

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
INDEPENDENT AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

**TABLE OF CONTENTS
TWELFTH JUDICIAL DISTRICT ATTORNEY**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION:	
Official roster	1
FINANCIAL SECTION	
Independent auditors' report	2-3
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 revenues and expenditures and changes fund balances – budget and actual GAAP budgetary basis – special revenue fund HIDTA narcotic control grant	9
Statement of revenues and expenditures and changes fund balances – budget and actual GAAP budgetary basis – special revenue fund southwest border fund	10
Statement of revenues and expenditures and changes fund balances – budget and actual GAAP budgetary basis – special revenue fund victims of crime advocate	11
Statement of fiduciary assets and liabilities – agency funds	12
Notes to the financial statements	13-26
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Changes in Fiduciary Assets and Liabilities	27
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	28-29
Summary schedule of current and prior audit findings	30
Schedule of findings and responses	31-35
Exit conference	36

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

Official Roster
As of June 30, 2007

Name	Title
Mr. Scot D. Key	District Attorney
Ms. Vicki Wright	District Office Manager

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2500 9th Street NW
Albuquerque, NM 87102
Tel (505) 883-8788
Fax (505) 883-8797
FVener@hl-cpas.com

INDEPENDENT AUDITORS' REPORT

Mr. Scot D. Key District Attorney,
Twelfth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Twelfth Judicial District Attorney of the State of New Mexico (DA) as of and for the year ended June 30, 2007, which collectively comprise the DA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the DA's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the DA are intended to present the financial position and the changes in financial position of each major fund and the aggregate remaining fund information of the State 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, 2007, the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the DA, as of June 30, 2007, and the respective changes in financial position and respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The DA has not presented a Management Discussion and Analysis in the current year's report that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2008 on our consideration of the DA's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedule 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.

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

Hinkle & Landers, PC
December 24, 2008

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2007**

ASSETS	Governmental Activities
Current Assets	
State General Fund Investment Pool	\$ 264,149
Petty cash	50
Federal grant receivables	346,316
Prepaid expenses	144
Total current assets	<u>610,659</u>
Capital assets, net	<u>133,225</u>
Total assets	<u><u>\$ 743,884</u></u>
 LIABILITIES	
Current liabilities	
Vouchers payable	\$ 42,029
Due to the state general fund	3,370
Accrued salaries and employee benefits	127,384
Deferred revenue	27,952
Compensated absences payable - expected to be paid within one year	75,136
Total current liabilities	<u>275,871</u>
 Non-current liabilities	
Compensated absences payable - expected to be paid after one year	<u>28,708</u>
Total liabilities	<u><u>304,579</u></u>
 NET ASSETS (DEFICIT)	
Unrestricted	
Invested in capital assets	133,225
Unrestricted (deficit)	<u>(113,681)</u>
Total unrestricted net assets	19,544
Restricted for:	
Southwest Border Funds	<u>419,761</u>
Total net assets	<u>439,305</u>
Total liabilities and net assets	<u><u>\$ 743,884</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 GOVERNMENT--WIDE-STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007**

EXPENSES	Governmental Activities
General government	
Public safety	\$ (2,738,497)
Loss on disposition of capital assets	(2,252)
Total program expenses and losses	<u>(2,740,749)</u>
Less: Program revenues	
Operating grants and contracts	798,544
Net program (expenses)/revenue	<u>(1,942,205)</u>
 REVENUES	
General revenues	
Transfers	
State general fund appropriation FY 07	2,292,273
Less FY 07 reversion to the State General Fund	(1,747)
	<u>2,290,526</u>
Change in net assets	348,321
 Net assets, beginning	 12,980
Net assets, adjustment	78,004
Net assets, restated	<u>90,984</u>
Net assets, ending	<u>\$ 439,305</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007**

