

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

**Financial Statements and Schedules
With Independent Auditors Report Thereon**

For the Fiscal Year Ended June 30, 2008

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

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June 30, 2008

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OFFICE OF THE DISTRICT ATTORNEY
TENTH JUDICIAL DISTRICT**

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June 30, 2008

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

Official Roster

June 30, 2008

Attorney

Ronald W. Reeves

Administrative Officials

Darla Alarcon, Fiscal Officer

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
ONE CALLE MEDICO
SANTA FE, NEW MEXICO 87505

DAVID G. ZLOTNICK, CPA
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INDEPENDENT AUDITOR'S REPORT

Ronald W. Reeves, District Attorney
Office of the District Attorney
Tenth Judicial District

Hector H. Balderas
New Mexico State Auditor

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

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

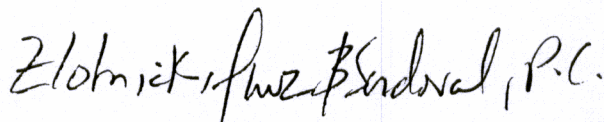
As discussed in Note 1, the financial statements of the Attorney are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire state of New Mexico as of June 30, 2008 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Office as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2007 on our consideration of the Office's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 7 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Office's basic financial statements and budgetary comparison statement. The additional schedules listed under "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Zlotnick, Laws & Sandoval, P.C.

December 15, 2008

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

**Management's Discussion and Analysis
(Required Supplementary Information)**

June 30, 2008

Management's Discussion and Analysis offers readers of the Tenth Judicial District Attorney's financial statements this narrative overview and analysis of the financial activities of the Office for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Office's financial statements, which follow this narrative.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four sections (1) Management's Discussion and Analysis (MD&A) (2) the basic financial statements (3) required supplementary information and (4) other reports.

- (1) Management's Discussion and Analysis (this section) is designed to assist the reader in focusing on significant financial issues and to provide an overview of the Office's financial activity.
- (2) The basic financial statements include two kinds of statements: Government-Wide financial statements and Fund financial statements. Government - wide financial statements provide both long - term and short - term information about the Office's overall financial status. Fund financial statements focus on individual parts of the Office. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending. The financial statements also include notes intended to explain selected information in the financial statements and provide additional, detailed information.
- (3) The required supplementary information section provides schedules which further explain and support the information in the financial statements.
- (4) The other reports section provides additional supporting information including the Governmental Auditing Standards Reports, Schedule of Findings and Responses, Status of Prior Year Findings, and the memo on the Exit Conference.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

**Management's Discussion and Analysis
(Required Supplementary Information)**

June 30, 2008

Government-Wide Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report all financial and capital resources of the Office as a whole, excluding the fiduciary funds of the Office (see Fund Financial Statements below). The Statement of Net Assets displays the assets, liabilities, and net assets of the Office in the "assets less liabilities equal net assets" format. The Statement of Activities presents governmental activities by function, at the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide detailed information about the Office's significant governmental funds. Funds are accounting devices the Office uses to keep track of the sources of funding and spending for specific purposes. The government-wide financial statements were prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

This Office has two types of funds:

- General Appropriation Fund - All of the Office's main operations are reflected in the general appropriation fund. The general fund financial statements provide information to help the user to assess the level of current financial resources available to the Office. The general fund is a reverting fund. All money remaining at the end of the fiscal year reverts to the state's general fund.
- Worthless Check and Pre-Prosecution Diversion Fund - This fund is for fees collected for worthless check and pre-prosecution diversion fees. The fees are distributed to victims and the Administrative Office of the District Attorney's Office. This is an agency fund and all monies received are paid out to the parties mentioned.

