

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II

OFFICIAL ROSTER
JUNE 30, 2009

Name

Title

Karl R. Gillson

District Attorney

Administrative Officials

Elizabeth A. Sanchez

Chief Financial Officer

Antoinette Esquibel

Program Specialist

Andrea Hoffman

Program Administrator

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**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II**

FOR THE YEAR ENDED JUNE 30, 2009
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FINANCIAL SECTION

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Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Karl R. Gillson, District Attorney
Office of the District Attorney
Eleventh Judicial District – Division II
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying basic financial statements consisting of the governmental activities, the major fund, budgetary comparison for the general fund and the aggregate remaining fund information consisting of the fiduciary fund column in the fund financial statements of the State of New Mexico Office of the District Attorney Eleventh Judicial District, Division II (the Office), as of and for the year ended June 30, 2009, which collectively comprise the Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Office of the District Attorney Eleventh Judicial District, Division II, State of New Mexico, are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2009 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 Office, as of June 30, 2009, and the respective changes in financial position thereof and the 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 14, 2009 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The *Management's Discussion and Analysis* on pages v through viii 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 financial statements that collectively comprise the Office's basic financial statements and budgetary comparison. Supporting Schedules I and II, presented as supplemental data, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 14, 2009

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**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)**

June 30, 2009

The Management's Discussion and Analysis is designed to provide an overview of the activities and programs of the Eleventh Judicial District Attorneys Office - Division II that result from the financial planning and from the expenditure of the annual budget of the Office.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – (1) Management's Discussion and Analysis (this section), (2) the basic financial statements, (3) required supplementary information and (4) other reports. The basic financial statements include two kinds of statements that present different views of the Office.

The first two statements are government - wide financial statements that provide both long - term and short - term information about the Office's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Office. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that presents schedules and further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with supporting schedules. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

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

The two government-wide statements report the Office's net assets and how they have changed. Net assets - the difference between the Office's assets and liabilities - is one way to measure the Office's financial health or position. Over time, increases or decreases in the Office's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The Office has only one activity - Judicial Services - which is a governmental activity. The Office does not have any business-type activities or any component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the Office's significant governmental funds - not the Office as a whole. Funds are accounting devices that the Office uses to keep track of specific sources of funding and spending for particular purposes.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)**

June 30, 2009

This Office has two types of funds:

- ◆ General Appropriation Fund - All of the Office's services are reflected in the general appropriation fund and provide information to help the user determine whether there are more or fewer financial resources that can be used to finance the Office's program. This fund is a reverting fund. All money remaining at the end of the fiscal year reverts to the state's general fund.
- ◆ Worthless Check and Pre-Prosecution Diversion Fund - This fund is for fees collected for worthless check and pre-prosecution diversion fees and distributed to victims and the Administrative Office of the District Attorneys. This is an agency fund and all monies received are paid out to the parties mentioned.

GOVERNMENT-WIDE HIGHLIGHTS

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2008</u>	<u>June 30, 2009</u>
Current Assets	\$ 431,340	\$ 353,631
Capital Assets	<u>156,147</u>	<u>117,402</u>
Total Assets	<u>587,487</u>	<u>471,033</u>
Current Liabilities	<u>\$ 345,373</u>	<u>\$ 195,253</u>
Total Liabilities	<u>345,373</u>	<u>195,253</u>
Net Assets		
Invested in Capital Assets	156,147	\$ 117,402
Restricted	163,262	246,055
Unrestricted deficit	<u>(77,295)</u>	<u>(87,677)</u>
Total net assets	<u>\$ 242,114</u>	<u>\$ 275,780</u>
Program Revenue	\$ 225,622	\$ 120,093
General Revenue – Appropriation	2,019,500	2,091,200
Transfer Out	<u>(51,000)</u>	<u>(7,516)</u>
Total Revenue	<u>\$ 2,194,222</u>	<u>\$ 2,203,777</u>
Expenses – General Fund	\$ 2,145,191	\$ 2,170,111
Change in net assets	<u>\$ 48,931</u>	<u>\$ 33,666</u>
Beginning Net Assets	<u>193,183</u>	<u>242,114</u>
Ending net assets	<u>\$ 242,114</u>	<u>\$ 275,780</u>