	Major Funds					Total Governmental Funds
	(16600) General Fund	Special Revenue Funds			(91400) VOCA	
		(76700) CGVAF	(91200) HIDTA	(91300) Southwest Border		
ASSETS						
State General Fund Investment Pool	\$ 151,589	27,952	-	84,608	-	264,149
Petty cash	50	-	-	-	-	50
Federal grants receivables	-	-	161,747	181,495	3,074	346,316
Due from other funds	-	-	-	153,658	-	153,658
Prepaid expenses	144	-	-	-	-	144
Total assets	151,783	27,952	161,747	419,761	3,074	764,317
LIABILITIES						
Due to other funds	-	-	151,682	-	1,976	153,658
Vouchers payable	31,998	-	-	10,031	-	42,029
Accrued salaries and employee benefits	116,221	-	10,065	-	1,098	127,384
Due to state general fund (reversion FY 07)	1,746	-	-	-	-	1,746
Due to state general fund (reversion FY 06)	1,624	-	-	-	-	1,624
Deferred revenue	-	27,952	-	-	-	27,952
Current liabilities	151,589	27,952	161,747	10,031	3,074	354,393
FUND BALANCE						
General fund: reserved for petty cash	50	-	-	-	-	50
General fund: reserved for prepaid expenses	144	-	-	-	-	144
Reserved for subsequent year's expenditures	-	-	-	-	-	-
Unreserved/undesignated reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	-	-	-	409,730	-	409,730
Total fund balance	194	-	-	409,730	-	409,924
Total liabilities and fund balance	\$ 151,783	27,952	161,747	419,761	3,074	764,317
Total fund balance governmental funds					\$	409,924
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds						133,225
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						(103,844)
Net assets of governmental activities					\$	439,305

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICITS)-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Major Funds					Total Governmental Funds
	(16600) General Fund	Special Revenue Funds			(91400) VOCA	
		(76700) CGVAF	(91200) HIDTA	(91300) Southwest Border		
REVENUES						
Federal funds	\$ -	-	215,608	514,820	68,116	798,544
Total revenues	<u>-</u>	<u>-</u>	<u>215,608</u>	<u>514,820</u>	<u>68,116</u>	<u>798,544</u>
EXPENDITURES						
Current						
General government:						
Personal services and benefits	1,993,644	-	222,913	-	70,754	2,287,311
Contractual services	68,444	-	1,509	25,745	-	95,698
Other costs	289,236	-	-	8,482	-	297,718
Capital outlay	76,473	-	-	-	-	76,473
Total expenditures	<u>2,427,797</u>	<u>-</u>	<u>224,422</u>	<u>34,227</u>	<u>70,754</u>	<u>2,757,200</u>
OTHER FINANCING SOURCES (USES)						
Inter-agency Transfers						
State general fund appropriation FY 07	2,292,273	-	-	-	-	2,292,273
less FY 07 reversion to the state general fund	(1,747)	-	-	-	-	(1,747)
Total Interagency transfers	<u>2,290,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,290,526</u>
Intra-agency Transfers						
Interfund transfers in	148,867	-	8,814	-	2,638	160,319
Interfund transfers out	(11,452)	-	-	(148,867)	-	(160,319)
Total Interfund transfers	<u>137,415</u>	<u>-</u>	<u>8,814</u>	<u>(148,867)</u>	<u>2,638</u>	<u>-</u>
Net other financing sources	<u>2,427,941</u>	<u>-</u>	<u>8,814</u>	<u>(148,867)</u>	<u>2,638</u>	<u>2,290,526</u>
Net change in fund balance	144	-	-	331,726	-	331,870
Fund balance, beginning	50	-	-	-	-	50
Fund balance, adjustment	-	-	-	78,004	-	78,004
Fund balance, restated	<u>50</u>	<u>-</u>	<u>-</u>	<u>78,004</u>	<u>-</u>	<u>78,054</u>
Fund balance, ending	<u>\$ 194</u>	<u>-</u>	<u>-</u>	<u>409,730</u>	<u>-</u>	<u>409,924</u>
Net change fund balance in governmental funds						\$ 331,870
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						(53,030)
Capital outlay that was included as additions in capital assets						76,473
Loss on disposition of capital assets						(2,252)
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						<u>(4,740)</u>
Change in net assets - governmental activities						<u>\$ 348,321</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
 General Fund (16600)
 For The Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
General government				
Personal services	2,055,400	1,856,400	1,993,644	(137,244)
Contractual services	3,800	68,800	68,444	356
Other costs	156,600	290,600	289,236	1,364
Capital outlay	<u>76,500</u>	<u>76,500</u>	<u>76,473</u>	<u>27</u>
Total expenditures	<u>2,292,300</u>	<u>2,292,300</u>	<u>2,427,797</u>	<u>(135,497)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,292,300)</u>	<u>(2,292,300)</u>	<u>(2,427,797)</u>	<u>(135,497)</u>
OTHER FINANCING SOURCES (USES)				
Inter-agency Transfers				
State general fund appropriations	2,292,300	2,292,300	2,292,273	(27)
Reversion to state general fund FY07	-	-	(1,747)	(1,747)
Total Interagency transfers	<u>2,292,300</u>	<u>2,292,300</u>	<u>2,290,526</u>	<u>(1,774)</u>
Intra-agency Transfers				
Interfund transfers in	-	-	148,867	(148,867)
Interfund transfers out	-	-	(11,452)	11,452
Total Interfund transfers	<u>-</u>	<u>-</u>	<u>137,415</u>	<u>(137,415)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>(148,723)</u>	<u>(124,045)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
Special Revenue Fund - HIDTA Narcotic Control Grant (91200)
For The Year Ended June 30, 2007

