

**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, 2008**

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

TABLE OF CONTENTS
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION:	
Official roster	1
FINANCIAL SECTION	
Independent auditors' report	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	MD&A 1-3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of net assets (deficit)—governmental activities	4
Statement of activities—governmental activities	5
Fund Financial Statements	
Balance sheet – governmental funds	6
Statement of revenues, expenditures, and changes in fund balances—governmental funds	7
Statement of revenues, expenditures and changes fund balances—budget and actual GAAP budgetary basis—general fund	8
Statement of fiduciary assets and liabilities—agency funds	9
Notes to the financial statements	10-22
OTHER SUPPLEMENTARY INFORMATION	
Schedule of changes in fiduciary assets, and liabilities—all agency funds	23
Schedule of interagency transfers	24
OTHER REPORT	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with governmental auditing standards	25-26
Summary schedule of prior audit findings	27
Schedule of findings and responses	27-28
Exit conference	29

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I**

**Official Roster
As of June 30, 2008**

Name	Title
Lyndy D. Bennett	District Attorney
Dustin O'Brien	Chief Deputy District Attorney
Paul Wainwright	Deputy District Attorney
Richard Capshaw	Deputy District Attorney
David W. Duncan	Deputy District Attorney
Jennifer Breakell	Associate Trial Attorney
Dalene Marsh	Assistant Trial Attorney
Marguerite Carr	Associate Trial Attorney
Delia Otero	Prosecution Specialist
Darrel Jiles	Senior Trial Attorney
Adam Bell	Senior Trial Attorney
Brandy Toward	IS Assistant
Heather Smallwood	Associate Trial Attorney
David Ottman	Assistant Trial Attorney
Lisa Kuykendall	Deputy District Attorney
Kelli Palmer	Senior Secretary
Eric Morrow	Senior Trial Attorney
Skye Bokatzian	Prosecution Specialist
Erica Cardon	Senior Secretary
Brigitte Thomas	Assistant Trial Attorney
Carolyn Wilber	Senior Trial Attorney
Ryan Keil	Associate Trial Attorney
Jessica Toward	Senior Secretary
Miranda Graham	Senior Secretary
Stephanie Henson	Prosecution Specialist
Debra Plante	Senior Secretary
Tamara Toward	Senior Secretary
Starla Heth	Senior Secretary
Rita Stout	Senior Secretary
Harry Veenstra	Program Administrator
Amy Roberts	Senior Secretary
Connie Everett	Clerk Specialist
Joely Baker	Clerk Specialist
Laura Smith	Senior Secretary
Breanne Nelson	Administrative Secretary
Pam Beauparlant	Senior Secretary
Barbara Dussaman	Administrative Secretary
Melissa Jim	Administrative Secretary
Linda Robinson	Clerk Specialist
Suzan Rosenbaugh	Prosecution Specialist
Patricia Felter	District Office Manager
Roy D. Beck	Special Program Director
Brittany Hill	Clerk Specialist
Stephanie Crawford	Program Administrator
Amy Haun	Chief Financial Officer
Rachon Amick	Financial Specialist
Dawn Alcon	Victim Advocate
Cassandra Namoki	Senior Secretary
Deanne Adamson	Victim Advocate
L. Gaye Grogan	Victim Advocate
Melissa Mathews	Victim Advocate
Michelle Gabaldon	Clerk Specialist
Mary Ann Bixler	Victim Advocate
Alex Otero	Prosecution Specialist (underfill)
Shellie Patscheck	Senior Secretary
Tracy Mosher	Senior Secretary (underfill)
Darla Cantrell	Senior Victim Advocate
Valerie Bell	Lead Investigator
Candice Montoy	Senior Investigator
Mark Hawkinson	Lead Investigator
Thomas Brown	Senior Investigator

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Mr. Lyndy Bennett 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, 2008, 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, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the DA, as of June 30, 2008, 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, 2008 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 MD&A-1 through MD&A-3, 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 "other supplemental 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.

