

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL, DIVISION I**

**INDEPENDENT AUDITORS' REPORT  
AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**HINKLE & LANDERS, PC  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**TABLE OF CONTENTS**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**

**TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <b>INTRODUCTORY SECTION:</b>   |             |
| Official roster  | ii-iii      |
| <b>FINANCIAL SECTION</b>   |             |
| Independent auditors' report   | 1-2         |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | 3-5         |
| <b>BASIC FINANCIAL STATEMENTS</b>  |             |
| <b>Government-Wide Financial Statements</b>  |             |
| Statement of net assets (deficit)—governmental activities  | 6           |
| Statement of activities—governmental activities  | 7           |
| <b>Fund Financial Statements</b>   |             |
| Balance sheet – governmental funds   | 8           |
| Statement of revenues, expenditures, and changes in fund balances—governmental funds   | 9           |
| Statement of revenues, expenditures and changes fund balances—budget and actual GAAP budgetary basis—general fund  | 10          |
| Statement of fiduciary assets and liabilities—agency funds   | 11          |
| <b>Notes to the financial statements</b>   | 12-26       |
| <b>SUPPLEMENTARY INFORMATION</b>   |             |
| Schedule of changes in fiduciary assets, and liabilities—all agency funds  | 27          |
| <b>OTHER REPORT</b>  |             |
| Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with governmental auditing standards | 28-29       |
| Summary schedule of prior audit findings   | 30          |
| Exit conference  | 31          |

**ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**  
**Official Roster**  
**As of June 30, 2010**

| <b>Name</b>       | <b>Title</b>                   |
|-------------------|--------------------------------|
| Robert P. Tedrow  | District Attorney              |
| Dustin O'Brien    | Chief Deputy District Attorney |
| Sarah V. Weaver   | Chief Deputy District Attorney |
| David W. Duncan   | Deputy District Attorney       |
| Paul Wainwright   | Deputy District Attorney       |
| Richard Capshaw   | Deputy District Attorney       |
| John Beckstead    | Associate Trial Attorney       |
| Anne Eley         | Senior Trial Attorney          |
| Jason Eley        | Senior Trial Attorney          |
| Darrel Jiles      | Senior Trial Attorney          |
| Heather Smallwood | Senior Trial Attorney          |
| Chris Moander     | Associate Trial Attorney       |
| Tyson Quail       | Assistant Trial attorney       |
| Patricia Felter   | District Office Manager        |
| Roy D. Beck       | Special Program Director       |
| Amy Haun          | Chief Financial Officer        |
| Brenna Clani      | Assistant Trial Attorney       |
| Dalene Marsh      | Assistant Trial Attorney       |
| Mark Hawkinson    | Lead Investigator              |
| Kevin Banville    | Associate Trial Attorney       |
| Kinder Shamhart   | Associate Trial Attorney       |
| Kip Keil          | Associate Trial Attorney       |
| Robert Gentile    | Associate Trial Attorney       |
| Darla Cantrell    | Victim Advocate Coordinator    |
| Harry Veenstra    | Program Administrator          |
| Tracey King       | Program Administrator          |
| Cheyenne Kiernan  | Assistant Trial Attorney       |
| James Williams    | Senior Investigator            |
| Thomas Brown      | Senior Investigator            |
| Olga Soto         | Administrative Secretary       |
| Barbara Dussaman  | Victim Advocate                |
| Dawn Alcon        | Victim Advocate                |
| Delia Otero       | Prosecution Specialist         |
| Elisa Hammond     | Victim Advocate                |
| Jodie Gabehart    | Prosecution Specialist         |
| L. Gaye Grogan    | Victim Advocate                |
| Mary Ann Bixler   | Victim Advocate                |
| Rachon Amick      | Financial Specialist           |
| Skye Holcomb      | Prosecution Specialist         |
| Suzan Rosenbaugh  | Prosecution Specialist         |
| Virginia Atchley  | Prosecution Specialist         |
| Cassandra Namoki  | IS Assistant                   |
| Starla Heth       | Supervising Secretary          |
| Darla Evans       | Senior Secretary               |
| Jessica Toward    | Prosecution Specialist         |

**ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**  
**Official Roster, Continued**  
**As of June 30, 2010**

| <b>Name</b>      | <b>Title</b>             |
|------------------|--------------------------|
| Melissa Gurule   | Administrative Secretary |
| Orlinda Ashley   | Clerk Specialist         |
| Amy Roberts      | Senior Secretary         |
| Debra Eaton      | Senior Secretary         |
| Erica Wells      | Senior Secretary         |
| Gary Weaver      | Program Assistant        |
| Kandace Journey  | Senior Secretary         |
| Kelli Palmer     | Senior Secretary         |
| Laura Smith      | Senior Secretary         |
| Linda Robinson   | Senior Secretary         |
| Lou Barber       | Senior Secretary         |
| Melissa Mathews  | Senior Secretary         |
| Brittany Hill    | Senior Secretary         |
| Connie Everett   | Senior Secretary         |
| Rosa Atcitty     | Senior Secretary         |
| Sharmarine Light | Clerk Specialist         |
| Jessica Gomez    | Clerk Specialist         |
| Erica Hodges     | Clerk Specialist         |
| Joely Baker      | Clerk Specialist         |

**INDEPENDENT AUDITORS' REPORT**

Mr. Robert P. Tedrow, District Attorney,  
State of New Mexico, Office of the District Attorney  
Eleventh Judicial District, Division I  
and  
Mr. Hector H. Balderas, New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Office of the District Attorney, Eleventh Judicial District, Division I of the State of New Mexico (DA) as of and for the year ended June 30, 2010, which collectively comprise the DA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the DA's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the DA are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of each major fund of the State of New Mexico that is attributable to the transactions of the DA. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the DA, as of June 30, 2010, and the respective changes in financial position and 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 our report dated December 10, 2010 on our consideration of the DA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, on pages 3 to 5, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the DA. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, PC  
December 10, 2010

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT DIVISION I  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2010  
Unaudited**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements consist of the following: government-wide financial statements, governmental fund financial statements and a reconciling statement for all.