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)**

June 30, 2009

Overall Financial Position:

The overall financial position of the District Attorney's Office is much better than in the previous year. In prior years, the Office received funds from the Southwest Borders initiative Federal grant to prosecute drug cases. However, all of this funding has been restricted. Allotments and spending has been frozen at the direction of Federal Government and Department of Finance and Administration. The District Attorney's Office receives state funded appropriations to pay for operating costs. Any unused portion of the appropriation reverts to the general fund at the end of the fiscal year.

The increase in net assets of \$33,666 from 2008 to 2009 is attributable to the fact that the Office is holding a restricted balance of \$246,055 from the Southwest Borders Initiative Grant. Net capital assets are \$38,745 less than the prior year because depreciation expense for the year was greater than capital asset acquisitions.

Individual Fund Highlights:

As of June 30, 2009 the General Fund was holding \$246,055 of unspent money received from the Governor's Office for the Southwest Borders Initiative. The money is restricted and unavailable at this time.

Budgetary Highlights:

The operating budget from July, 2008 to June, 2009 consisted of General Fund \$2,091,200 of which 33 FTE's were authorized.

Budget Adjustment Requests during the year were made to set up the new Grants and Contracts. Budget results were essentially as originally anticipated. The other Budget Adjustment Requests met the requirements pertaining to less than 2% of the total budget between expenditure line items.

Capital Assets and Long Term Debt:

The Office's capital assets consist of personal property. Net of accumulated depreciation, the ending asset value for the Office is \$117,402. The decrease in the net value of capital assets is due to the excess of depreciation expense over the purchase of equipment. Depreciation expense was \$38,745. There were no additions in fiscal year 2009. This Office does not own any real property or infrastructure assets.

The long term debt consists of compensated absences that are due to employees for sick and annual leave accrued. As of June 30, 2009, the ending debt accumulated was \$87,677, an increase of \$10,382 from June 30, 2008.

**STATE OF NEW MEXICO
ELEVENTH JUDICIAL DISTRICT ATTORNEY -DIVISION II
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)**

June 30, 2009

Other Financial Highlights:

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

The Office will continue to operate under the same financial procedures and policies as it has in the past. There are no other pending financial matters that could have significant impact on the Office.

AGENCY HIGHLIGHTS:

The Eleventh Judicial District Attorney's Office is comprised of McKinley County. Our mission as "Ministers of Justice" in the enforcement of the rules and laws of the State of New Mexico is to involve victims of crime in the judicial process; to jealousy guard all citizens' full range of rights and against abuse; to protect all members of our diverse community; to bring to justice, convict and punish those who would prey upon others; this accomplished through partnership with law enforcement and community. The Eleventh Judicial District Attorney's Office consists of 32 full-time employees. Three of which are term positions paid the McKinley County Liquor Excise Tax. The Eleventh Judicial District, Division II, District Attorney's Office and the McKinley County law enforcement jurisdiction is dynamic. McKinley is amongst the poorest counties in the Nation. The region is multi-cultural but predominately Native American. Because McKinley County is a "checker board" different private, state, federal and Native American Lands, the District Attorney's Office routinely works with the Zuni, Navajo Police, FBI, AFT, DFA and local police. Attempting to meet our mission daily, this agency exercises the values of professionalism, efficiency, commitment to public availability and innovation. A quality that we possess and promote is to be among those public agencies which bring stability and quality of life issues to the forefront.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT:

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

Liz A. Sanchez
Chief Finance Officer
Eleventh Judicial District Attorney, Division II
201 West Hill Street, Suite 100
Gallup, New Mexico 87301
(505) 722-2281