	<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				
Intergovernmental revenue:				
Federal sources	\$ 261,500	261,500	215,608	(45,892)
TOTAL REVENUES	<u>261,500</u>	<u>261,500</u>	<u>215,608</u>	<u>(45,892)</u>
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	255,400	255,400	222,913	32,487
Contractual services	2,000	2,000	1,509	491
Other costs	4,100	4,100	-	4,100
Total expenditures	<u>261,500</u>	<u>261,500</u>	<u>224,422</u>	<u>37,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(8,814)</u>	<u>(8,814)</u>
OTHER FINANCING SOURCES (USES):				
Interfund Transfers				
Interfund transfers in	-	-	8,814	(8,814)
Interfund transfers out	-	-	-	-
Total Interfund transfers	<u>-</u>	<u>-</u>	<u>8,814</u>	<u>(8,814)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(17,628)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
 Special Revenue Fund - Southwest Border Fund (91300)
 For The Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Contracts	\$ -	311,132	514,820	203,688
Total revenues	<u>-</u>	<u>311,132</u>	<u>514,820</u>	<u>203,688</u>
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	-	55,000	-	55,000
Contractual services	-	50,000	18,130	31,870
Other costs	-	104,000	6,657	97,343
Total expenditures	<u>-</u>	<u>209,000</u>	<u>24,787</u>	<u>184,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>102,132</u>	<u>490,033</u>	<u>387,901</u>
OTHER FINANCING SOURCES (USES)				
Intra-agency Transfers				
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	(148,867)	(148,867)
Total interfund transfers	<u>-</u>	<u>-</u>	<u>(148,867)</u>	<u>(148,867)</u>
Net change in fund balance	<u>\$ -</u>	<u>102,132</u>	<u>341,166</u>	<u>387,901</u>

Reconciliation of Budgetary Basis to Fund Financial Statement

Total modified GAAP budget basis expenditures for fiscal year 2008:	\$	24,787
Amounts expensed in current year financial statements and paid out of FY09 budget		
Contractual services		7,615
Other costs		1,825
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2008	\$	<u>34,227</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 STATEMENT OF REVENUES AND EXPENDITURES (GAAP Budgetary Basis)
 Special Revenue Fund - Victims Of Crime Advocate (91400)
 For The Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Federal sources	\$ 128,400	71,832	68,116	(3,716)
Total revenues	<u>128,400</u>	<u>71,832</u>	<u>68,116</u>	<u>(3,716)</u>
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	128,400	71,832	70,754	1,078
Contractual services	-	-	-	-
Other costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>128,400</u>	<u>71,832</u>	<u>70,754</u>	<u>1,078</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(2,638)</u>	<u>(2,638)</u>
OTHER FINANCING SOURCES (USES)				
Intra-agency Transfers				
Interfund transfers in	-	-	2,638	(2,638)
Interfund transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Interfund transfers	<u>-</u>	<u>-</u>	<u>2,638</u>	<u>(2,638)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>(2,638)</u>	<u>(2,638)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
Statement of Fiduciary Assets and Liabilities - Agency Funds
As of June 30, 2007**

	<u>Agency Fund</u>
ASSETS	
Cash in authorized bank account	\$ <u>1,452</u>
TOTAL ASSETS	\$ <u><u>1,452</u></u>
LIABILITIES	
Due to the State Treasurer's Fund	\$ <u>1,452</u>
TOTAL LIABILITIES	\$ <u><u>1,452</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 DA serves all of Lincoln and Otero Counties.

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 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
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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 \$419,761 of restricted net assets. All the restricted net assets are considered restricted by enabling legislation under the southwest border fund. The enabling legislation has been determined to be legally enforceable.