Hinkle & Landers, P.C.

Hinkle & Landers, PC
December 10, 2008

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT DIVISION I
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2008
Unaudited**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statement consists of the following: government-wide financial statements, governmental funds 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 11th 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 11th Judicial District Attorney, Div. I's net assets and how they have changed.

Fund Financial Statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance)

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

The 11th 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.

Analysis of Financial Position (Statement of Net Assets)

<u>Total Assets:</u>	Consists of cash of \$1,951,743 on deposit with the State Treasurer, cash on hand of \$250, net receivables of \$295,561, prepaid expenses of \$656 and capital assets, net of accumulated depreciation, of \$268,429. Total assets are \$2,516,639
<u>Total Liabilities:</u>	Consists of \$53,523 accounts payable, \$214,533 reversion, \$140,867 accrued payroll, and \$115,000 compensated absences payable with in one year and \$22,075 after one year.
<u>Net Assets:</u>	Total net assets are \$1,970,641. Consists of \$268,429 invested in capital assets and \$1,702,212 of unrestricted net assets.
<u>Result of Operations:</u>	(Statement of Activities)
<u>Total Revenues:</u>	Consists of \$3,950,101 for operational purposes. State General Fund appropriations, and federal awards provide the majority of the revenue.
<u>Total Expense:</u>	Consists of \$3,546,419 mainly for operational, employee salaries and benefits and operating costs purposes.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT DIVISION I
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2008
Unaudited**

Analysis of District Attorney's Overall Financial Position and Result Operations

	<u>2008</u>	<u>2007</u>
Assets:		
Current and other assets	\$ 2,248,210	2,092,312
Capital assets	268,429	129,350
Total assets	<u>\$ 2,516,639</u>	<u>2,221,662</u>
 Total Liabilities	 <u>\$ 545,999</u>	 <u>2,192,062</u>
 Net assets:		
Invested in capital assets	268,429	129,350
Unrestricted	1,702,211	(125,683)
Total net assets	<u>\$ 1,970,640</u>	<u>3,667</u>
 Revenue:		
Program revenue	\$ 522,492	503,253
Appropriations	3,222,140	2,872,003
Total revenues	<u>3,744,632</u>	<u>3,375,256</u>
 Expenses:		
Personnel services	3,227,550	2,939,302
Contractual services	16,339	23,563
Other costs	302,530	313,322
Total expenses	<u>3,546,419</u>	<u>3,276,187</u>
 (Decrease) in net assets	 <u>\$ 198,213</u>	 <u>99,069</u>

Total assets were slightly higher in 2008 over 2007 to cover current liabilities which were higher because of the timing difference in paying the liabilities. Net Assets in 2008 improved over 2007 due to additions to capital assets and because the unrestricted balance includes SWB fund balance. Appropriations increased in 2008 over 2007 to increase current salaries and cover increased expenses.

Analysis of Significant Changes in Individual Funds

No significant changes in funds occurred.

Analysis of Significant Budget Variances

The addition of new SWB funds, a \$50,000 contract with the Sheriff's Office and the 11th Judicial District Attorney, Div. I did not require as much federal funds as anticipated so total expenditures were lower; mostly due to capital outlay plans with the county for a new building being postponed. 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, 2008
Unaudited**

Significant Capital Asset and Long-Term Debt Activity

Capital assets improved due to additions of vehicles. Compensated absences increased because employees of the 11th Judicial District Attorney, Div. I accrued more vacation time than taken.