**Basic Financial Statements**

**(Statement of Net Assets and Statement of Activities)**

Basic financial statements report information about the 11<sup>th</sup> Judicial District Attorney, Div. I, as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The basic financial statements report the 11<sup>th</sup> Judicial District Attorney, Div. I's net assets and how they have changed.

**Fund Financial Statements**

**(Balance Sheet & Statement of Revenues, Expenditures and Changes in Fund Balance)**

The fund financial statements provide more detailed information about the 11<sup>th</sup> Judicial District, Div. I's significant funds. Funds are accounting devices that the 11<sup>th</sup> Judicial District, Div. I uses to keep track of specific sources of funding and spending for particular purposes.

The 11<sup>th</sup> Judicial District Attorney, Div. I operates on its State General Fund appropriations, local government revenue, federal grant awards and a budget which is approved by the State Legislature every year. Income sources, or programs, are tracked using department codes.

**Analysis of Financial Position (Statement of Net Assets)**

Total Assets: Cash of \$1,967,369 on deposit with the State Treasurer, cash on hand of \$250, net receivables of \$260,651, prepaid expenses of \$656 and capital assets of \$197,639. Total assets are \$2,426,565.

Total Liabilities: Accounts Payable \$60,701, reversion \$6,274, accrued payroll \$258,738, and compensated absences payable within one year \$132,627 and after one year \$8,981.

Net Assets: Total net assets are \$1,959,244, including \$197,639 invested in capital assets, \$1,902,308 restricted for future grant expenses and (\$140,703) due for compensated absences.

**Result of Operations (Statement of Activities)**

Total Revenues: Consists of \$3,813,366 for operational purposes. State General Fund appropriations and federal awards provide the majority of the revenue.

Total Expense: Consists of \$3,928,310, mainly for operational, employee salaries and benefits and operating costs.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT DIVISION I  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2010  
Unaudited**

**Analysis of District Attorney's Overall Financial Position  
and Result of Operations (Condensed)**

|  | <u>2010</u>                | <u>2009</u>             |
|--|----------------------------|-------------------------|
| <b>Assets:</b>                           |                            |                         |
| Current and other assets                 | \$ 2,228,926               | 2,355,355               |
| Capital assets                           | <u>197,639</u>             | <u>271,093</u>          |
| Total assets                             | <u><u>2,426,565</u></u>    | <u><u>2,626,448</u></u> |
| <b>Liabilities:</b>                      | <u>467,321</u>             | <u>552,260</u>          |
| <b>Net assets:</b>                       |                            |                         |
| Invested in capital assets               | 197,639                    | 271,093                 |
| Restricted                               | 1,902,308                  | 1,949,751               |
| Unrestricted                             | <u>(140,703)</u>           | <u>(146,656)</u>        |
| Total net assets                         | <u><u>1,959,244</u></u>    | <u><u>2,074,188</u></u> |
| <b>Total net assets and liabilities</b>  | <u><u>\$ 2,426,565</u></u> | <u><u>2,626,448</u></u> |
| <b>Revenue:</b>                          |                            |                         |
| Program revenue                          | \$ 444,940                 | 551,156                 |
| Appropriations (net of reversion)        | <u>3,368,426</u>           | <u>3,465,541</u>        |
| Total revenues                           | <u><u>3,813,366</u></u>    | <u><u>4,016,697</u></u> |
| <b>Expenses:</b>                         |                            |                         |
| Personnel services                       | 3,602,304                  | 3,503,428               |
| Contractual services                     | 20,349                     | 17,346                  |
| Other Costs                              | <u>305,657</u>             | <u>392,375</u>          |
| Total expenses                           | <u><u>3,928,310</u></u>    | <u><u>3,913,149</u></u> |
| <b>Increase (Decrease) in net assets</b> | <u><u>\$ (114,944)</u></u> | <u><u>103,548</u></u>   |

Total assets are lower primarily due to decreased revenues in 2010 and annual depreciation on capital assets. Total liabilities were less in 2010 because both accounts payable and the amount due to the State General Fund for the reversion were decreased, as compared to the prior year. Net assets decreased because there were no additions to capital assets, and spending of unrestricted fund balance occurred in 2010. Revenue and expenses are lower in 2010 primarily because appropriations and program revenue decreased due to state mandated budget cuts.

**Analysis of Significant Changes in Individual Funds**

No significant changes in funds occurred.

**Analysis of Significant Budget Variances**

The addition of a new VAWA grant increased federal fund revenues. The 11<sup>th</sup> Judicial District Attorney, Div. I did not require as much federal funds as anticipated so total expenditures were lower; mostly due to postponing plans with the County for a new building. These issues resulted in the significant variances in revenue and expenditures between budget and actual dollar amounts.