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

**Management's Discussion and Analysis
(Required Supplementary Information)**

June 30, 2008

GOVERNMENT-WIDE HIGHLIGHTS

Condensed Financial Comparison for current and prior Fiscal Year:

| | <u>June 30, 2008</u> | <u>June 30, 2007</u> |
|-----------------------------------|----------------------|----------------------|
| Assets: | | |
| Current Assets | \$ 262,296 | \$ 167,206 |
| Prepaid Expenses | 1,153 | 860 |
| Capital Assets | <u>93,754</u> | <u>60,312</u> |
| Total Assets | <u>357,203</u> | <u>228,378</u> |
| Liabilities: | | |
| Current Liabilities | 64,989 | 62,204 |
| Non-Current Liabilities | <u>7,957</u> | <u>9,595</u> |
| Total Liabilities | <u>72,946</u> | <u>71,799</u> |
| Net Assets: | | |
| Invested in Capital Assets | 93,754 | 60,312 |
| Restricted Federal Grant Expend. | 223,699 | 133,658 |
| Unrestricted Net Assets (Deficit) | <u>(33,196)</u> | <u>(37,391)</u> |
| Total Net Assets | <u>\$ 284,257</u> | <u>\$ 156,579</u> |

Condensed Financial Comparison for current and prior Fiscal Year:

| | <u>June 30, 2008</u> | <u>June 30, 2007</u> |
|-------------------------|----------------------|----------------------|
| Program Revenue | \$ 134,156 | \$ 122,031 |
| General Revenue | <u>979,994</u> | <u>899,601</u> |
| Total Revenue | <u>1,114,150</u> | <u>1,021,632</u> |
| Expenses – General Fund | 951,319 | 913,112 |
| Reversions to State | 3,260 | 1,619 |
| Depreciation | <u>31,893</u> | <u>29,471</u> |
| Total Expenses | <u>986,472</u> | <u>944,202</u> |
| Change in Net Assets | 127,678 | 77,430 |
| Beginning Net Assets | <u>156,579</u> | <u>79,149</u> |
| Ending Net Assets | <u>\$ 284,257</u> | <u>\$ 156,579</u> |

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

**Management's Discussion and Analysis
(Required Supplementary Information)**

June 30, 2008

Overall Financial Position:

The overall financial position of the District Attorney's Office showed an 84% increase in net assets. The District Attorney's Office receives state funded appropriations to pay for operating costs. Any unused portion of the appropriation reverts to the general fund at the end of the fiscal year. The increase was mostly due to non-reverting federal grant money received from the Southwest Border Initiative, which will be used to purchase much needed state vehicles and other operating cost that were not covered by the state funded appropriations.

That federal grant income combined with an increase in the net value of capital assets and an increase in accrued compensated absences make up the change in net assets. The Office purchased capital assets worth \$89,528 during the year while depreciation on assets owned was \$31,892.

Individual Funds Highlights:

General Fund - The General Fund (fund #16400) showed an increase of net assets during the year of \$90,041 due to the federal grant received. There was a 9% increase in State Appropriations, but only a 4% increase in expenditures. The amount of general fund appropriations that were not spent will be reverted.

Agency Fund – The agency fund had deposits of \$25,644 which was equal to its disbursements. That leaves a fund balance of \$0. The amount received to compensate victims decreased by 26% from 2007.

Budgetary Highlights:

During the year, the Office made 3 Budget Adjustment Requests, which moved less than 2.3% of the total budget. Budget results were essentially as originally anticipated. The only unexpected event was the receipt of a federal grant in the amount of \$134,423.

Capital Assets and Long Term Debt:

The Office's capital assets consist of personal property. Net of accumulated depreciation, the ending asset value for the Office is \$93,756 which is \$33,444 more than fiscal year 2007. The increase in the net value of capital assets is due to purchases of capital assets. This Office does not own any real property or infrastructure assets.

The long- term debt consists of compensated absences that are due to employees for sick and annual leave accrued. In fiscal year 2008 the ending debt accumulated was \$7,957. That is a \$1,638 decrease from fiscal year 2007. The decrease is due to long term employee's use of accumulated leave balances and changes in the Office's personnel.

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

**Management's Discussion and Analysis
(Required Supplementary Information)**

June 30, 2008

Other Financial Highlights:

Pursuant to state statute the Office holds one bank account. This bank account is accounted for and maintained by the Office. This account is for collecting and disbursing fees for the worthless check and pre-prosecution programs. All monies in the account are held in trust.

The Office will continue to operate under the same financial procedures and policies as it has in the past. There are no currently known facts, decisions, conditions, or other pending financial matters that could have significant impact on the financial position or results of operations of the Office.

AGENCY HIGHLIGHTS:

The Tenth Judicial District Attorney's Office is comprised of Quay, De Baca and Harding Counties. It is one of the largest geographical districts in the State. When traveling to De Baca and Harding Counties, the District Attorney and staff must travel at least 3 hours round trip. The Tenth Judicial District Attorney's Office is the smallest Office within the State.