The only long-term debt is due to compensated absences payable for which the 11th Judicial District Attorney, Div. I will have to 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, Division I intends to continue to lobby the legislature to increase the funding from the General Fund, and also will 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 Division 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 Division 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

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

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

ASSETS	<u>Governmental Activities</u>
Current Assets	
Investments in the State General Fund Investment Pool	\$ 1,951,743
Petty cash	250
Receivables	295,561
Prepaid expenses	656
Total current assets	<u>2,248,210</u>
Capital assets, net	<u>268,429</u>
Total assets	<u><u>\$ 2,516,639</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 53,524
Due to the state general fund	214,533
Accrued salaries and employee benefits	140,867
Compensated absences payable - expected to be paid within one year	<u>115,000</u>
Total current liabilities	<u>523,924</u>
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	<u>22,075</u>
Total liabilities	<u>545,999</u>
NET ASSETS	
Invested in capital assets	268,429
Unrestricted	<u>1,702,211</u>
Total net assets	<u>1,970,640</u>
Total liabilities and net assets	<u><u>\$ 2,516,639</u></u>

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, 2008**

EXPENSES	<u>Governmental Activities</u>
General government	
Public safety	\$ (3,546,419)
Less: Program revenues	
Operating grants and contracts	522,492
Net program (expenses)/revenue	<u>(3,023,927)</u>
 REVENUES	
General revenues	
Transfers - state general fund appropriation FY 08	3,427,609
less Transfers - reversion to state general fund FY 08	<u>(205,469)</u>
Total general revenues	<u>3,222,140</u>
Change in net assets	198,213
 Net assets, beginning	 3,667
Net assets, adjustment	<u>1,768,760</u>
	<u>1,772,427</u>
Net assets, ending	<u>\$ 1,970,640</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008**

ASSETS	(16500) General Fund
Investments in the State General Fund Investment Pool	\$ 1,951,743
Petty cash	250
Receivables	295,561
Prepaid expenses	656
Total assets	<u>\$ 2,248,210</u>
LIABILITIES	
Accounts payable	53,523
Accrued salaries and employee benefits	140,867
Due to state general fund (reversion FY 08)	214,533
Current liabilities	<u>408,923</u>
FUND BALANCE	
Reserved for petty cash	250
Reserved for prepaid expenses	656
Reserved Southwest Border funds	1,838,381
Unreserved/undesignated	-
Total fund balance	<u>1,839,287</u>
Total liabilities and fund balance	<u>\$ 2,248,210</u>

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

Total fund balance governmental funds	\$ 1,839,287
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds	268,429
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	(137,075)
Rounding	(1)
Net assets of governmental activities	<u>\$ 1,970,640</u>

The accompanying notes are an integral part of 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, 2008**

REVENUES	(16500) General Fund
Federal funds	\$ 471,414
Contracts	<u>51,078</u>
Total revenues	<u>522,492</u>
 EXPENDITURES	
Current	
General government:	
Personal services and benefits	3,216,408
Contractual services	16,339
Other costs	238,716
Capital outlay	<u>140,623</u>
Total expenditures	<u>3,612,086</u>
 OTHER FINANCING SOURCES (USES)	
State general fund appropriations FY 08	3,427,609
less: Transfers-reversion to state general fund FY 08	<u>(205,469)</u>
Net other financing sources	<u>3,222,140</u>
Net change in fund balance	132,546
Fund balance, beginning	250
Fund balance, adjustment	<u>1,706,491</u>
Fund balance, beginning-restated	<u>1,706,741</u>
Fund balance, ending	<u>\$ 1,839,287</u>

**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 \$ 132,546

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.

In the current period, these amounts are:

Depreciation expense	(63,813)
Capital outlay that was included as additions in capital assets	140,623

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.

These activities consist of:

(Increase) decrease in compensated absences	(11,142)
Rounding	<u>(1)</u>
Change in net assets - governmental activities	<u>\$ 198,213</u>