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit A-1

	Governmental Activities
ASSETS	
Current Assets	
Interest in General Fund Investment Pool	\$ 353,631
Total Current Assets	353,631
Noncurrent Assets	
Capital assets	332,802
Less: accumulated depreciation	(215,400)
Total capital assets	117,402
Total noncurrent Assets	117,402
Total assets	\$ 471,033
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 5,096
Accrued payroll	94,964
Due to State General Fund	7,516
Current portion of accrued compensated absences	87,677
Total Current Liabilities:	195,253
 NET ASSETS	
Invested in capital assets	117,402
Restricted for:	
Southwest Borders Initiative	246,055
Unrestricted	(87,677)
Total net assets	275,780
Total liabilities and net assets	\$ 471,033

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental activities:			
Public safety			
Administrative Services	\$ 2,131,366	\$ 120,093	\$ (2,011,273)
Depreciation	38,745	-	(38,745)
Total governmental activities	<u>\$ 2,170,111</u>	<u>\$ 120,093</u>	<u>(2,050,018)</u>
General Revenues:			
General fund appropriation			<u>2,091,200</u>
Transfers:			
Transfer out - State general fund FY09			<u>(7,516)</u>
Total general revenues, special items and transfers			<u>2,083,684</u>
Change in net assets			33,666
Beginning net assets			<u>242,114</u>
Ending net assets			<u><u>\$ 275,780</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2009

Exhibit B-1
 (Page 1 of 2)

	<u>General Fund</u>
ASSETS	
<i>Current:</i>	
Interest in General Fund Investment Pool	\$ 353,631
<i>Total current assets</i>	<u>\$ 353,631</u>
LIABILITIES AND FUND BALANCE	
<i>Current Liabilities:</i>	
Accounts payable	\$ 5,096
Accrued payroll	94,964
Due to state general fund	<u>7,516</u>
<i>Total current liabilities</i>	<u>107,576</u>
<i>Fund balance:</i>	
Reserved	
Reserved for Southwest Borders Initiative	<u>246,055</u>
<i>Total fund balance</i>	<u>246,055</u>
<i>Total liabilities and fund balance</i>	<u>\$ 353,631</u>

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
GOVERNMENTAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Exhibit B-1
(Page 2 of 2)

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 246,055
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	117,402
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(87,677)</u>
Total Net Assets	<u><u>\$ 275,780</u></u>

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

STATE OF NEW MEXICO
 OFFICE OF THE DISTRICT ATTORNEY
 ELEVENTH JUDICIAL DISTRICT - DIVISION II
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B-2
 (Page 1 of 2)

	General Fund
<i>Revenues:</i>	
Federal grants	\$ 82,793
Local government compensation appropriation	37,300
Local government DWI Clerk & Drug Court	-
<i>Total revenues</i>	120,093
 <i>Expenditures:</i>	
Current	
Public safety	2,120,984
<i>Total expenditures</i>	2,120,984
<i>Excess (deficiency) of revenues over expenditures</i>	(2,000,891)
 <i>Other financing sources (uses):</i>	
General fund appropriation	2,091,200
Reversion to state general fund - 2009 FY	(7,516)
<i>Total other financing sources (uses)</i>	2,083,684
<i>Net change in fund balances</i>	82,793
<i>Fund balances - beginning of year</i>	163,262
<i>Fund balances - end of year</i>	\$ 246,055

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B-2
(Page 2 of 2)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 82,793
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures	-
Depreciation expense	(38,745)
Loss on disposal of assets	-

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Increase in accrued compensated absences	<u>(10,382)</u>
Changes in Net Assets	<u><u>\$ 33,666</u></u>

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

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STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
GENERAL FUND