**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT DIVISION I  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2010  
Unaudited**

**Significant Capital Asset and Long-Term Debt Activity**

Capital assets decreased as no additions were made and older assets depreciated.

The only long-term debt is due to compensated absences payable for which the 11th Judicial District Attorney, Div. I will pay out when vacation is taken or employees are terminated.

**General Fund Budgetary Highlights**

The State of New Mexico, Office of the District Attorney, Eleventh Judicial District, Div. I intends to continue to lobby the Legislature to increase the funding from the General Fund, and will also continue to seek out sources of federal funds.

The State Legislature makes annual appropriations to the State of New Mexico, Office of the District Attorney, Eleventh Judicial District, Div. I. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the year, the State of New Mexico, Office of the District Attorney, Eleventh Judicial District Div. I revised its budget. These budget amendments fall into two categories:

- Increases or reallocation of appropriations to prevent budget overruns
- Increases to account for grant increases or new grants

**Currently Known Facts Expected to Have a Significant Effect on the Agency Financials**

At the time of this report there are no known facts, decisions, or conditions that are expected to have an effect on the financial position or results of operations. The DA is in negotiations to move its location and it is considering optional funding sources to help finance the move.

**Agency Contact Information**

11<sup>th</sup> Judicial District Attorney, Division I  
710 E. 20<sup>th</sup> Street  
Farmington, NM 87401  
Amy Haun, CFO  
505-599-9810 X177

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2010**

| <b>ASSETS</b>  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Current Assets</b>  |                                    |
| Investments in the State General Fund Investment Pool              | \$ 1,967,369                       |
| Petty cash   | 250                                |
| Due from federal government  | 211,910                            |
| Due from other state agencies                                      | 34,991                             |
| Due from local governments   | 13,750                             |
| Prepaid expenses   | 656                                |
| Total current assets   | 2,228,926                          |
| Capital assets, net  | 197,639                            |
| Total assets   | \$ 2,426,565                       |
| <b>LIABILITIES</b>   |                                    |
| <b>Current liabilities</b>   |                                    |
| Accounts payable   | \$ 60,701                          |
| Due to the state general fund                                      | 6,274                              |
| Accrued salaries and employee benefits                             | 258,738                            |
| Compensated absences payable - expected to be paid within one year | 132,627                            |
| Total current liabilities  | 458,340                            |
| <b>Non-current liabilities</b>                                     |                                    |
| Compensated absences payable - expected to be paid after one year  | 8,981                              |
| Total liabilities  | 467,321                            |
| <b>NET ASSETS (DEFICIT)</b>  |                                    |
| Restricted for:  |                                    |
| Federal grant expenses   | 1,902,308                          |
| Unrestricted   | (140,703)                          |
| Invested in capital assets   | 197,639                            |
| Total net assets   | 1,959,244                          |
| Total liabilities and net assets                                   | \$ 2,426,565                       |

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

| <b>EXPENSES</b>                       | <b><u>Governmental<br/>Activities</u></b> |
|---------------------------------------|---|
| <b>General government</b>             |   |
| Public safety                         | \$ (3,928,310)                            |
| <b>REVENUES</b>                       |   |
| <b>Program revenues</b>               |   |
| Operating grants and contracts        | <u>444,940</u>                            |
| Net program (expenses)/revenue        | <u>(3,483,370)</u>                        |
| <b>General revenues</b>               |   |
| <b>Transfers</b>                      |   |
| State General Fund appropriation FY10 | 3,374,700                                 |
| Reversion to State General Fund FY10  | <u>(6,274)</u>                            |
| Total net transfers                   | <u>3,368,426</u>                          |
| Change in net assets                  | <u>(114,944)</u>                          |
| Net assets, beginning                 | <u>2,074,188</u>                          |
| Net assets, ending                    | \$ <u><u>1,959,244</u></u>                |

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2010**

| <b>ASSETS</b>                              | <b>(16500)<br/>General<br/>Fund</b> |
|--|-------------------------------------|
| State General Fund Investment Pool         | \$ 1,967,369                        |
| Petty cash                                 | 250                                 |
| Due from federal government                | 211,910                             |
| Due from other state agencies              | 34,991                              |
| Due from local governments                 | 13,750                              |
| Prepaid expenses                           | 656                                 |
| Total assets                               | <u>\$ 2,228,926</u>                 |
| <b>LIABILITIES</b>                         |                                     |
| Accounts payable                           | 60,701                              |
| Accrued salaries and employee benefits     | 258,738                             |
| Due to State General Fund (reversion FY10) | 6,274                               |
| Current liabilities                        | <u>325,713</u>                      |
| <b>FUND BALANCE</b>                        |                                     |
| Reserved for petty cash                    | 250                                 |
| Reserved for prepaid expenses              | 656                                 |
| Reserved Southwest Border funds            | 1,902,308                           |
| Unreserved/undesignated                    | -                                   |
| Total fund balance                         | <u>1,903,214</u>                    |
| Total liabilities and fund balance         | <u>\$ 2,228,926</u>                 |

**Reconciliation of the Governmental Fund Balance To The Statement of Net Assets**

|  |                     |
|--|---------------------|
| Total fund balance governmental funds  | \$ 1,903,214        |
| Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds     | 197,639             |
| Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds | <u>(141,608)</u>    |
| Net assets of governmental activities  | <u>\$ 1,959,244</u> |