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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

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

4. Budgetary Data

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

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

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

1. By September 1st, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
4. Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
7. The DA's budget for the fiscal year ending June 30, 2007 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
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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, 2007. 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 resented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.
16. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. This State Agency has no encumbered funds outstanding as of June 30, 2008.
17. The legal level of budgetary control is at the appropriation unit level.

Major individual governmental funds are reported as separate columns in the fund financial statements. The DA has elected to include all of their governmental funds as major funds. The following are the DA's major funds:

Governmental Funds:

General Fund (16600)-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.

The DA receives all State of New Mexico appropriations in their General Fund, the DA's additional Special Revenue Funds as noted 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 the appropriations are in the General Fund.

Community Gun Grant (76700)-Provide leadership and direction in controlling the use and availability of illegal drugs and to improve the functioning of the criminal justice system, with emphasis on violent crime and serious offenders. This fund does not have any activity and therefore did not have a budget. Subsequent to the year ended June 30, 2007, the cash funds in this fund were reverted back to the grantor.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

HIDTA (91200)-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.

Southwest Border Prosecution Initiative (91300)-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.

Violence Against Women Act (91400)-To assist States, 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, victim-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.

Victims of Crime Act (91400)-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 a fiduciary fund (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 is a fiduciary funds at June 30, 2007.

Pre-Prosecution Program/Worthless Check Fund - 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.

5. Encumbrances

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

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

6. Reservations of Fund Balances

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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

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 and other contracts.

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, 2007.

Unrestricted (Deficit) Net Assets - represent the deficit of the DA at June 30, 2007. It consists of a combination of the DA's compensated absences payable less \$50 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

The DA has defined cash and cash equivalents to include short-term investments on deposit with the State Treasurer and one financial institution for the agency fund.

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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.

Computer equipment and software	3 years
Furniture and equipment	6 years
Vehicles	5 years

12. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

Years of Service	Hours Earned per Month	Days Earned per Month	Days of Maximum Accrual
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. At June 30, 2007, accrued compensated absences payable for accumulated annual leave totaled \$111,785.

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, 2007 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the Governmental Activities Funds. As of June 30, 2007, 5 employees of the DA's office have accrued leave benefits in excess of 600 hours, which amounted to \$7,756 of the total noted below in the long-term debt note.

14. Inter fund Activity

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

15. Program Revenues

Program revenues include federal and state grants.

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

Investments in the State Treasurer's General Fund Investment Pool (GFIP)

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

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 cash amount is under the contract of the New Mexico State Treasurer.

Cash/Investment accounts of the DA at June 30, 2007:

<u>Fund Type</u>	<u>Location</u>	<u>SHARE Fund No./ Description</u>	<u>Balance Per Depository</u>	<u>Deposits In Transit</u>	<u>Outstanding Warrants/ Checks</u>	<u>Balance Per Financial Statements</u>
General	STO	26200-16600	\$ 151,589	-	-	151,589
Agency	Pioneer Bank	Checking	2,787	-	(1,335)	1,452
Special revenue	STO	26200-76700	27,952	-	-	27,952
Special revenue	STO	26200-91200	-	-	-	-
Special revenue	STO	26200-91300	84,608	-	-	84,608
Special revenue	STO	26200-91400	-	-	-	-
General	On Site	Cash Box	50	-	-	50
			<u>\$ 266,986</u>	<u>-</u>	<u>(1,335)</u>	<u>265,651</u>

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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(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 this bank account.

Accounts held at the State Treasurer's office do not require separate collateralization at the DA's level. Any collateralization required to secure the accounts held by the State Treasurer's office is the responsibility of the State Treasurer. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO) and the STO issues separate financial statements, which disclose the collateral pledged to secure these deposits.

C. RECEIVABLES

Federal receivables of \$346,316 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. The amount due to the State General Fund is \$1,624 from the FY 2006 appropriation and \$1,746 from the FY 2007 appropriation.

All amounts revert from the DA's SHARE fund #16600 to the State General Fund # 34100.

All amounts in the general fund of the DA's fund balance revert unless there are outstanding encumbrances and unencumbered balances related to special, deficiency, specific and capital appropriations. As of June 30, 2008, the DA did not have any special, deficiency, specific and capital appropriations.