Exhibit C-1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Local government grants	\$ 53,400	\$ 320,421	\$ 82,793	\$ (237,628)
Federal grants	-	-	-	-
Other financing sources	37,300	37,300	37,300	-
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	90,700	357,721	120,093	(237,628)
<i>Expenditures:</i>				
Personal services and employee benefits	1,990,700	2,263,721	1,936,820	326,901
Contractual services	11,700	12,322	12,321	1
Other	220,900	172,878	171,843	1,035
<i>Total expenditures</i>	2,223,300	2,448,921	2,120,984	327,937
<i>Excess (deficiency) of revenues over expenditures</i>	(2,132,600)	(2,091,200)	(2,000,891)	90,309
<i>Other financing sources (uses):</i>				
State general fund appropriation	2,132,600	2,091,200	2,091,200	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	2,132,600	2,091,200	2,091,200	-
<i>Net change in fund balances</i>	\$ -	\$ -	\$ 90,309	\$ 90,309
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(7,516)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 82,793	

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

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STATE OF NEW MEXICO Exhibit D-1
 OFFICE OF THE DISTRICT ATTORNEY
 ELEVENTH JUDICIAL DISTRICT - DIVISION II
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2009

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 6,310
<i>Total assets</i>	\$ 6,310
 LIABILITIES	
Due to injured parties	\$ 6,310
<i>Total liabilities</i>	\$ 6,310

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

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STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. Summary of Significant Accounting Policies

The Office of the District Attorney, Eleventh Judicial District - Division II (Office) was created out of the Eleventh Judicial District Attorney bylaws 1981, Chapter 25, paragraph 4. The District Attorney provides law enforcement as its primary service. Financing of the Office is by state appropriation.

These financial statements include all funds and activities over which the District Attorney has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The financial statements of the Office have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard 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 District's accounting policies are described below.

A. Reporting Entity

GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Office is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Office may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Office also has no *component units*, as defined by GASB Statement No. 14 and/or GASB Statement No. 39, as there are no other legally separate organizations for which the Office is financially accountable. There are no other primary governments with which the Office is financially accountable. There are no other primary governments with which the Office has a significant relationship.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. For the District Attorney's Office, these revenues consist of federal, state and local government operating grants. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. Summary of Significant Accounting Policies - (Continued)

B. Government-wide and fund financial statements (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity. The District's agency fund is for fees collected for worthless checks and pre-prosecution diversion fees and such funds are distributed to victims and the Administrative Office of the District Attorneys.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

The *General Fund* is the primary operating fund of the Office, and accounts for all financial resources, except those required to be accounted for in other funds. The SHARE number and description of the General Fund of the Office is #16900~ Eleventh Judicial District - Division II. This fund is a reverting fund with regards to state appropriations. All state appropriations remaining at the end of the fiscal year revert to the state's general fund. Other sources of revenue may result in an ending fund balance that is reserved for that revenue source's purpose.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Office's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Office's general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Office has elected not to follow subsequent private-sector guidance.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Office reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Office does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents: The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All funds allotted to the Office are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

State statutes authorize the Office to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the Office are reported at fair value.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. *Assets, Liabilities and Net Assets or Equity - (continued)*

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2009 financial statements of the Office, since the Office did not own any infrastructure assets as of June 30, 2009. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the Office did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2009, the Office did not receive any donated capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2008.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Building improvements	15 years
Furniture and fixtures	7 years
Machinery and equipment	6 years
Vehicles	5 years
Data processing equipment	3 years

Compensated Absences: Qualified employees accumulate annual leave as follows:

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

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

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. *Assets, Liabilities and Net Assets or Equity - (continued)*

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

In prior years, substantially all of the related expenditures have been liquidated by the general fund.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net assets.

Net Assets or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

In the government-wide financial statements, fund equity is classified as net assets and is displayed in three components:

Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets are restricted for “debt service or capital projects.”