The accompanying notes are an integral part of 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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ 1,791,756	2,155,256	471,414	(1,683,842)
Contracts and miscellaneous revenue	-	50,000	51,078	(1,078)
Total revenues	<u>1,791,756</u>	<u>2,205,256</u>	<u>522,492</u>	<u>(1,684,920)</u>
EXPENDITURES				
Current:				
General government				
Personal services	3,817,600	3,442,600	3,216,408	226,192
Contractual services	26,200	26,200	16,339	9,861
Other costs	1,371,556	2,023,442	238,716	1,784,726
Capital outlay	-	140,623	140,623	-
Total expenditures	<u>5,215,356</u>	<u>5,632,865</u>	<u>3,612,086</u>	<u>2,020,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,423,600)</u>	<u>(3,427,609)</u>	<u>(3,089,594)</u>	<u>2,020,779</u>
OTHER FINANCING SOURCES (USES):				
State general fund appropriations	3,423,600	3,427,609	3,427,609	-
less transfers reversion to state general fund FY 08	-	-	(205,469)	(205,469)
Net interagency transfers	<u>3,423,600</u>	<u>3,427,609</u>	<u>3,222,140</u>	<u>(205,469)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>132,546</u>	<u>1,815,310</u>

The accompanying notes are an integral part of 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, 2008**

	<u>Agency Fund</u>
ASSETS	
Cash in authorized bank account	\$ <u>57,476</u>
TOTAL ASSETS	\$ <u><u>57,476</u></u>
LIABILITIES	
Due to others	\$ <u>57,476</u>
TOTAL LIABILITIES	\$ <u><u>57,476</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, 2008**

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 not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Included within the reporting entity is the DA as described above. Other Executive Branch entities of government are excluded because they are established separately by statutes.

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

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

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

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

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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 Account 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 are 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, 2008**

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

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

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, 2008**

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 1st, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
4. Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
7. The DA's budget for the fiscal year ending June 30, 2008 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

limit. The-DA submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.

9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. The budget for the General Fund and the Special Revenue Funds are not adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts.
13. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2008. The DA's General Fund is a reverting fund (funds revert back to the State General Fund).
14. Appropriations lapse at the end of the year except for those amounts encumbered.
15. Budgets for the General Fund and Special Revenue Funds are presented on the modified accrual basis of accounting. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion. Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
16. 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.

Major individual funding sources are reported in the general fund in the fund financial statements. The following are the DA's major funding sources:

Governmental Funds:

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

The DA receives all State of New Mexico appropriations in their General Fund, the DA's additional Departments are incorporated as part of the General Fund and are as described below receive funds from various grants and contracts and therefore the funds are not subject to reversion back to the State of New Mexico as are state appropriations.

Southwest Border Prosecution Initiative-Provides funds to support the prosecution and detention of federally referred cases for four states: Arizona, California, New Mexico and Texas. 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.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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 High Intensity Drug Trafficking Areas.

Victims of Crime Act—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. While minimal federal requirements must be met, each state is given great discretion in awarding specific sub-grants.

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 and/or other funds. 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, 2008.

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.

5. Encumbrances

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

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

6. Reservations of Fund Balances

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

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 (Southwest Border Funds) and other contracts.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Expenditures are recognized when the related fund liability is incurred.

7. Net Assets

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

Investment 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, 2008.

Unrestricted (Deficit) Net Assets - represent the deficit of the DA at June 30, 2008. It consists of a combination of the DA's compensated absences payable less \$250 in petty cash.

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

8. Use of Estimates

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

9. Cash and Cash Equivalents

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

10. 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.

11. Capital Assets

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

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

12. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned per Month</u>	<u>Days Earned per Month</u>	<u>Days of Maximum 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, 2008.

13. Accrued Sick Leave

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee’s regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2008 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, 2008 three employees of the DA’s office have accrued leave benefits in excess of 600 hours.

B. CASH AND INVESTMENTS POLICY

Investments in the State Treasurer General Fund Investment Pool

All investments are on deposit with the State Treasurer, and cash is on deposit with one financial institution. Below are required disclosures regarding credit and interest risk.

Credit Risk for Investments

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

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The DA does not have an investment policy that limits investment interest rate risk.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the DA. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the DA is not permitted to have any investments other than what is held at the State Treasurer's Office and the DA did not have any other investments during the year ended June 30, 2008. There is no custodial risk at the DA level since the investment amount is under the contract of the New Mexico State Treasurer.