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, with the exception if accounts payables shown on the balance sheet – governmental funds was paid out of a different fiscal year budget. Only the Southwest Border Fund had accounts payable for fiscal year 2007 paid with fiscal year 2008 budget funds. The reconciliation between the Southwest Border Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Revenues and Expenditures (GAAP budget basis) is shown on page 10.

F. 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

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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.

G. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2007 is as follows:

Governmental Activities	Balance 2006	Additions	Deletions	Balance 2007
Computer equipment	\$ 215,393	76,473	(40,327)	251,539
Office machinery	98,046	-	(51,247)	46,799
Vehicles	276,313	-	(54,923)	221,390
	<u>589,752</u>	<u>76,473</u>	<u>(146,497)</u>	<u>519,728</u>
Less accumulated depreciation for:				
Computer equipment	(196,145)	(27,914)	40,327	(183,732)
Office machinery	(92,059)	(1,722)	48,995	(44,786)
Vehicles	(189,514)	(23,394)	54,923	(157,985)
	<u>(477,718)</u>	<u>(53,030)</u>	<u>144,245</u>	<u>(386,503)</u>
Capital assets, net	<u>\$ 112,034</u>	<u>23,443</u>	<u>(2,252)</u>	<u>133,225</u>

The DA is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$53,030.

H. INTRA-AGENCY TRANSFERS

The agency transferred cash/investments from interagency fund to fund

		Transfers In			
		<u>General</u>	<u>HIDTA</u>	<u>VOCA</u>	<u>Total</u>
Transfers Out	General	\$ -	8,814	2,638	11,452
	Southwest Border	<u>148,867</u>	<u>-</u>	<u>-</u>	<u>148,867</u>
	Total	<u>\$ 148,867</u>	<u>8,814</u>	<u>2,638</u>	<u>160,319</u>
		To subsidize expenses for the General fund	To subsidize expenses for the HIDTA program	To subsidize expenses for the VOCA program	

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

I. CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due</u>
	<u>2006</u>			<u>2007</u>	<u>Within</u>
					<u>One Year</u>
Compensated absences payable	\$ <u>99,104</u>	<u>75,136</u>	<u>(70,396)</u>	<u>103,844</u>	<u>75,136</u>

Prior year compensated absences have been liquidated by the general fund

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, 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 DA is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Court are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The DA's contributions to PERA for the fiscal years ending June 30, 2007, 2006 and 2005 were \$245,570, \$258,009, and \$252,605, 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.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The DA’s contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$19,168, \$20,218 and \$19,794, respectively, which equal the required contributions for each year.

L. LEASES

The DA has equipment leases which can terminate with no penalty to the DA, if the Legislature does not appropriate funds to the DA. Leases are for photocopy machines, mailing systems and a storage unit. All leases may terminate at any time with sixty days notice if the NM 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. Future minimum rental payments as of June 30, 2007 in aggregate are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2008 \$	5,172
2009	2,142
2010	-
2011	-
2012	-
\$	<u>7,314</u>

Lease and related insurance expenditures for the year ended June 30, 2008 were \$14,256.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

M. INTERAGENCY TRANSFERS

Below is a schedule of transfers that took place between the DA and other state agencies. No funds were transferred out.

Description	Agency Transferred From	From Fund	To Fund	Reference	Appropri- tion Period	Amount Transferred In
General Fund Appropriation	DFA	34101	16600	Laws 2006, Ch 109, Sec 4	FY 07	\$ 2,183,400
Other Financing Sources						
Compensation Allocation	DFA	34100	16600	Laws 2006, Ch 28, Sec 8	FY 07	108,873
Total Other Financing Sources						<u>108,873</u>
Total Transfers In						<u><u>\$ 2,292,273</u></u>

N. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables reflect short term (current) borrowings among the DA's funds in the normal course of business. As of June 30, 2007, the inter fund payables and receivables that took place between the DA's funds are as follows:

Fund Description	From Fund	To Fund	Due From	Due To	Reason for Interfund Receivable/Payable
VOCA		91400	\$ (1,976)	-	funds borrowed until grant receivable is received
HIDTA		91200	(151,682)	-	funds borrowed until grant receivable is received
SW Border Funds	91300		-	153,658	funds lent until grant receivable is received
			<u>\$ (153,658)</u>	<u>153,658</u>	

O. 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.

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 TWELFTH JUDICIAL DISTRICT ATTORNEY
 Schedule of Changes in Fiduciary Assets and Liabilities
 As of June 30, 2007**