Unrestricted Net Assets: All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Office’s financial statements include management’s estimate of the useful lives of capital assets.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

1. No later than September 1, the Office submits the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
4. The Office submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget, which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA - Budget Division. The current year budget was revised in a legal manner.
5. Legal budget control for expenditures and encumbrances is by category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. The budget is now adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the Laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. In this year of transition, the current year GAAP expenditures will include charges against prior year encumbrances; the current year budget basis, however, excludes expenditures charged against prior year encumbrances. Under the previous method of accounting, those charges were included in the prior year budget basis as expenditures. In future years, the District will not have encumbrances related to prior year appropriations and the budget basis expenditures will be the same as the modified accrual basis expenditures.
8. Appropriations lapse at the end of the fiscal year unless specifically re-appropriated. Unexpended amounts within the General Fund of the Office revert to the State General Fund.
9. Per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget 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 the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2009, is presented on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3. Cash and Investments

State statutes authorize the investment of Office funds in a wide variety of instruments including certificates of deposit and other similar obligations, State Treasurer General Fund Investment Pool, money market accounts, and United States Government obligations. All invested funds of the Office properly followed State investment requirements as of June 30, 2009.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Office. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution. This coverage has increased to \$250,000 for time and savings deposits as well as demand deposits until December 31, 2013. Additionally, until December 31, 2009, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

Deposits – Agency Funds

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the entities for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor’s requirements in reporting the insured portion of the deposits. At June 30, 2009, the carrying amount of these deposits was \$6,310.

		<u>Bank of America</u>
Total amounts of deposits (checking account)	\$	10,254
FDIC coverage		<u>(10,254)</u>
Total uninsured public funds	\$	<u>—</u>

Investments – SHARE Fund 16900

As of June 30, 2009, the Office had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>Less than 1 Year</u>
Interest in the State Treasurer General Fund Investment Pool	\$ 339,356	\$ 339,356

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3. Cash and Investments - (Continued)

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2009. The State of New Mexico is regulatory oversight entity and participation in the pool in voluntary.

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2009, the District Court's investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 43-day WAM.

Reconciliation of Cash and Interest in General Fund Investment Pool

Governmental Funds – Balance Sheet	
Interest in Local Government Investment Pool per Exhibit A-1	\$ 353,631
Statement of Fiduciary Assets and Liabilities –	
Agency Funds – cash per Exhibit D-1	<u>6,310</u>
	359,941
Add outstanding checks and other reconciling items	<u>3,944</u>
Total Interest in GFIP and Deposits	<u>\$ 363,885</u>

NOTE 4. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2009 follows. Land is not subject to depreciation.

	Balance June 30, 2008	Additions & Transfers in	Deletions & Transfers out	Balance June 30, 2009
Capital Assets:				
Furniture & Fixtures	\$ 39,958	\$ –	\$ –	\$ 39,958
Machinery & Equipment	28,429	–	2,890	25,539
Data Processing Equipment	37,998	–	7,182	30,816
Building Improvements	72,347	–	–	72,347
Vehicles	<u>164,142</u>	–	–	<u>164,142</u>
Total Capital Assets:	<u>342,874</u>	–	<u>10,072</u>	<u>332,802</u>
Less Accumulated Depreciation for:				
Furniture & Fixtures	20,752	5,708	–	26,460
Machinery & Equipment	17,740	3,119	2,890	17,969
Data Processing Equipment	38,340	2,049	7,182	33,207
Building Improvements	15,209	4,823	–	20,032
Vehicles	<u>94,686</u>	<u>23,046</u>	–	<u>117,732</u>
Total Accumulated depreciation:	<u>186,727</u>	<u>38,745</u>	<u>10,072</u>	<u>215,400</u>
Governmental activities capital assets, net:	<u>\$ 156,147</u>	<u>\$ (38,745)</u>	<u>\$ –</u>	<u>\$ 117,402</u>

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4. Capital Assets (continued)

Capital assets, net of accumulated depreciation, at June 30, 2009 appear in the Statement of Net Assets and/or the Fund Statements Balance Sheets as follows: Governmental activities \$117,402.