Investments and cash accounts of the DA at June 30, 2008:

<u>Fund Type</u>	<u>Location</u>	<u>Fund No./ Description</u>	<u>Balance Per Depository</u>	<u>Deposits In Transit</u>	<u>Outstanding (Checks)</u>	<u>Balance Per Financial Statements</u>
General	STO	16500	\$ 1,951,743	-	-	1,951,743
General	On Site	Cash Box	250	-	-	250
Agency	Bank of America	Checking	67,169	12,978	(22,671)	57,476
			<u>\$ 2,019,162</u>	<u>12,978</u>	<u>(22,671)</u>	<u>2,009,469</u>

All investments are on deposit with the State Treasurer, and cash is on deposit with one financial institution and petty cash on-site.

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment account of the DA. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. The DA is not permitted to have any investments other than what is held at the State Treasurer's Office and the DA did not have any other investments during the year ended June 30, 2008. There is no custodial risk at the DA level since the cash amount is under the contract of the New Mexico State Treasurer.

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 to it. In general, state statutes require that all deposits held by financial institutions be collateralized at a minimum level of 50 percent. Since the financial institutional balances (Pioneer Bank account) are held in the DA's name did not exceed \$100,000, 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.

C. RECEIVABLES

Federal receivables of \$295,561 are related to various grant programs. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

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 Southwest

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

Border Funds (SWB) are commingled the rest of the DA's reverting funds. SWB revenues and expenditures are tracked by department within the general fund and the rest of the DA's activity is reviewed for calculation of the reversion. The amount due to the State General Fund is \$205,469 from the FY 2008 appropriation.

E. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

Because the DA keeps their budget on the modified GAAP basis there is no need to reconcile the budget financial statements to the fund financial statements.

F. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	<u>Balance</u> <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated absences payable	\$ <u>125,933</u>	<u>126,395</u>	<u>(115,253)</u>	<u>137,075</u>	<u>115,000</u>

Prior year compensated absences have been liquidated by the general fund

G. CONTINGENCIES

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

1. Risk of loss

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

H. LEASES

The DA has operating lease commitments for its telephone system. The lease terms have expired on the DA's two copiers and they are on a month to month payment plan and therefore, no lease commitment exists for the copiers.

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 Commission 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, 2008**

The future minimum rental payments as of June 30, 2008 are as follows:

<u>Ended</u>	<u>Payments</u>
2009 \$	19,425
2010	19,425
2011	19,425
2012	1,619
2013	-

Lease expenditures for the year ended June 30, 2008 was \$26,325.

I. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008 is as follows:

Governmental Activities	Balance 2007	Additions	Restatement	Balance 2008
Data processing equipment	\$ 294,851	6,083	609	301,543
Furniture and equipment	3,406	-	-	3,406
Vehicles	361,687	134,540	(1)	496,226
	<u>659,944</u>	<u>140,623</u>	<u>608</u>	<u>801,175</u>
Less accumulated depreciation for:				
Data processing equipment	(440,397)	(20,701)	190,483	(270,615)
Furniture and equipment	(2,793)	(341)	750	(2,384)
Vehicles	(87,404)	(42,771)	(129,572)	(259,747)
	<u>(530,594)</u>	<u>(63,813)</u>	<u>61,661</u>	<u>(532,746)</u>
Capital assets, net	<u>\$ 129,350</u>	<u>76,810</u>	<u>62,269</u>	<u>268,429</u>

The DA is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$63,813.

The DA has idle data processing equipment of \$115,753. All idle amounts have been fully depreciated.

There were no deletions. The restatement column shown above is due to the auditors' review and of prior year recalculations after the DA certified the accuracy of its capital assets inventory. Restatements of prior year accumulated depreciation and a small adjustment to capital assets were determined to be necessary. See the restatement note in this audit report.

J. 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,

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute 7.42% of their gross salary. The Court is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Court's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$377,851, \$350,554, and \$331,517, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The DA's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$27,540, \$26,476 and \$25,709, respectively, which equal the required contributions for each year.