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

| <b>REVENUES</b>                           | <b>(16500)<br/>General<br/>Fund</b> |
|---|-------------------------------------|
| Federal funds                             | \$ 384,900                          |
| Contracts                                 | 60,040                              |
| Total revenues                            | 444,940                             |
| <br><b>EXPENDITURES</b>                   |                                     |
| Current                                   |                                     |
| General government:                       |                                     |
| Personal services and benefits            | 3,608,257                           |
| Contractual services                      | 20,349                              |
| Other costs                               | 232,203                             |
| Capital outlay                            | -                                   |
| Total expenditures                        | 3,860,809                           |
| <br><b>OTHER FINANCING SOURCES (USES)</b> |                                     |
| State general fund appropriations FY10    | 3,374,700                           |
| Reversion to state general fund FY10      | (6,274)                             |
| Net other financing sources               | 3,368,426                           |
| Net change in fund balance                | (47,443)                            |
| Fund balance, beginning                   | 1,950,657                           |
| Fund balance, ending                      | \$ 1,903,214                        |

**Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund Balances  
Of Governmental Funds To The Statement Of Activities**

|   |              |
|---|--------------|
| Net change fund balance in governmental funds   | \$ (47,443)  |
| Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. |              |
| Depreciation expense  | (73,454)     |
| Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.                                |              |
| (Increase) decrease in compensated absences   | 5,953        |
| Change in net assets - governmental activities  | \$ (114,944) |

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I**  
**STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)**  
**GENERAL FUND (16500)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

|  | <b>Budgeted Amounts</b> |              | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--|-------------------------|--------------|---|---|
|  | <b>Original</b>         | <b>Final</b> |   |   |
| <b>REVENUES</b>  |                         |              |   |   |
| Federal funds  | \$ 108,700              | 289,193      | 384,900   | 95,707  |
| Contracts and miscellaneous revenue                              | -                       | 55,000       | 60,040  | 5,040   |
| Fund balance budgeted  | 1,185,700               | 1,291,495    | -   | 1,291,495   |
| <br>Total revenues   | 1,294,400               | 1,635,688    | 444,940   | 1,392,242   |
| <b>EXPENDITURES</b>  |                         |              |   |   |
| Current:   |                         |              |   |   |
| General government   |                         |              |   |   |
| Personal services  | 3,841,400               | 4,000,601    | 3,608,257   | 392,344   |
| Contractual services   | 114,100                 | 33,720       | 20,349  | 13,371  |
| Other costs  | 782,600                 | 976,193      | 231,734   | 744,459   |
| Capital outlay   | -                       | -            | -   | -   |
| <br>Total expenditures   | 4,738,100               | 5,010,514    | 3,860,340   | 1,150,174   |
| <br>Excess (deficiency) of revenues over<br>(under) expenditures | (3,443,700)             | (3,374,826)  | (3,415,400)   | 1,150,174   |
| <b>OTHER FINANCING SOURCES (USES):</b>                           |                         |              |   |   |
| State general fund appropriations                                | 3,443,700               | 3,374,826    | 3,374,700   | (126)   |
| Less: reversion to state general fund FY10                       | -                       | -            | (6,274)   | (6,274)   |
| Net interagency transfers  | 3,443,700               | 3,374,826    | 3,368,426   | (6,400)   |
| <br>Net change in fund balance                                   | \$ -                    | -            | (46,974)  | 1,143,774   |
| <br><b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>             |                         |              |   |   |
| Change in fund balance (budget basis)                            |                         |              | \$ (46,974)   |   |
| To adjust applicable revenue accruals and deferrals              |                         |              | -   |   |
| To adjust applicable expenditures,<br>accruals and payments      |                         |              | (469)   |   |
| Change in fund balance (GAAP basis)                              |                         |              | \$ (47,443)   |   |

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
AS OF JUNE 30, 2010**

|                                 | <u>Agency<br/>Fund</u>  |
|---------------------------------|-------------------------|
| <b>ASSETS</b>                   |                         |
| Cash in authorized bank account | \$ <u>27,844</u>        |
| <b>TOTAL ASSETS</b>             | \$ <u><u>27,844</u></u> |
| <b>LIABILITIES</b>              |                         |
| Due to others                   | \$ <u>27,844</u>        |
| <b>TOTAL LIABILITIES</b>        | \$ <u><u>27,844</u></u> |

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**NATURE OF BUSINESS AND REPORTING ENTITY**

The DA is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The DA is elected to a four-year term. Functions of the DA are defined in Section 36-1-1 through 36-1-26 NMSA 1978 as amended. The Eleventh Judicial District operates from two separate offices located in Farmington and Gallup, and serves all of San Juan and McKinley Counties. On July 1, 1984, the State of New Mexico appropriated money from the General Fund to run the Office of Division I and Division II as separate legal entities. These financial statements include the operation of the Eleventh Judicial Division I (Farmington, New Mexico), a department of the State of New Mexico, the primary government.

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

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

The DA is legally separate and fiscally independent of other state agencies, has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The DA is included in the State of New Mexico Comprehensive Annual Financial Report.

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

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

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

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



**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Basic Financial Statements – GASB Statement No. 34**

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

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

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement.

**2. Basis of Presentation**

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

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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

The new reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The DA has only one fund, which is the General Fund.