The current caseload of the Tenth Judicial District Attorney has decreased by 409 cases from last fiscal year. The caseload is at 661 cases per year. The Office has 4 full time attorneys (when fully staffed). During the fiscal year this agency had to do local extensions and Supreme Court extensions on cases due to the turnover of attorney positions. Current staffing cannot always maintain the workload. For FY2010 this agency has asked the legislature for salary increases for three attorneys. This agency has lost attorney staff to other agencies that can pay a higher salary.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of this agency's finances and to demonstrate the agency's accountability for the funds it receives. If you have any questions about this report, or need additional information, contact:

**TENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE
300 SOUTH THIRD STREET, P.O. BOX 1141
TUCUMCARI, NEW MEXICO 88401**

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

Statement of Net Assets

June 30, 2008

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Investment in the State General Fund Investment Pool | \$ 262,296 |
| Prepaid expenses | 1,153 |
| Capital assets, net | <u>93,754</u> |
| Total assets | <u><u>\$ 357,203</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 3,069 |
| Accrued payroll | 33,421 |
| Due to State General Fund (Note 6) | 3,260 |
| Compensated absences (Note 7) | |
| Due within one year | 25,239 |
| Due in more than one year | <u>7,957</u> |
| Total liabilities | <u>72,946</u> |
| NET ASSETS | |
| Invested in capital assets | 93,754 |
| Restricted for federal grant expenditures | 223,699 |
| Unrestricted | <u>(33,196)</u> |
| Total net assets | <u>284,257</u> |
| Total liabilities and net assets | <u><u>\$ 357,203</u></u> |

The accompanying notes are an integral part of these financial statements

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

Statement of Activities

June 30, 2008

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Expenses: | |
| Judicial: | |
| Administrative Services | \$ 948,627 |
| Depreciation | 31,892 |
| Total program expenses | <u>980,519</u> |
| Program revenues: | |
| Operating Grants - Federal | <u>134,156</u> |
| Net program expenses | 846,363 |
| General revenues and transfers: | |
| General fund appropriation | 929,600 |
| Compensation and Insurance appropriations | 50,394 |
| Transfer out - 10th Judicial District Court | (11,780) |
| Gain on disposition of capital assets | 9,087 |
| Transfer out - State general fund | (3,260) |
| Total general revenues and transfers | <u>974,041</u> |
| Change in net assets | 127,678 |
| Net Assets--beginning of the year | <u>156,579</u> |
| Net assets--end of the year | <u><u>\$ 284,257</u></u> |

The accompanying notes are an integral part of these financial statements

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

**Balance Sheet
Governmental Fund**

June 30, 2008

| | <u>General</u> |
|--|-------------------|
| ASSETS | |
| Investment in the State General Fund Investment Pool | 262,296 |
| Prepaid expense | 1,153 |
| Total assets | <u>\$ 263,449</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | 3,069 |
| Accrued payroll | 33,421 |
| Due to state general fund (Note 6) | 3,260 |
| Total liabilities | <u>39,750</u> |
| Fund balances: | |
| Reserved for Federal Grant expenditures | 223,699 |
| Unreserved-undesignated | - |
| Total fund balances | <u>223,699</u> |
| Total liabilities and fund balances | <u>\$ 263,449</u> |

The accompanying notes are an integral part of these financial statements

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

**Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Fund**

June 30, 2008

Total fund balances - Governmental Funds (from C-1) \$ 223,699

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

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

| | | |
|--------------------------|------------------|--------|
| Property and equipment | \$ 240,136 | |
| Accumulated depreciation | <u>(146,382)</u> | |
| Total capital assets | | 93,754 |

The compensated absences are not due and payable in the current period and therefore are not reported in the funds. (33,196)