	Balance June 30 2006	Receipts	Disburse- ments	Balance June 30 2007
ASSETS				
Cash in authorized bank account	\$ <u>100</u>	<u>41,621</u>	<u>(40,269)</u>	<u>1,452</u>
LIABILITIES				
Due to others	\$ <u>100</u>	<u>41,621</u>	<u>(40,269)</u>	<u>1,452</u>

OTHER INFORMATION

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2500 9th Street NW
Albuquerque, NM 87102
Tel (505) 883-8788
Fax (505) 883-8797
FVener@hl-cpas.com

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. Scot D. Key District Attorney,
Twelfth Judicial District Attorney
and
Mr. Hector Balderas
New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds of the Office of the District Attorney, Twelfth Judicial District, of the State of New Mexico (DA) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 24, 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 *Governmental 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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiency in internal control over financial reporting, 05-01, 06-01, 07-01, 07-02, and 07-04. 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 deficiencies described above, we consider item 07-01 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 05-01, 05-07, 07-02, and 07-03.

The DA's 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 responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the agency, the 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.

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

Hinkle & Landers, PC

December 24, 2008

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007**

SUMMARY OF FINDINGS

A summary schedule of the status of current and prior year findings are as follows:

<u>Description of Findings</u>	<u>Current and Prior Year Findings Status</u>
05-01 Late Audit Report	Repeated
05-03 Weakness In Internal Controls	Resolved
05-05 Fringe Benefits	Resolved
05-06 Monitoring of Fund Financials	Resolved
05-07 Actual Expenditures Exceed Budget Expenditures	Repeated
06-01 Stale-dated Warrants	Repeated
07-01 Controls Over Maintaining The General Ledger And Audit Report	Current
07-02 Certification Of Capital Assets Annual Inventory And Notifying State Auditor Office Of Dispositions Of Capital Assets	Current
07-03 Reversion Not Made Timely To State General Fund	Current
07-04–Worthless Checks And PPD Internal Controls Improvements	Current

05-01 LATE AUDIT REPORT-MODIFIED

Statement of Condition

The annual financial and compliance audit for the year ending June 30, 2007 was not conducted within the time limit imposed by the State of New Mexico guidelines or requirement for the Conducting of Audits. The audit report was postmarked and mailed to the State Auditors' Office on December 31, 2008.

Criteria

The requirements set forth in the New Mexico State Auditors' Rule 2 NMAC 2.2 require that the financial and compliance audit be conducted and completed within five and a half months of the DA's fiscal year end.

Effect

The financial and compliance audit is a Statute requirement. Failure to have a completed audit by the stipulated date may jeopardize the DA's eligibility for funding from the State Legislature and Federal agencies.

Cause

The DA lost its Chief Financial Officer as of June 30, 2007 and many closing processes had not yet been completed. The implementation of SHARE financial computer system was in place for the first time for this fiscal year and a fairly steep learning curve was required for the new CFO.

Recommendation

The DA is required to meet the audit deadline of December 15, 2007 and it should comply with the regulatory requirements regarding the completion of the financial and compliance.

Management Response

Due to the circumstances regarding the prior CFO, the agency was unable to obtain a timely audit for the FY 07. This issue will be resolved in future audits.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007**

05-07 ACTUAL EXPENDITURES EXCEED BUDGET EXPENDITURES-REVISED

Statement of Condition

Actual expenditures exceeded budgeted expenditures within a category for in the following funds:

General Fund by \$137,244 in the "Personal Services".

Criteria

In accordance with Chapter 6, Article 3 NMSA 1978, expenditures may not exceed approved budgeted amounts.

Effect

Budgetary controls are circumvented and Department of Finance and Administration regulations are violated.

Cause

The SHARE system did not post two payrolls during FY 07 until October, 2007, which is more than 3 months after the end of FY07.

Recommendation

This appears to be a specific case where SHARE had problems posting payroll and the DA did not have adequate reporting to properly monitor its expenses. In hindsight it appears management should have reviewed its payroll situation and compensated for the lack of information from SHARE.

Management Response

Two payroll journals were posted late by DFA/SHARE, causing the agencies expenditures to exceed budget after the fiscal year had ended. Statewide training was implemented and continues to improve within SHARE, DFA and the agency; allowing these oversights to be handled immediately and within the proper fiscal year.