**3. Basis of Accounting**

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

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

The statement of net assets and the statement of activities are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support DA programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

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

**Net Assets Restricted by Enabling Legislation**

The government-wide statement of net assets reports no restricted net assets. If there were restricted net assets they should be reviewed for consideration of being restricted by enabling legislation. The enabling legislation has been determined to be legally enforceable.

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

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

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

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

#### **4. Budgetary Data**

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

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

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

1. By September 1<sup>st</sup>, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
4. Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
7. The DA's budget for the fiscal year ending June 30, 2010 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

**STATE OF NEW MEXICO**  
**ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The-DA submits, no later than May 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. Except as noted in Note G, the budget for the General Fund is not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts.
13. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2010. The DA's General Fund is a reverting fund (funds revert back to the State General Fund), with the exception of funds appropriated in the General Fund for the Southwest Border Prosecution Initiative.
14. Appropriations lapse at the end of the year except for those amounts encumbered.
15. The budget for the General Fund is presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General fund in this report is on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
16. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of next year's budget.
17. The legal level of budgetary control is at the appropriation unit level.

## **5. Governmental Funds**

**General Fund (16500)**—The general operating fund of the DA is used to account for all financial resources except those required to be accounted for in another fund. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame per HB2 (House Bill) General Appropriation Act of 2010, under Laws, 2008 Ch 3.

The DA receives funds from various grants and contracts, and therefore, the funds are not subject to reversion back to the State of New Mexico. Activity related to these non-reverting grants and contracts is included in the General Fund. In fiscal year 2010, these grants included:

**Southwest Border Prosecution Initiative (SWBPI)**—Federal funds to support the prosecution and detention of federally referred cases. In accordance with the BJA guidelines, funds awarded may be used by jurisdictions for any lawful purpose. The program is designed to assist jurisdictions in meeting their financial burdens associated with the prosecution of federally funded cases. During the year ended June 30, 2010, \$173,242 in SWBPI funds were awarded, and \$220,685 spent.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

***High Intensity Drug Trafficking Area (HIDTA)***—To reduce drug availability by eliminating or disrupting drug trafficking organizations, reduce the harmful consequences of drug trafficking and improve the efficiency and effectiveness of law enforcement organizations and their efforts within designated areas. During the year ended June 30, 2010, \$77,113 in HIDTA funds were awarded, and \$77,113 spent.

***Victims of Crime Act (VOCA)***—Enacted in 1984, the Victims of Crime Act (VOCA) is the central source of federal financial support for direct services to victim of crime. VOCA is administered at the federal level through the U.S. Department of Justice, Office for Victims of Crime, which annually awards a grant to each state, the District of Columbia and U.S. Territories, to support victim assistance services for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other crimes. Each state has a designated VOCA assistance agency to administer VOCA grants. Those state agencies, in turn, sub-grant to organizations that provide direct services to victims of crime. Minimal federal requirements must be met, and each state is given great discretion in awarding specific sub-grants. During the year ended June 30, 2010, \$50,702 in VOCA funds were awarded, and \$50,702 spent.

***Violence Against Women Act (VAWA)***— To assist State, Indian tribal governments, tribal courts, State and local courts, and units of local government to develop and strengthen effective law enforcement and prosecution strategies to combat violent crimes against women, and to develop and strengthen victim services in cases involving crimes against women. The program encourages the development and implementation of effective, victims-centered law enforcement, prosecution and court strategies to address violent crimes against women and the development and enhancement of victim services in cases involving violent crimes against women. During the year ended June 30, 2010, \$83,843 in VAWA funds were awarded, and \$83,843 spent.

***Agency Fund (96820)***—The DA also has fiduciary funds (trust and agency funds) used to account for assets held by the DA in a trustee capacity, or as an agent for individuals, private organizations, other governmental units. Trust and agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. There following are fiduciary funds at June 30, 2010.

***Pre-Prosecution Program***—Fees charged to individuals in the pre-prosecution program, in accordance with agreements between the program participant and the DA attorney. Fees are remitted to the State Treasurer for the account of the Administration Office of the DAs.

***Worthless Check Fund***—Fees charged upon the collection of worthless checks. Fees are paid by persons who write the useless check. Fees are remitted to the State Treasurer for the account of the Administration Office of the DAs.

**6. Encumbrances**

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

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

**7. Reservations of Fund Balances**

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

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

Specific reservations of fund balance accounts are summarized below:

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

***Revenues, Expenditures and Expenses***—Substantially all governmental fund revenues are accrued. The only revenues that the DA receives other than State appropriations are federal operating grants, federal funds that are considered charges for services (SWBPI), and other contracts.

Expenditures are recognized when the related fund liability is incurred.

**8. Net Assets**

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

**Invested in Capital Assets** (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The DA did not have any related debt during the year ended June 30, 2010.

**Unrestricted (Deficit) Net Assets** - represent the net assets of the DA at June 30, 2010. The total of \$1,959,244 consists of a combination of the DA's \$250 in petty cash and \$656 in prepaid assets (travel advance) and \$1,902,308 in Southwest Border Fund Program funds less \$141,608 in compensated absences liabilities.

