

**STATE AUDITOR
STATE OF NEW MEXICO
OFFICE COPY**

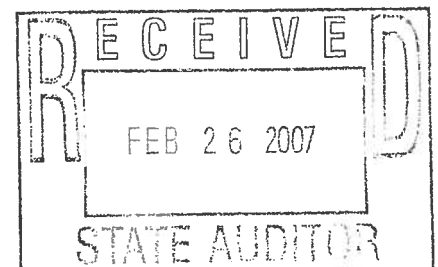
**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

RECEIVED

DEC 15 2006

STATE AUDITOR

Prepared by
Marcus, Fairall, Bristol + Co., L.L.P.
Certified Public Accountants
6090 Surety Drive Suite 100
El Paso, Texas 79905
Telephone (915) 775-1040





OFFICE OF THE STATE AUDITOR

Hector H. Balderas

February 26, 2007

SAO Ref. No. 253

Susana Martinez, District Attorney
Third Judicial District Attorney
201 West Picacho, Suite B
Las Cruces, NM 88005

SUBJECT: Audit Report—Third Judicial District Attorney—2005-2006 Fiscal Year—Prepared by
Marcus, Fairall, Bristol & Co., LLP

Your agency audit report was received by the Office of the State Auditor (Office) on December 15, 2006. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies.*

A handwritten signature in black ink, appearing to read "H. Balderas", is written over the printed name.

HECTOR H. BALDERAS
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration
Financial Control Division & Budget Division
Office of the State Treasurer
Marcus, Fairall, Bristol & Co., LLP

INTRODUCTORY SECTION

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

GENERAL FUND ATTORNEYS

Susana Martinez
Susan Riedel
Janetta Hicks
Amy Orlando
Jeff Lahann
K. Jan Peterson
Jacinto Palomino
Jeanne Quintero
Lisa Roybal
Michael Wallace
Richard Wellborn
Heather Chavez
Mark Wurtz
Pedro Pineda
John Johnston
Jennifer Padgett

District Attorney
Chief Deputy District Attorney
Deputy District Attorney
Deputy District Attorney
Deputy District Attorney
Deputy District Attorney
Senior Trial Attorney
Senior Trial Attorney
Senior Trial Attorney
Senior Trial Attorney
Senior Trial Attorney
Assistant Trial Attorney
Assistant Trial Attorney
Associate Trial Attorney
Associate Trial Attorney
Associate Trial Attorney

GRANT ATTORNEYS

Terese Lahann
Daniel Sewell
James Dickens
Keythan Park
Nelson Goodin
William Kinsella
Jill Johnson

Senior Trial Attorney
Assistant Trial Attorney
Senior Trial Attorney
Assistant Trial Attorney
Senior Trial Attorney
Senior Trial Attorney
Assistant Trial Attorney

ADMINISTRATIVE STAFF

Kelly Kuenstler
Juliet Lucero

District Office Manager
Chief Financial Officer

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
TABLE OF CONTENTS
June 30, 2006

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Official Roster		i
Table of Contents		ii-iii
FINANCIAL SECTION		
Independent Auditor's Report		1-2
Management's Discussion Analysis		3-7
<u>Government-Wide Financial Statements:</u>		
Statement of Net Assets	A-1	8
Statement of Activities	A-2	9
<u>Governmental Fund Statements:</u>		
Balance Sheet – Governmental Funds	B-1	10
Reconciliation of the Balance Sheet to the Statement of Net Assets	B-2	11
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds	B-3	12
Reconciliation of the Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	B-4	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget vs. Actual (Non-GAAP Budgetary Basis)		
General Fund	C-1	14
DSCI Grant Fund	C-2	15
Statement of Fiduciary Net Assets – Fiduciary Funds	D	16
NOTES TO FINANCIAL STATEMENTS		17-26
SUPPLEMENTARY INFORMATION		
Balance Sheet – Special Revenue Funds	E-1	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Balance – Special Revenue Funds	E-1	28
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget vs. Actual (Non-GAAP Budgetary Basis)		
HIDTA Fund	E-2	29
VOCA Fund	E-3	30
Other Grants Fund	E-4	31

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
TABLE OF CONTENTS
June 30, 2006

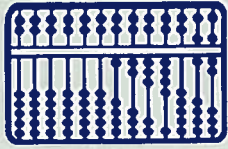
SUPPORTING SCHEDULES

Schedule of Changes in Assets and Liabilities – Agency Funds	1	32
Schedule of Grant Expenditures	2	33

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting Based and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		34-35
Report on Compliance with Requirements Applicable to Each Major Program and Other matters Based on an Audit of Financial Statements Performed in accordance with OMB Circular A-133		36-37
Schedule of Findings and Questioned Costs		38-39
Exit Conference and Compilation of Financial Statement		40