06-01 STALE DATED WARRANTS

Statement of Condition

The DA had what appeared to be four stale dated warrants older than 6 months as of June 30, 2007 on its outstanding warrant listing provided by SHARE. Further inquiry with DA management determined that the warrants on the list were actually paid and the State Treasurer's Office (STO) has reconciliation problems. The amount of the warrants in question amount to \$1,065.87.

Criteria

Items on the outstanding warrants list should be reviewed by the DA and a determination should be made whether the list is accurate. If the list is accurate the warrants that are no longer valid and have become stale dated need to be voided or reissued. If the outstanding warrants list is in error, STO should be contacted and the DA should attempt to get the error corrected.

Effect

There is the appearance that warrants are stale dated and vendors have not been paid or STO has made reconciliation errors in the amount of \$1,065.87.

Cause

The DA may not have reviewed these specific items because there were many issues at the DAs office to be addressed since the departure of the former CFO.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007**

Recommendation

The DA should review the outstanding items on its cash/investment outstanding warrant listing per SHARE in a timely manner and make sure they are all valid.

Management Response

These warrants have been cashed and there appears to be a problem with STO in reconciling these items. The agency will inquire with STO more timely, to ensure correct/accurate reconciliations.

07-01—CONTROLS OVER MAINTAINING THE GENERAL LEDGER AND AUDIT REPORT

Statement of Condition

During our audit we made several adjustments to the DA's books that the new SAS 112 requires to report as a finding. Without these adjustments being made the DA's books would have material misstatements and also the Agency is required to sufficiently understand all of the reports in the audited financial statements, the financials themselves and the related footnotes to the audit report.

Criteria

Statement of Auditing Standards (SAS) 112 was implemented as of December 15, 2006. Some of the key underlying concepts of this standard are as follows. The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.

- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process of the organization's internal controls that the client needs to maintain.

Also, since significant adjustments to the financials were made it calls into question whether the DA staff has the qualifications and training to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

Effect

Because these adjustments were made by the auditor and not by the DA, it results in an internal control weakness in maintaining the general ledger and would extend to the audit report and understanding the audited financials and the notes to the financial statements.

Cause

The implementation of SAS 112, which requires the auditor to reconsider the design and processes needed to be implemented and executed by the auditee and carry them forward to the audit report, financial statements and related notes to the financial statements is the cause of this finding. In previous years SAS 112 was not implemented and therefore, these requirements were not in force.

Recommendation

We recommend that the DA make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of the DA makes the adjustment and understands how and why the adjustments were made and also demonstrates the qualifications and training to present the financial statements according to

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007**

generally accepted accounting principles.. We also recommend that an appointed person review the audited financials and demonstrate a strong understanding of the entire audit report.

Management Response

The agency accepts the recommendation of the auditor.

07-02—CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY AND NOTIFYING STATE AUDITOR OFFICE OF DISPOSITIONS OF CAPITAL ASSETS

Statement of Condition

1. The DA is not conducting an annual physical inventory of its capital assets consisting of those with a historical cost of five thousand dollars (and one thousand prior to 2005) or more as of June 30, 2008 and is not obtaining a certification, which includes a signature by the governing authority of the Agency of the correctness of the report.
2. During our review of the inventory of capital assets, there were many adjustments required for assets that were no longer present at the DA. There were 45 assets that were removed from the list. Per our inquiry it was hard to determine when these items were disposed of since the DA has not been maintaining an updated inventory of capital assets and is not notifying the State Auditor's office of disposition of capital assets.

Criteria

1. NMAC 2.20.1.16 Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of \$5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by the governing authority of the agency. Also, idle items should be identified in the inventory.
2. Per Sections 13-6-1 and 13-6-2 NMSA 1978, and the procurement code, govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions.

The State Auditor must be notified for all capital assets removed from the DA's capital asset list. The assets identified in the notification letter(s) to the State Auditors office should match the deletion of assets from the capital assets listing.

Effect

1. The inventory of the capital assets was not correct, and monitoring of capital assets is not being kept up and therefore, capital assets may go missing by theft or misplacement.
2. Because of the lack of monitoring of disposition of capital assets there is a risk that assets may be stolen or lost.