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

**9. Use of Estimates**

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

**10. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments.

**11. Receivables**

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

**12. Capital Assets**

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

\$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the DA's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The DA does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the DA depreciation guidelines. There is no related debt relating to capital assets.

|                           |          |
|---------------------------|----------|
| Data processing equipment | 5 years  |
| Furniture and equipment   | 10 years |
| Vehicles                  | 5 years  |

**13. Accrued Compensated Absences**

Qualified employees accumulated annual leave as follows:

| <u>Years<br/>of Service</u> | <u>Hours Earned<br/>per Month</u> | <u>Days Earned<br/>per Month</u> | <u>Days of Maximum<br/>Accrual</u> |
|-----------------------------|-----------------------------------|----------------------------------|------------------------------------|
| 1 month – 3 years           | 10                                | 1 ¼                              | 30                                 |
| Over 3 – 7 years            | 12                                | 1 ½                              | 30                                 |
| Over 7 – 14 years           | 14                                | 1 ¾                              | 30                                 |
| Over 14 years/beyond        | 16                                | 2                                | 30                                 |

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the “changes in long term debt” note in this report for the accrued compensated absences payable outstanding as of At June 30, 2010.

**14. Accrued Sick Leave**

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1<sup>st</sup> and January 1<sup>st</sup> of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2010 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the governmental-wide financial statements. As of June 30, 2010 two employees of the DA's office have accrued leave benefits in excess of 600 hours.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**B. CASH AND INVESTMENTS POLICY**

All of the DA's investments are on deposit with the State Treasurer in the State Treasurer's General Fund Investment Pool (GFIP). Cash is on deposit with one financial institution, with the exception of petty cash which is maintained on-site.

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

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
  - (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.;
  - (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
  - (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or,



**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

- (f) Individual, common or collective trust funds of banks or trust companies that invest In U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser. For additional GASB 40 disclosure information regarding cash/investments held by the State Treasurer, see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2010.

**Credit Risk for Investments**

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

**Interest Rate Risk for Investments**

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

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the DA's deposits may not be returned. In general, state statutes require that all deposits held by financial institutions be collateralized at a minimum level of 50 percent. FDIC advisory opinion 94-24 states that public funds are entitled to \$100,000 insurance for time or savings deposits (including bank money market accounts) and \$100,000 for demand deposits deposited within the state in compliance with 12 CFR Subsection 330.15. The US Congress has temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. Changes have also been made to other account types. For more information, visit [www.fdic.gov](http://www.fdic.gov). Deposits (cash or cash equivalents) are carried at cost, which approximates market value. As noted in the table below, since the financial institutional balances held in the DA's name did not exceed \$250,000, they are fully insured by the Federal Deposit Insurance Corporation (FDIC) and pledged collateral is not required. The DA's credit risk is zero for these bank accounts.

Investments and cash accounts of the DA at June 30, 2010:

| <b>Fund Type</b> | <b>Location</b> | <b>Fund No./<br/>Description</b> | <b>Balance<br/>Per<br/>Depository</b> | <b>Outstanding<br/>Deposits</b> | <b>Outstanding<br/>(Checks)</b> | <b>Balance Per<br/>Financial<br/>Statements</b> |
|------------------|-----------------|----------------------------------|---------------------------------------|---------------------------------|---------------------------------|---|
| General          | STO             | 16500                            | \$ 1,967,369                          | -                               | -                               | 1,967,369                                       |
| General          | On Site         | Cash Box                         | 250                                   | -                               | -                               | 250   |
| Agency           | Bank of America | Checking                         | 37,320                                | 2,716                           | (12,192)                        | 27,844  |
|                  |                 |                                  | <u>\$ 2,004,939</u>                   | <u>2,716</u>                    | <u>(12,192)</u>                 | <u>1,995,463</u>                                |

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

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**C. RECEIVABLES**

Federal receivables of \$211,910, and other grant receivables of \$48,741, are related to various grant programs. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible and are expected to be collected within one year.

**D. REVERSIONS**

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report. Non-reverting SWBPI funds are commingled with the DA's reverting funds. SWBPI revenues and expenditures are tracked by department within the general fund and this activity is reviewed to determine the calculation of the reversion. As of June 30, 2010, the amount due to the State General Fund is \$6,274.

**E. INTERAGENCY TRANSFERS**

Transfers to and from other state agencies, for the year ended June 30, 2010, include the following:

|  | Out        | In        |
|--|------------|-----------|
| Department of Finance and Administration (Fund #853)<br>State General Fund Appropriation<br>Laws of 2009, Chapter 124, Section 4 | \$ -       | 3,374,700 |
| Department of Finance and Administration (Fund #853)<br>Reversion to State General Fund  | (6,274)    | -         |
|  | \$ (6,274) | 3,374,700 |

**F. INTERAGENCY RECEIVABLES / PAYABLES**

Receivables due from other state agencies as of June 30, 2010, include:

| Due to   |                  | Due from      |   |                          |
|----------|------------------|---------------|---|--------------------------|
| Fund No. | Amount           | SHARE<br>FUND | Agency Name   | Purpose                  |
| 16500    | \$ <u>34,991</u> | 78000         | Department of Finance and Administration (pass-through from New Mexico Crime Victims Reparation Commission) | cost-reimbursement grant |

Payables due to other state agencies as of June 30, 2010, include:

| Due to   |                 | Due from      |  |                |
|----------|-----------------|---------------|--|----------------|
| Fund No. | Amount          | SHARE<br>FUND | Agency Name                              | Purpose        |
| 34100    | \$ <u>6,274</u> | 16500         | Department of Finance and Administration | FY10 Reversion |

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**G. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS**

Because the DA keeps their budget on the modified GAAP basis, a reconciliation of the budget financial statements to the fund financial statements is not necessary. However, a reconciliation is necessary if accounts payable (per balance sheet) are paid out of subsequent year budgeted funds.