The Retiree Health Care Authority is implementing GASB 43 in FY08. As part of the State of New Mexico, all state agencies will need to implement GASB 45 in FY08. The existence of the new GASB 45 standard and its expected impact on the agency is unknown.

L. RESTATEMENT

The DA's Southwest Border funds have been classified as deferred revenue in previous audit reports. It has been determined that the funds are more appropriately classified as fund balance instead of deferred revenue. The funds are considered earned by the DA based on the grant agreement. Therefore, the prior year deferred revenue of \$1,706,491 was reclassified as part of ending fund balance for the year ended June 30, 2007 and brought forward as beginning fund balance for the fiscal year ended June 30, 2008.

The DA's capital assets detail was recomputed by auditor and an increase in net capital assets of \$69,269 was necessary, resulting in an increase in ending balance net assets for 2007 of \$69,269. Together with the increase in fund balance of \$1,706,491 noted in the previous paragraph, the government-wide net assets balance is restated by \$1,768,760.

M. JOINT POWER AGREEMENT AND MEMORANDUM OF UNDERSTANDING

The DA has no joint power agreements and one memorandum of understanding as follows:

Participant:	DA and the San Juan County Sheriff Department
Responsible Party:	The DA
Description:	Provide administrative services for the Sheriff's Department
Term:	FY 08
Amount Involved:	\$50,000
Revenue/Expenditures Reported:	Revenue on the DA's books, expense on the Sheriff's books
Audit Responsibility:	Both parties should have the contract reviewed
Fiscal Agent:	Not applicable

OTHER SUPPLEMENTARY INFORMATION

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, 2008

PROGRAM NAME	Balance June 30 2007	Receipts	Disburse- ments	Balance June 30 2008
<u>WORTHLESS CHECKS</u>				
ASSETS				
Cash in authorized bank account	\$ -	-	-	-
LIABILITIES				
Due to others	\$ -	-	-	-
<u>PRE-PROSECUTION DIVERSION PROGRAM</u>				
ASSETS				
Cash in authorized bank account	\$ -	-	-	-
LIABILITIES				
Due to others	\$ -	-	-	-
<u>COMBINED FIDUCIARY CHECKING ACCOUNT</u>				
ASSETS				
Cash in authorized bank account	\$ 48,160	247,545	(238,229)	57,476
LIABILITIES				
Due to others	\$ 48,160	247,545	(238,229)	57,476

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY'S DIVISION I OFFICE
SCHEDULE OF INTERAGENCY TRANSFERS
For The Year Ended June 30, 2008**

Description	Agency Transferred From	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred In
General Fund Appropriation	DFA	34101	16500	Laws 2007, Ch 28, Sec 4	FY 08	3,119,900
Other Financing Sources						
Compensation Allocation	DFA	34100	16500	Laws 2007, Ch 28, Sec 8	FY08	207,709
Judgeship	DFA	21800	16500	Laws 2007, CH140 Sec 8	FY08	100,000
Total Other Financing Sources						<u>3,427,609</u>

Description	Agency Transferred To	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred Out
General Fund Reversion	DFA	16500	34100	Reversion of FY 07 appropriations	FY07	138,016

OTHER INFORMATION

Hinkle & Landers, P.C.

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

Mr. Lyndy Bennett 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, the budgetary comparison for 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, 2008, which collectively comprise the DA's basic financial statements and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the DA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the DA's financial statements that is more than inconsequential will not be prevented or detected by the DA's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiency in internal control over financial reporting, 06-02. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more

than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the DA's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider item 06-02 to be a material weakness.