Cause

1. The DA may not have been aware of the NMAC requirement
2. The DA may not have considered that the deletions on the capital asset list should agree to the notification letter(s) sent to the State Auditors Office.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007**

Recommendation

1. We recommend the DA conduct a physical inventory of capital assets every year and document that the inventory was completed. The documented inventory should include a certification that the inventory is correct and signed by a responsible official of each department of DA. Items that are considered idle must be identified for inclusion in the notes to the audited financial statements.
2. The DA should make sure that the deletions on the capital asset list agree to the notification letter(s) sent to the State Auditors Office.

Management Response

The agency will obtain the correct procedures to mandate and follow for notifying the State Auditor regarding inventory issues. The agency will continue to conduct a physical inventory of capital assets on a yearly basis.

07-03—REVERSION NOT MADE TIMELY TO STATE GENERAL FUND

Statement of Condition:

The DA's 2006 reversion due to the State General Fund in the amount of \$1,624 per the 2006 audit report was not transferred by the September 30 deadlines to the State General Fund nor by the 45 day deadline after the release of the 2006 audit report.

Criteria

Per the State Auditor Rule 2.2.2.12 A. Pertaining To Audits Of State Agencies Section (6) Reversions To The State General Fund "Section 6-5-10, NMSA 1978 requires "all unreserved, undesignated fund balances in reverting funds and accounts as reflected in SHARE as of June 30, shall revert as of September 30, to the State General Fund. The DA may adjust the reversion within forty-five days of release of the audit report for that fiscal year." Failure to transfer reverting funds in compliance with the statute requires an audit finding."

Effect

The DA is not in compliance with the State Statute and State Auditor Rule.

Cause

The DA did not make the transfer of funds

Recommendation

We recommend that the DA be aware of how much is needs to revert based on its analysis of its financials and comply with the State Statutes and State Auditor Rule noted in the "Criteria" above.

Management Response

The Agency will follow the recommendation noted above.

07-04—WORTHLESS CHECKS AND PPD INTERNAL CONTROLS IMPROVEMENTS

Statement of Condition

During our interviews to gain an understanding of internal controls and our examination of supporting documentation, we determined there are some areas where internal controls need to be improved. Below are areas where implementations of extra control activities are needed.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007**

Checks and Balances on Worthless Checks and Prepaid Prosecution Cash Receipts—The Pre-Prosecution Program and Worthless Check Program staff works with clients in their program which includes accepting money orders and checks from clients, entering the cash receipts in the receipt book, and entering the balances in the client's file. There is the opportunity for the receiver of the money order to misappropriate funds since one person creates the receivables (amount owed) and receives the money.

Recording of Cash Although the DA records most of its cash/investment accounts, there is one small bank account with approximately \$2,787 in it that is not recorded in the DA's general ledger.

Criteria

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity fraud to take place.

Effect

Errors or fraud taking place in the cash and receipts areas may go undetected or not found in a timely manner.

Cause

The DA may not have considered the internal control weaknesses.

Recommendation

Checks and Balances on Worthless Checks and Prepaid Prosecution Cash Receipts

1. The mail and cash payments should be received and opened by Program Assistant (PA) and stamped for deposit only on the back of each DA check.
2. The PA will log in all the checks for DA fees and Merchant fees on a spreadsheet.
3. The PA will fill out a deposit slip for the DA fees and photocopy the Merchant fees checks and give the photocopies to the Worthless Check Director (Director).
4. All checks will be transferred to the Worthless Check Director (Director)
5. The Director will process the information she needs from the checks and she will hand the DA fee checks back to the PA.
6. The PA will log the checks out on the spreadsheet.
7. The PA will deposit the DA fees at the bank and staple the deposit receipt onto a hardcopy of the spreadsheet.
8. The Merchant checks will be handed off to the PA.
9. The PA will log the checks out on the spreadsheet and mailed immediately.

Note: The Merchant fee checks should kept in a safe until mailed out.

Recording of Cash All cash accounts should be recorded in the DA's accounting records.

Management Response

We will implement recommendations 1-9 to ensure more sound internal controls. The agency implemented all prior recommendations and will continue to strive for the most accountability.

**STATE OF NEW MEXICO
TWELFTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2007**

An exit conference was held in a closed session on December 24, 2008, at the DA's Offices in Alamogordo, New Mexico. In attendance were the following:

Scot D. Key
Kimberly King

DA
CFO

Farley Vener, CPA, CFE

Independent Auditor, Hinkle & Landers, PC

FINANCIAL STATEMENTS

The financial statements of the DA as of June 30, 2007, were substantially prepared by Hinkle & Landers, PC, however, the financial statements are the responsibility of management.