invoices for chattels and equipment greater than \$5,000 be coded to capital outlay accounts and that expenditures for less than \$5,000 be coded to inventory exempt accounts. We also recommend that the District Attorney or someone designated by the District Attorney reconcile the capital outlay account to the current year capital asset additions on the inventory listing to ensure that all items are coded correctly.

Agency Response

The Fiscal Officer will begin coding invoices for chattels and equipment greater than \$5,000 to capital outlay accounts and coding expenditures for less than \$5,000 to inventory exempt accounts. The Fiscal Officer will also reconcile the capital outlay account to the current year capital asset additions on the inventory listing to ensure that all items are coded correctly.

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

Schedule of Findings
June 30, 2006

PRIOR YEAR AUDIT FINDINGS

- 05-1 Budgeted Expenditures - Resolved and not repeated
- 03-1 Segregation of Duties - Resolved and not repeated
- 02-2 Capital Assets - Revised and repeated
- 02-3 Capital Asset Listing - Resolved and not repeated

The Financial Statements of the Ninth Judicial District were prepared by Miller & Associates, CPA, PC from the original books and records provided by management.

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

Exit Conference
June 30, 2006

The contents of this report were discussed at an exit conference held December 14, 2006. Ryan Miller represented Miller & Associates, CPA, P.C. Kevin Spears, Fiscal Officer represented the Ninth Judicial District Attorney's office.

JK
2-27-07