Depreciation expense for the year ended June 30, 2009 was charged to Public Safety in the amount of \$38,745.

NOTE 5. Due to State General Fund

The Due to State General Fund in the Statement of Net Assets includes \$7,516 in 2009 reversions that will be remitted to the State General Fund.

NOTE 6. Long-term Debt

During the year ended June 30, 2009, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 77,295	\$ 208,186	\$ 197,804	\$ 87,677	\$ 87,677

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences – Administrative employees of the Office are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2009, compensated absences increased \$10,382 from the prior year accrual. See Note 1 for more details

Operating Leases – The Office leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2009 was \$33,354. Operating leases consist of the following:

1. A lease for 3 Xerox copiers entered into on July 1, 2008 which requires 12 monthly payments of \$1,122.45.
2. A lease for a Phone System entered into on July 1, 2006 which requires 36 monthly payments of \$749.39.
3. A lease for Lexis Nexis entered into on August 1, 2008 which requires 12 monthly payment of \$743.
4. A lease for Lexis Nexis entered into on August 1, 2007 which requires 12 monthly payment of \$727.

These lease agreements end at June 30, 2009 and could be renewed after that.

NOTE 7. Risk Management

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. No funds reported a deficit fund balance at June 30, 2009.
- B. Excess of expenditures over appropriations. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2009.

In the government-wide Statement of Net Assets, there is an unrestricted net asset deficit of \$87,677, which is created by compensated absences which will be paid from subsequent years' State General Fund Appropriation.

NOTE 9. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the Office's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (PERA) (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, New Mexico 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 Office is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Office are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$240,393, \$212,935 and \$202,282, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The Office 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 event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premiums 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 contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of each 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 Office's contributions to the RHCA for the years ended June 30, 2009, 2008, and 2007 were \$18,837, \$16,686 and \$15,829, respectively, which equal the required contributions for each year.

NOTE 11. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Office expects such amount, if any, to be immaterial.

The Office is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Office's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Office.

NOTE 12. Deferred Compensation

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to a Deferred Compensation Plan. All contributions withheld from participants by the Office have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

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SUPPLEMENTARY INFORMATION

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF OPERATING TRANSFERS
JUNE 30, 2009

Schedule I

SHARE FUND	TITLE	TRANSFER	
		IN	OUT
(1) 61700	Department of Finance & Administration	2,091,200	
(2) 61700	Department of Finance & Administration	37,300	
(1)	State General Fund Appropriation (Laws 2008, Chapter3)		General Fund
(2)	Compensation Appropriation (Laws 2008, Chapter 3, Section 8)		Compensation Packet

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
 OFFICE OF THE DISTRICT ATTORNEY
 ELEVENTH JUDICIAL DISTRICT - DIVISION II
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 JUNE 30, 2009

Schedule II

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash in Bank	\$ 4,714	\$ 125,404	\$ 123,808	\$ 6,310
LIABILITIES				
Due to Injured Parties	\$ 4,714	\$ 125,404	\$ 123,808	\$ 6,310

The accompanying notes are an integral part of these financial statements

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COMPLIANCE SECTION

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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***

Karl R. Gillson, District Attorney
Office of the District Attorney
Eleventh Judicial District – Division II
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund, the budgetary comparison for the general fund and the aggregate remaining fund information consisting of the fiduciary fund column of the State of New Mexico Office of the District Attorney Eleventh Judicial District, Division II (the Office), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office'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 combination of control deficiencies, that adversely affects the Office'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 Office's financial statements that is more than inconsequential will not be prevented or detected by the Office's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (FS 09-01).

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 Office'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 the 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, we believe that the significant deficiency described above is not a material weakness.

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Compliance and Other Matters

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

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

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

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 14, 2009

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STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009

Schedule III

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditors' report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weakness identified?	No
b. Significant deficiency identified not considered to be a material weakness?	Yes
c. Control deficiency identified not considered to be a significant deficiency?	No
d. Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

FS 09-01 – Stale Dated Transactions

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation requires local public bodies to cancel or void any check that is unpaid for one year after it is written.