Net assets of governmental activities (A-1) \$ 284,257

The accompanying notes are an integral part of these financial statements

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund**

June 30, 2008

| | <u>General Fund</u> |
|---|---------------------|
| REVENUE | |
| Federal Grant | \$ 134,156 |
| EXPENDITURES | |
| Current: | |
| Personal services and employee benefits | 835,456 |
| Contractual services | 9,643 |
| Other | 175,750 |
| Total expenditures | <u>1,020,849</u> |
| Excess (deficiency) of revenues over expenditures | (886,693) |
| OTHER FINANCING SOURCES (USES) | |
| General fund appropriation | 929,600 |
| Compensation package appropriation | 50,394 |
| Reversion to state general fund - 2008 FY | <u>(3,260)</u> |
| Total other financing sources and uses | 976,734 |
| Net change in fund balances | 90,041 |
| Fund balances-beginning of the year | <u>133,658</u> |
| Fund balances-end of the year | <u>\$ 223,699</u> |

The accompanying notes are an integral part of these financial statements

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

**Reconciliation of the Change in Fund Balance of the
Governmental Fund to the Statement of Activities**

June 30, 2008

Net change in fund balances—total governmental funds (from C-3) \$ 90,041

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the current period:

| | | |
|--|-----------------|--------|
| Capital Outlay expenditures | \$ 89,528 | |
| Reduction in Capital Outlay for amount allowed as trade on vehicle | (21,501) | |
| Depreciation expense | <u>(31,892)</u> | |
| Excess of capital outlay over depreciation expense | | 36,135 |

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reportable as expenditures in governmental funds.

4,195

The transfer out of a vehicle to another state agency did not require the use of current financial resources and therefore is not reportable as an expenditure in the governmental funds.

(11,780)

Gains on the disposal of assets reported in the statement of activities do not produce current financial resources and therefore are not reportable as revenue in governmental funds.

9,087

Change in net assets of governmental activities (see B-1)

\$ 127,678

The accompanying notes are an integral part of these financial statements

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

**Statement of Revenues and Expenditures
Budget and Actual Governmental Fund
Governmental Fund**

June 30, 2008

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------------|-----------------|-------------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| State general fund appropriations | \$ 929,600 | \$ 929,600 | \$ 929,600 | \$ - |
| Federal grant | | 134,156 | 134,156 | - |
| Other financing sources | 50,400 | 50,400 | 50,394 | (6) |
| Total revenues | 980,000 | 1,114,156 | <u>\$ 1,114,150</u> | <u>\$ (6)</u> |
| Fund Balance | - | - | | |
| Total resources | \$ 980,000 | \$1,114,156 | | |
| EXPENDITURES | | | | |
| Personal services and employee benefits | \$ 858,000 | \$ 835,700 | \$ 835,456 | \$ 244 |
| Contractual services | 10,300 | 9,643 | 9,643 | - |
| Other | 111,700 | 268,813 | 175,750 | 93,063 |
| | \$ 980,000 | \$1,114,156 | \$ 1,020,849 | \$ 93,307 |

The accompanying notes are an integral part of these financial statements

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

**Statement of Fiduciary Assets and Liabilities
Agency Fund**

June 30, 2008

ASSETS

| | | |
|---------------------------|----|---|
| Cash and cash equivalents | \$ | - |
|---------------------------|----|---|

LIABILITIES

| | | |
|------------------------|----|---|
| Assets held for others | \$ | - |
|------------------------|----|---|

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

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

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Office of the District Attorney, Tenth Judicial District (Office) operates under Article 6 Section 24, NMSA 1978 Compilation. The District Attorney provides law enforcement as its primary service. Financing of the Office is by state appropriation.

The Office is a component unit of the Judicial branch and these financial statements include all funds and activities over which the Office has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Office has no component units that are required to be reported in its financial statements.

The accounting policies of the Tenth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Office'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 Office as a whole or on major individual funds. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Office, 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 Office 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.

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

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting - GASB Statement # 34 (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.

Fund Financial Statements

The governmental fund statements are prepared using the current financial resources measurement focus and the 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. 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 Office'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, reconciliations are presented on the page following each statement, which briefly explain the adjustments necessary to transform the fund based financial statements into the government-wide presentation.

The Office's fiduciary fund (an agency fund) is presented in the fund financial statements. The fiduciary fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

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

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

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The accounts of the Office 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 Office:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Office and accounts for all revenues and expenditures of the Office not encompassed within other funds. Any unexpended balance, that is not otherwise reserved, remaining in the General Fund at the end of the fiscal year reverts to the State of New Mexico General Fund. The SHARE fund number and description of the General Fund of the Office is #16400 - Tenth Judicial District Attorney.