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 responses 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 applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle & Landers, PC

December 10, 2008

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

SUMMARY OF FINDINGS AND RESPONSES

Current and prior year findings are as follows:

<u>Description of Findings</u>	<u>Current and Prior Year Findings</u>
06-02 Accounting Process For Agency Funds	Repeated
07-01 Certification of Capital Assets Annual Inventory	Resolved
07-02 Controls Over Maintaining The General Ledger and Audit Report	Resolved
07-03 Controls Over Payroll Duties	Resolved

06-02 AGENCY FUNDS—FUNDS HELD FOR OTHERS

Statement of Condition

During our testing and understanding of the DA's two agency funds, Pre Prosecution Diversion Program and the Worthless Check Fund, we have determined that the physical files contain information to support:

1. Who specifically had contributed the money,
2. Specifically who the money is due to,
3. To which program the money belonged,
4. The length of time the money has been held.

The areas which the DA needs to improve is to

1. Summarize what is in the physical files for points 1 through 4 noted above in a data base so the status of the files can be reviewed efficiently.
2. The combined cash held for others of the two agency funds is \$48,160 as of June 30, 2008. It appears many cases need to be closed out and that much of the cash held needs to be distributed to the proper parties.

It appears that a significant portion of cash held in the agency funds has not been distributed as timely as it should have been.

[The majority of monies are distributed in a timely manner, one week after it is deposited in the bank. Exceptions occur when a victim's mailing address is not immediately known, requiring some research; when money is sent to a victim and then returned as undeliverable, requiring some research; when money is to be distributed among several victims and the exact amounts are not immediately known, requiring some research; when there is a dispute between a victim and an insurance company regarding how much each should receive, requiring some research; when a defendant pays for a drug test that will be taken at a future date, requiring us to hold the money until the drug test is taken].

Criteria

Good accounting procedures required the DA to have the ability to monitor the disposition of the cash held for others in an effective manner which in this case means developing the data base that can efficiently give information on points 1 through 4 noted above.

Effect

It appears that a significant portion of cash held in the agency funds has not been distributed as timely as it should have been.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY DIVISION I
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

[The majority of monies are distributed in a timely manner, one week after it is deposited in the bank. Exceptions occur when a victim's mailing address is not immediately known, requiring some research; when money is sent to a victim and then returned as undeliverable, requiring some research; when money is to be distributed among several victims and the exact amounts are not immediately known, requiring some research; when there is a dispute between a victim and an insurance company regarding how much each should receive, requiring some research; when a defendant pays for a drug test that will be taken at a future date, requiring us to hold the money until the drug test is taken].

Cause

The DA does not appear to have an efficient way to monitor its overall cash amount held for others so that it can efficiently disburse the cash it has on hand.

[There is no existing database that will provide an efficient summary of the restitution funds. The DA statewide CMS has been in development for years; it is expected to provide a way to monitor and track all money owed, money deposited, receipts prepared, payments received, distribution made. In lieu of a working CMS, all records are kept in spreadsheets identifying all monies received, deposited, distributed and awaiting distribution. These spreadsheets are prepared for each month rather than in one continuous format. The records are all available, just not in an efficient format or audit friendly database].

Recommendation

The DA should implement procedures as noted above in the "criteria" section of this finding.

Management Response

The DA believes the distribution of current cash is efficient. \$20,032 of the \$57,476 remaining in the account as of June 30, 2008 either cleared the account in July was distributed in July. The DA has identified the items required for \$8,350 of the \$37,444 undistributed amount leaving \$29,094 to be researched.

A concerted effort is made by the DA to provide adequate record keeping. Because of the continued delay in the implementation of the DA statewide CMS, the DA is reviewing other possibilities such as Quick Books or revising the Excel records to be more efficient. However, making these changes will be a long range project as it will be very time consuming and require a considerable amount of staff training. Regarding money not distributed, the DA is compiling a detailed list of the money not distributed and is continuing attempts to locate current mailing addresses for victims.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008**

An exit conference was held in a closed session on December 10, 2008, at the DA's Offices in Farmington, New Mexico. In attendance were the following:

Lyndy Bennett
Amy Haun

DA
CFO

Farley Vener, CPA, CFE

Independent Auditor, Hinkle & Landers, PC

FINANCIAL STATEMENTS

The financial statements of the DA as of June 30, 2008, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.