Condition: The Office is in violation of state statute regarding stale-dated checks. The Office maintained 8 items on the bank reconciliation that were dated over one year old at June 30, 2009. The checks totaled \$327.93.

Effect: The Office was in violation of New Mexico Statute, Section 6-10-57, NMSA, 1978. Cash balances were not accurately reflected as a result of stale-dated transactions appearing on the outstanding check listings. Outstanding items noted must be addressed and cleared.

Cause: The Office did not properly account for or void outstanding checks.

Auditor's Recommendation: We recommend that the Office implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated transactions. If transactions on the outstanding check listings are greater than one year old we recommend these checks be voided.

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Management's Response: Reference was to the following eight checks, efforts have been made to contact the recipient of these checks, as follows:

Ck no.	Dates	Amt	Merchant	Notified by letter	Called	Paid out	Amt
8503		\$150.00	Coffey Drilling	11.06.07; 01.22.08; 07.03.08;	06.23.09/ 12:04 pm 06.26.09/ 8:55 am	11.04.09	(\$150.00)
8536	02.23.07	\$5.11	Betta Duncan			state	\$5.11
8580		\$26.97	Coffey Drill	11.06.07; 01.22.08; 07.03.08;	06.23.09/ 12:04 pm 06.26.09/ 8:55 am	11.04.09	(\$26.97)
8604	08.01.07	\$59.10	Cal Superama	01.23.08	Called for written request to reissue.	Pending	(\$59.10)
8615	09.05.07	\$4.70	Regina Notah			state	\$4.70
8618	09.05.07	\$50.00	Alex Begay	01.23.08		state	\$50.00
8620	09.05.07	\$25.00	Home Depot	01.23.08; 09.03.08; 11.10.09	11.10.09 Rec'd info for address in Fl.	Pending	(\$25.00)
8650	11.01.07	\$7.05	Jerilynn Long			state	\$7.05
		\$327.93					\$66.86

The Bank of America charges a fee of \$28.00 to place a 'stop payment' on checks that have not cleared the bank account therefore the checks that were less than \$28.00 did not have a 'stop payment' place on them. These checks, numbered: 8536, 8615 and 8650 were issued for reimbursements for overpayments on worthless check cases. These payments will be turned over to the State. Check 8503 and 8580 have been voided and the amounts have been paid out to Coffey Drilling Co. after numerous efforts in notifying the company. Check 8604 will be voided when I receive a written statement from California Superama that the check was lost, misplaced or never received. I have placed two (2) calls to the bookkeeper reminding her to fax or mail this office a statement requesting the check to be reissued. As of today, December 10, 2009, I called and left another message. Check 8620 will be voided; I recently received an address to mail the restitution payment. Apparently, the Home Depot does not receive payments at the local level where I mailed the check. I have written numerous letters to the local company inquiring about the check. I finally located an email address where I was informed that the payments are to be mailed to a Law Firm in Florida. Check 8618 will be turned over to the State. I have not been able to contact the victim.

This Office has implemented a stale-dated transaction check list that is prepared each month.

Section III – Prior Year Audit Findings

FS 07-06: Reversions to the State General Fund. Resolved.

FS 08-01: Travel and Per Diem. Resolved.

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Section IV – Other Disclosures

Auditor Prepared Financials

The financial statements presented in this report were prepared by the auditors, Griego Professional Services, LLC.

Exit Conference

The contents of this report were discussed on December 14, 2009. The following individuals were in attendance.

Eleventh Judicial District Attorney – Division II

Karl R. Gillson, District Attorney
Elizabeth Sanchez, Chief Financial Officer
Antoinette Esquibel, Program Specialist
Andrea Hoffman, Program Administrator

Griego Professional Services, LLC

Monica Yapple, CPA