FINANCIAL SECTION



**MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.**

INDEPENDENT AUDITORS' REPORT

Domingo P. Martinez, CGFM, State Auditor and
Susana Martinez, District Attorney
State of New Mexico, Third Judicial District
Las Cruces, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Third Judicial District Attorney, as of and for the year-ended June 30, 2006, which collectively comprise the Third Judicial District Attorney's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Third Judicial District Attorney's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Third Judicial District Attorney's management. Our responsibility is to express opinions on these basic financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles of the United States of America 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 state of New Mexico Third District Attorney, are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the state of New Mexico that is attributable to the transactions of the Third Judicial District Attorney. They do not purport to, and do not, present fairly the financial position of the state of New Mexico as of June 30, 2006, and the changes in its financial position and its cash flows, where applicable, 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, each major fund, and the aggregate remaining fund information of the Third Judicial District Attorney as of June 30, 2006, and respective changes in financial position and respective budgetary comparisons of the General and DCSI grants funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Third Judicial District Attorney as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparisons for the non-major governmental funds for the year 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 October 11, 2006 on our consideration of the Third Judicial District Attorney internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining individual fund financial statements and budgetary comparisons of the Third Judicial District Attorney. The accompanying schedule of changes in assets and liabilities-agency funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Third Judicial District Attorney. The supplementary 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 basic financial statements taken as a whole.

Marcus, Fairall, Cresto & Co. LLP

El Paso, Texas
October 11, 2006

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2006

The following is an overview of the financial condition for the Office of the Third Judicial District Attorney (District Attorney) for the fiscal year ended June 30, 2006. This narrative highlights the major aspects of the District Attorney's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

The following items are the District Attorney's financial highlights for the fiscal year ended June 30, 2006:

- The assets of the District Attorney exceeded its liabilities as of June 30, 2006 by \$798,166 (net assets). Of this amount. The unrestricted net assets have a deficit balance of \$(115,867).
- The receipt of a significant grant award from the Southwest Border Prosecution Initiative. This has enabled the District Attorney's office to purchase up-to-date technology equipment not only for itself, but also for all surrounding law enforcement agencies that bring in criminal cases to the Office of the District Attorney.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District Attorney's basic financial statements. The District Attorney's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the District Attorney's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District Attorney's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Attorney is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

The balance sheets present information on all of the District Attorney's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District Attorney is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicate an improved financial position. The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District Attorney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of District Attorney's funds can be divided into two categories: governmental funds and fiduciary.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2006

Fund Financial Statements (continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the general fund, the District Attorney maintains four other individual governmental funds that are classified as special revenue funds. Information for the general fund and the DCSI grants fund, both of which are considered to be major funds, is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Individual fund data for each non-major governmental fund: High Intensity Drug Trafficking Area (HIDTA) and Victims of Crime Act (VOCA) are provided following the notes to the financial statements.

The New Mexico Legislature makes annual appropriations for the District Attorney's general fund. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the fiscal year, the District Attorney revised the budget of the special revenue funds several times. Budgetary comparison statements for the general and special revenue major fund are presented as Exhibits C-1 and C-2.

The basic governmental fund financial statements are presented as Exhibits B-1 through B-4.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the agency. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District Attorney's own programs. The accounting used for fiduciary funds is equivalent to what is used for proprietary funds. The basic fiduciary fund financial statements are presented as Exhibit D.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages seventeen through twenty-six of this report.

Analysis of Net Assets

Assets may serve over time as a useful indicator of the District Attorney's financial position. Assets exceeded liabilities by \$798,166 at the close of the current fiscal year.

The largest portion of the District Attorney's net assets, \$681,475, represents restricted net assets, which are available for restricted obligations.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2006

Analysis of Net Assets (continued)

NET ASSETS			
June 30,			
ASSETS	2006	2005	Variance
Current assets	\$ 978,043	\$ 1,527,413	-35.97%
Capital assets, net of accumulated depreciation	232,558	364,470	-36.19%
Total assets	\$ 1,210,601	\$ 1,891,883	-36.01%
LIABILITIES			
Current liabilities	\$ 258,825	\$ 414,328	-37.53%
Long-term liabilities	153,610	145,918	5.27%
Total liabilities	412,435	450,808	-8.51%
NET ASSETS			
Investment in capital assets	232,558	364,470	-36.19%
Unrestricted	565,608	1,076,605	-47.46%
Total net assets	\$ 798,166	\$ 1,441,075	-44.61%

The District Attorney's activities during the fiscal year decreased the District Attorney's net assets by \$642,909. The decrease is attributed to a decrease in total revenues and an increase in total expenses. Total revenues decreased by \$143,422 and the expenses increased \$435,174 when compared to the previous year.