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the Office 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 Office collects money from qualifying offenders in lieu of prosecution. They also collect money for worthless checks that were accepted by local businesses. The money collected is paid to the injured parties to reimburse them for their loss. In addition, a fee is collected and sent to the Administrative Office of the District Attorney for administration of the program.

C. Assets, Liabilities and Equity

Cash, cash equivalents, and investments

The agency fund's cash and cash equivalents are demand deposits. Deposits are non interest bearing. The carrying value of the deposits is shown in note 3. All governmental funds allotted to the Office are held on deposit with the State Treasurer and invested in the State Treasurer General Fund Investment Pool. Note 4 describes the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

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

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Capital Assets

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

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 | 4-12 years |
| Data Processing Equipment | 5 - 6 years |
| Vehicles | 5 years |

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

Long-Term Liabilities

Compensated Absences – The Office's compensated absences policy regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current and noncurrent liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

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

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

Equity

Government-wide Statements

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

Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Office has no outstanding debt relating to capital assets.

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 of other governments; or (2) law through constitutional provisions or enabling legislation.

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 and unreserved.

D. Budgets and Budgetary Accounting

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

No later than September 1, the Office 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.

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. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

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

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting (Continued)

The Office 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.

Legal budget control for expenditures is by category. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.

Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.

E. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 120 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

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

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Compensated Absences Payable (Continued)

Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements. Qualified employees accumulate annual leave as follows:

| <u>Years of Service</u> | <u>Hours Earned Per Month</u> |
|-------------------------|-----------------------------------|
| 1 month - 3 yrs | 10 |
| Over 3 - 7 yrs | 12 |
| Over 7 - 14 yrs | 14 |
| Over 14 yrs - beyond | 16 |

The maximum accrued annual leave of 240 hours may be carried forward into the beginning of the next calendar year and any excess is lost.

In addition, the Office allows FLSA non-exempt 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.

The Office General Fund resources have been used to liquidate accrued compensated absences in the past.

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 and disclosures. Accordingly, actual results could differ from those estimates.

G. 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
OFFICE OF THE DISTRICT ATTORNEY
TENTH JUDICIAL DISTRICT**

Notes to Financial Statements

June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Program Revenues

Program revenues consist only of federal grants. There are no other revenue types included in program revenues.

(2) COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. All deposits with financial institutions were covered by FDIC insurance at June 30, 2008.

(3) CASH AND CASH EQUIVALENTS

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

| | <u>Bank Balance</u> | <u>Book Balance</u> |
|----------------------------------|-------------------------|-------------------------|
| Agency Funds: | | |
| Wells Fargo Bank - Tucumcari | \$ 179 | \$ -0- |
| Office - Worthless Check Program | | |

(4) INVESTMENTS

The funds allotted to the Office are held by the New Mexico State Treasurer and pooled with the general fund investment pool. Participation in this investment pool is involuntary. The Office does not receive any income from this investment.

The Office's share of the Investment in the State General Fund Investment Pool is as follows:

| | <u>Maturity</u> | <u>Account Balance</u> | <u>Fair Value</u> |
|---|-----------------|----------------------------|-----------------------|
| Governmental Funds: | | | |
| Investment in the State General Fund Investment Pool, fund 16400 | 1 day | \$167,206 | \$167,206 |

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

Notes to Financial Statements

June 30, 2008

(4) INVESTMENTS (continued)

The State Treasurer's scope of authority for the types of investments that may be made with state funds is statutorily defined and governed by the State Treasurers Investment Policy approved by the State Board of Finance. The State Treasurer issues separate financial statements which disclose the categories of risk involved for GASB 40 disclosure purposes.