**H. COMPENSATED ABSENCES**

The amount recorded as a long-term liability in the government-wide statements for compensated absences consists of accrued annual leave and accrued sick leave. A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

|                              | <b>Balance<br/>2009</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>2010</b> | <b>Due<br/>Within<br/>One Year</b> |
|------------------------------|-------------------------|------------------|------------------|-------------------------|------------------------------------|
| Compensated absences payable | \$ <u>147,561</u>       | <u>126,674</u>   | <u>(132,627)</u> | <u>141,608</u>          | <u>132,627</u>                     |

Prior year compensated absences have been liquidated by the general fund

**I. CONTINGENCIES**

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

**Risk of loss**

The DA is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workers' compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and were not included in this report. However, the DA is not liable for more than the premiums paid.

**J. LEASE COMMITMENTS**

The DA has operating leases for office equipment. Lease expense for the year ended June 30, 2010 was \$24,948. Future minimum rental payments as of June 30, 2010 are as follows:

| <b>Year</b> | <b>Lease<br/>Payments</b> |
|-------------|---------------------------|
| 2011        | \$ 20,396                 |
| 2012        | 1,700                     |
| 2013        | -                         |
|             | \$ 22,095                 |

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

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**K. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010 is as follows:

| <b>Governmental Activities</b>       | <b>Balance<br/>2009</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balance<br/>2010</b> |
|--------------------------------------|-------------------------|------------------|------------------|-------------------------|
| <b>Capital assets depreciated</b>    |                         |                  |                  |                         |
| Data processing equipment            | \$ 307,914              | -                | (63,384)         | <b>244,530</b>          |
| Furniture and equipment              | 3,406                   | -                | -                | <b>3,406</b>            |
| Vehicles                             | 554,483                 | -                | (30,117)         | <b>524,366</b>          |
| Total capital assets                 | 865,803                 | -                | (93,501)         | <b>772,302</b>          |
| <b>Less accumulated depreciation</b> |                         |                  |                  |                         |
| Data processing equipment            | (285,205)               | (6,580)          | 63,384           | <b>(228,401)</b>        |
| Furniture and equipment              | (2,725)                 | (341)            | -                | <b>(3,066)</b>          |
| Vehicles                             | (306,780)               | (66,533)         | 30,117           | <b>(343,196)</b>        |
| Total accumulated depreciation       | (594,710)               | (73,454)         | 93,501           | <b>(574,663)</b>        |
| <b>Total capital assets, net</b>     | <b>\$ 271,093</b>       | <b>(73,454)</b>  | <b>-</b>         | <b>197,639</b>          |

The DA is a single function organization and depreciation is recorded to its only activity, general government. Depreciation expense for the year ended June 30, 2010 was \$73,454. As of June 30, 2010, the DA had idle equipment of \$82,674; all idle assets are fully depreciated and pending disposal.

**L. PERA PENSION PLAN**

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

**Funding Policy:** Plan members contributed 7.42% of their gross salary, through July 10, 2009, and 8.92% effective July 11, 2009. The DA contributed 16.59% of the gross covered salary through July 10, 2009; the employer contribution decreased to 15.09% effective July 11, 2009. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The DA's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$395,797, \$409,894 and \$377,851, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**M. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN**

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

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

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

**Funding Policy** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer’s RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

| Fiscal<br>Year | Employer<br>Contribution<br>Rate | Employee<br>Contribution<br>Rate |
|----------------|----------------------------------|----------------------------------|
| FY11           | 1.666%                           | 0.833%                           |
| FY12           | 1.834%                           | 0.917%                           |
| FY13           | 2.000%                           | 1.000%                           |

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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 DA's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$32,602, \$29,348 and \$27,540, respectively, which equal the required contributions for each year.

**N. JOINT POWER AGREEMENT AND MEMORANDUM OF UNDERSTANDING**

The DA has no joint power agreements and two memorandums of understanding. as follows:

- |    |                       |   |
|----|-----------------------|---|
| 1) | Participant:          | DA and the San Juan County Sheriff Department                       |
|    | Responsible Party:    | DA  |
|    | Description:          | House DWI prosecution staff at the San Juan County Sheriff's Office |
|    | Term:                 | Renewable annually, for an indefinite time                          |
|    | Amount Involved:      | \$50,000  |
|    | Revenue/Expenditures  |   |
|    | Reported:             | Revenue reported by DA, expense reported by Sheriff's Dept          |
|    | Audit Responsibility: | Both parties should have the contract reviewed                      |
|    | Fiscal Agent:         | Not applicable  |
|    |                       |   |
| 2) | Participant:          | DA and the City of Bloomfield                                       |
|    | Responsible Party:    | DA  |
|    | Description:          | DA staff manages DWI cases for Bloomfield police department         |
|    | Term:                 | Renewable annually, for an indefinite time                          |
|    | Amount Involved:      | \$5,000   |
|    | Revenue/Expenditures  |   |
|    | Reported:             | Revenue reported by DA, expense reported by City                    |
|    | Audit Responsibility: | Both parties should have the contract reviewed                      |
|    | Fiscal Agent:         | Not applicable  |

**O. DETERMINATION OF SINGLE AUDIT**

During fiscal year 2010, the DA was awarded federal funds of \$384,900, and spent \$432,343. Therefore, the threshold for a Single Audit as described in OMB A-133 was not met.

**STATE OF NEW MEXICO  
 ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - ALL AGENCY FUNDS  
 AS OF JUNE 30, 2010**

| <b>PROGRAM NAME</b>                               | <b>Balance<br/>June 30<br/>2009</b> | <b>Receipts</b> | <b>Disburse-<br/>ments</b> | <b>Balance<br/>June 30<br/>2010</b> |
|---|-------------------------------------|-----------------|----------------------------|-------------------------------------|
| <b><u>WORTHLESS CHECKS</u></b>                    |                                     |                 |                            |                                     |
| <b>ASSETS</b>                                     |                                     |                 |                            |                                     |
| Cash in authorized bank account                   | \$ 5,687                            | 41,544          | (46,989)                   | 242                                 |
| <b>LIABILITIES</b>                                |                                     |                 |                            |                                     |
| Due to others                                     | \$ 5,687                            | 41,544          | (46,989)                   | 242                                 |
| <b><u>PRE-PROSECUTION DIVERSION PROGRAM</u></b>   |                                     |                 |                            |                                     |
| <b>ASSETS</b>                                     |                                     |                 |                            |                                     |
| Cash in authorized bank account                   | \$ 26,493                           | 123,886         | (122,777)                  | 27,602                              |
| <b>LIABILITIES</b>                                |                                     |                 |                            |                                     |
| Due to others                                     | \$ 26,493                           | 123,886         | (122,777)                  | 27,602                              |
| <b><u>COMBINED FIDUCIARY CHECKING ACCOUNT</u></b> |                                     |                 |                            |                                     |
| <b>ASSETS</b>                                     |                                     |                 |                            |                                     |
| Cash in authorized bank account                   | \$ 32,180                           | 165,430         | (169,766)                  | 27,844                              |
| <b>LIABILITIES</b>                                |                                     |                 |                            |                                     |
| Due to others                                     | \$ 32,180                           | 165,430         | (169,766)                  | 27,844                              |

**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***

Mr. Robert P. Tedrow, District Attorney,  
State of New Mexico, Office of the District Attorney  
Eleventh Judicial District, Division I  
and  
Mr. Hector H. Balderas, New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund of the Office of the District Attorney, Eleventh Judicial District, Division I of the State of New Mexico (DA) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and responses* that we consider to be a significant deficiency in internal control over financial reporting (#10-01). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we 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 DA's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the DA's response 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 New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, flowing script.

Hinkle & Landers, PC  
December 10, 2010

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**SUMMARY OF FINDINGS AND RESPONSES**

| <u>Reference</u>         | <u>Findings</u>                                   | <u>Status of<br/>Prior Year<br/>Findings</u> | <u>Financial<br/>Statement<br/>Finding</u> | <u>State<br/>Auditor<br/>Finding</u> |
|--------------------------|---|--|--|--------------------------------------|
| <b>Prior year - None</b> |   |  |  |                                      |
| <b>Current year</b>      |   |  |  |                                      |
| 10-01                    | IMPROVE SEGREGATION OF DUTIES—<br>FIDUCIARY FUNDS | Current                                      | Yes  | No                                   |

**10-01—IMPROVE SEGREGATION OF DUTIES—FIDUCIARY FUNDS**

**Condition**

Segregation of duties over the agency’s fiduciary funds was not in place at all times during fiscal year 2010. It was noted that one employee may perform the following functions:

- Maintain custody of check stock,
- Sign checks,
- Enter transactions into the subsidiary ledger, and
- Reconcile bank statements.

**Criteria**

An essential element of any preventative control system is a segregation of functions in such a manner that no single individual can perpetrate an error or misappropriation or illegal act without the error being discovered in a timely manner. Three general categories of functions which should be separated to achieve internal controls are:

1. Functions involving custody of assets, i.e. handling cash, physical control of inventory or blank check stock,
2. Functions involving recording transactions, i.e. bookkeeping, preparation of bank reconciliations, and
3. Functions involving the authorization, i.e. authority to sign checks or approve purchases.

**Effect**

An internal control weakness exists when one person may perform more than one of the above functions.

**Cause**

A key employee was on leave during part of fiscal year 2010, and so the duties were absorbed by staff who already had other program responsibilities.

**Recommendation**

The agency should review job descriptions to ensure that functions that should be segregated are properly segregated, and make changes where necessary.

**Management Response**

Current job descriptions were reviewed and are believed to be adequate when fully staffed. In the event of future staffing changes or absences, measures will be put in place to have other staff maintain custody of check stock, additional name(s) will be added to bank signature card to allow other staff to sign checks other than supervisor (limited numbers), and other staff trained to enter transactions into the subsidiary ledger and reconcile bank statements.

**STATE OF NEW MEXICO  
ELEVENTH JUDICIAL DISTRICT ATTORNEY  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was held in a closed session on December 10, 2010, at the DA's Offices in Farmington, New Mexico. In attendance were the following:

Robert P. Tedrow  
Amy Haun

DA  
CFO

Farley Vener, CPA, CFE  
Shannon Gilliland, CPA, CGFM

Independent Auditor, Hinkle & Landers, PC  
Independent Auditor, Hinkle & Landers, PC

**FINANCIAL STATEMENTS**

The financial statements of the DA as of June 30, 2010, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.