(5) CAPITAL ASSETS

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

| | Balance | | | Balance |
|---------------------------------|-------------------|------------------|--------------------|-------------------|
| | June 30, 2007 | Additions | Deletions | June 30, 2008 |
| Furniture, fixtures & equipment | \$ 24,284 | \$ 18,992 | \$ -0- | \$ 43,276 |
| Data Processing | 67,280 | -0- | -0- | 67,280 |
| Vehicles | 132,736 | 70,536 | (73,692) | 129,580 |
| Total | <u>224,300</u> | <u>89,528</u> | <u>(73,692)</u> | <u>240,136</u> |
| Accumulated Depreciation: | | | | |
| Furniture, fixtures & equipment | (23,876) | (3,573) | -0- | (27,449) |
| Data Processing | (60,979) | (2,403) | -0- | (63,382) |
| Vehicles | (79,133) | (25,916) | 49,498 | (55,551) |
| Total | <u>(163,988)</u> | <u>(31,892)</u> | <u>49,498</u> | <u>(146,382)</u> |
| Total (Net Asset) | <u>\$ 60,312</u> | <u>\$ 57,636</u> | <u>\$ (24,194)</u> | <u>\$ 93,754</u> |

Current depreciation expense is \$31,892.

(6) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Assets includes \$3,260 in 2008 reversions that will be remitted to the state general fund.

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

Notes to Financial Statements

June 30, 2008

(7) COMPENSATED ABSENCES PAYABLE

The following is a summary of changes in compensated absences:

| | Balance 6/30/07 | Additions | Deletions | Balance 6/30/08 | Due within One Year |
|-----------------|--------------------|-----------|-----------|--------------------|------------------------|
| Annual Leave | \$ 37,391 | \$ 29,067 | \$ 33,263 | \$ 33,196 | \$ 25,239 |

The Office's General Fund resources have been used to liquidate accrued compensated absences in the past. The Office had no other debt activity during the year.

(8) OPERATING LEASES

The Office leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$4,134 for the year ending June 30, 2008. Annual future minimum lease payments are as follows:

| | |
|-------|-----------|
| 2009 | \$ 609 |
| 2010 | 6,408 |
| 2011 | 6,408 |
| 2012 | 5,799 |
| 2013 | 5,799 |
| Total | \$ 25,023 |

(9) PERA RETIREMENT PLAN

Plan Description

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

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

Notes to Financial Statements

June 30, 2008

(9) PERA RETIREMENT PLAN (continued)

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Tenth Judicial District Attorney is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Tenth Judicial District Attorney are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$94,597, \$92,639, and \$80,568, respectively, equal to the amount of the required contributions for each year.

(10) POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The Office of the Tenth Judicial District Attorney contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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.

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

Notes to Financial Statements

June 30, 2008

**(10) POST-EMPLOYEMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(continued)**

Plan Description (continued)

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

The Tenth Judicial District Attorney's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$7,413, \$7,259 and \$6,313, respectively, which equal the required contributions for each year.

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

Notes to Financial Statements

June 30, 2008

(11) DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Tenth Judicial District Attorney nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Tenth Judicial District Attorney have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

(12) RISKS OF LOSS

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

(13) TRANSFER OF A CAPITAL ASSET TO THE 10th JUDICIAL DISTRICT COURT

During the year the Office transferred title to a vehicle to the 10th Judicial District Court. The court used the vehicle as a trade-in to purchase a new vehicle for court use. The transfer was valued at the amount of the trade-in allowance given toward the purchase of the new vehicle.

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

**Schedule of Operating Transfers
(Supplementary Information)**

June 30, 2008

| | | | Transfers | | |
|-------------------------------------|---------------|-------|--|-----------------|-------|
| AGENCY | SHARE FUND | TITLE | In | Out | |
| <u>General Fund (16400):</u> | | | | | |
| (1) | 34101 | 85300 | Department of Finance & Administration | \$ 929,600 | \$ - |
| (2) | 34101 | 61700 | Department of Finance & Administration | 50,394 | - |
| (3) | 26000 | 85300 | Department of Finance & Administration | - | 3,260 |
| | | | <u>\$ 979,994</u> | <u>\$ 3,260</u> | |

(1) General Fund Appropriation, Laws of 2006, Chapter 109, Section 4.

(2) Compensation Package, Laws of 2006, Chapter 109, Section 8.

(3) Reversion to State General Fund

See Auditor's Report

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

**List of Deposits and Investments
(Supplementary Information)**

June 30, 2008

| | <u>Account Type</u> | <u>Bank Balances</u> | <u>Book Balance</u> |
|---|-------------------------|--------------------------|---------------------|
| GENERAL FUND | | | |
| Investment in state general fund investment pool | Operating | | <u>\$ 262,296</u> |
| AGENCY FUND | | | |
| Wells Fargo Bank - Checking | Checking | <u>\$ 168</u> | <u>\$ -</u> |

See Auditor's Report

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

**Schedule of Changes in Assets and Liabilities – Agency Fund
(Supplementary Information)**

June 30, 2008

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|------------------------|------------------------------|------------------|------------------|---------------------------|
| ASSETS | | | | |
| Cash in Bank | <u>\$ -</u> | <u>\$ 25,644</u> | <u>\$ 25,644</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Due to injured parties | <u>\$ -</u> | <u>\$ 25,644</u> | <u>\$ 25,644</u> | <u>\$ -</u> |

See Auditor's Report

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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*

Ronald W. Reeves, District Attorney
Office of the District Attorney
Tenth Judicial District

Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the Office of the Tenth Judicial District Attorney (Office), as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office'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 Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entities financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described as items 07-04 and 08-01 in the accompanying schedule to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the agency's internal control.

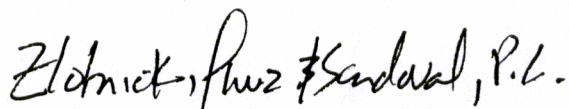
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider item 07-04, mentioned above as a significant deficiency, to be a material weakness.

Compliance

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

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

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



Zlotnick, Laws & Sandoval, P.C.

December 15, 2008

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

Schedule of Findings and Responses

June 30, 2007

AUDITOR PREPARED THE FINANCIAL STATEMENTS

07-4

Condition:

The current year financial statements are prepared by the independent public accountant (IPA).

Criteria:

State Audit Rule 2.2.2.8J(4) and Statement on Auditing Standards (SAS) No 112 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements.

Effect:

The Agency paid the IPA to record GAAP transactions and prepare the financial statements.

Cause:

The Agency currently does not have employees with sufficient expertise to apply generally accepted accounting principles (GAAP) in recording the Agency's financial transactions or preparing its financial statements.

Recommendation:

The Agency needs to weigh the cost and benefit of hiring or training an employee who will be knowledgeable in applying generally accepted accounting principles and preparing financial statements versus continuing to hire an IPA to perform such services.

Agency Response:

Due to the size and budget of this agency, it is impossible for the Tenth Judicial District Attorney's Office to hire an accountant on a regular basis to prepare financial statements. The current accounting system cannot provide sufficient or reliable data for current staff to input into a financial statement. We would be happy for the State to provide adequate staff, funding, and a program for such statements, but until this happens, this agency will only be able to hire a Certified Public Accountant once a year to audit and prepare the financial statements.

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

Schedule of Findings and Responses

June 30, 2007

VOUCHERING

08-01

Condition:

During our testing of expenditures we noted a voucher where the object code charged was not the best object code for the nature of expenditure. The voucher was coded to capital outlay, but the individual items did not exceed the capitalization threshold.

Criteria:

Good Accounting Practices would prescribe that invoices be coded consistently to the object code most descriptive of its 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 greater than \$5,000 to capital outlay line items.

Effect:

Object codes may not reflect the proper amount of expenditures for that category and budgetary controls may be circumvented if amounts are placed in the wrong categories.

Cause:

More care needs to be exercised when coding vouchers.

Recommendation:

We recommend that the financial specialist code vouchers very carefully and that the Capital Outlay object codes reflect only amounts that are added to the fixed assets inventory.

Agency Response:

This agency will make every effort to code vouchers very carefully and that Capital Outlay object codes reflect amounts that are added to the fixed assets inventory.

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

Status of Prior Year Audit Findings

June 30, 2008

| <u>Condition</u> | <u>Current year status</u> |
|--|----------------------------|
| 07-1 No reconciliation of Accounts | Resolved |
| 07-2 Late Report | Resolved |
| 07-3 Cash Receipts | Resolved |
| 07-4 Auditor prepared the Financial Statements | Revised and Repeated |

The financial statements were prepared by the auditors, Zlotnick, Laws & Sandoval, P.C.

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

Exit Conference

June 30, 2008

The contents of this report were discussed at an exit conference held December 15th, 2008. Asa Laws represented Zlotnick, Laws & Sandoval, P.C. The Tenth Judicial District Attorney was represented by Ronald W. Reeves, District Attorney and Darla Alarcon, CFO.