Changes in Net Assets
For the Year-Ended June 30,

	2006	2005	Variance
REVENUES			
Program revenues	\$ 1,293,664	\$ 1,732,752	-25.34%
General revenues	3,058,825	2,763,159	10.70%
Total revenues	4,352,489	4,495,911	-3.19%
EXPENSES			
Public safety	4,995,330	4,560,156	9.54%
Total expenses	4,995,330	4,560,156	9.54%
(Decrease) increase in net assets	(642,909)	(64,245)	900.71%
Net assets-beginning	1,441,075	1,505,320	-4.27%
Net assets-ending	\$ 798,166	\$ 1,441,075	-44.61%

Governmental Activities

The principal operating fund of the District Attorney is the General Fund. Revenues are derived primarily from state appropriations.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2006

Governmental Activities (continued)

The focus of the District Attorney's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District Attorney's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues for governmental functions overall totaled \$4,352,489 in the fiscal year-ended June 30, 2006, which represents a decrease of \$143,423 from the fiscal year-ended June 30, 2005. Expenditures for governmental functions totaled \$4,855,794. This was an increase of approximately \$286,832 from the fiscal year-ended June 30, 2005. In the fiscal year-ended June 30, 2006, expenses for governmental functions exceeded revenues by \$503,305.

The General Fund is the chief operating fund of the District Attorney. At the end of the current fiscal year, *unreserved* fund balance of the General Fund was \$0.

The DCSI grants fund had a decrease of \$524,146. The decrease was primarily due to a decrease in grant revenues.

Capital Assets

The District Attorney's investment in net assets as of June 30, 2006 amounted to \$232,558 (net of accumulated depreciation). This investment in capital assets includes furniture and fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

Capital Assets (Net of Accumulated Depreciation)
June 30,

	2006	2005
Furniture and fixtures	\$ 5,758	\$ 9,139
Equipment	73,216	149,396
Vehicles	153,584	205,935
Net assets-ending	\$ 232,558	\$ 364,470

Economic Conditions

The District Attorney's office operates from state general fund appropriations; federal and state grants and awards and assistance from local governments for grant match purposes.

The District Attorney's office does not anticipate significant increases or decreases in the state general fund during fiscal year 2007. The District Attorney received a 10.7% increase in funding during fiscal year 2006. The increase in funding was due to state approved salary increases and increases in cost of medical benefits. The increases were necessary to continue to fund existing employees at their current rate and provide for increases in medical benefits.

For fiscal year 2007, the District Attorney's office does not foresee a significant decrease in funding from the Southwest Border Grant funds. The District Attorney's office has shared this grant money with law enforcement agencies throughout the area.

For all the other grants, the District Attorney's office doesn't believe that there will be any significant increases or decreases to their budgets.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2006

Economic Conditions (continued)

The District Attorney no longer is involved with managing the worthless checks program and the pre-prosecution diversion program. All funds have been turned over to the State of New Mexico.

Requests for Information

This financial report is designed to provide a general overview of the District Attorney's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Chief Financial Officer
845 N Motel Blvd.
Second Floor, Suite D
Las Cruces, New Mexico 88007

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
STATEMENT OF NET ASSETS
June 30, 2006

		Governmental Activities
ASSETS		
Cash on deposit with State Treasurer	\$	626,717
Due from other governments		351,326
Capital assets, net of accumulated depreciation		232,558
Total assets	\$	1,210,601
 LIABILITIES		
Current liabilities:		
Cash overdraws	\$	46,278
Accounts payable		60,902
Accrued payroll		151,611
Due to state general fund		34
Long-term liabilities:		
Current portion of compensated absences		10,302
Compensated absences		143,308
Total liabilities		412,435
 NET ASSETS		
Investment in capital assets		232,558
Restricted:		
DCSI		691,392
HIDTA		(18,844)
VOCA		14,182
Community Gun Violence		(5,255)
Unrestricted		(115,867)
Total net assets	\$	798,166

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Functions/Programs	<u>Governmental Activities</u>
General government:	
Public safety	\$ <u>4,995,398</u>
Total program expenses	<u>4,995,398</u>
Program revenues:	
Grants operational	<u>1,293,664</u>
Total program revenues	1,293,664
Net program expense	(3,701,734)
General revenues:	
State appropriations	<u>3,058,825</u>
Total general revenues	3,058,825
Net decrease in net assets	(642,909)
Net assets - beginning	<u>1,441,075</u>
Net assets - ending	\$ <u><u>798,166</u></u>

GOVERNMENTAL FUNDS STATEMENTS

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2006

	<u>General Fund</u>	<u>DCSI Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
ASSETS				
Cash on deposit with State Treasurer	\$ 6,108	\$ 619,483	\$ 1,126	\$ 626,717
Due from other governments	-	287,957	63,369	351,326
Total assets	<u>\$ 6,108</u>	<u>\$ 907,440</u>	<u>\$ 64,495</u>	<u>\$ 978,043</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraws	\$ -	-	46,278	46,278
Accounts payable	1,385	59,517	-	60,902
Accrued payroll	4,689	146,922	-	151,611
Due to state general fund	34	-	-	34
Total liabilities	<u>6,108</u>	<u>206,439</u>	<u>46,278</u>	<u>258,825</u>
Fund balances:				
Restricted for special revenue funds		701,001	18,217	719,218
Unreserved	-			
Total fund balances	<u>-</u>	<u>701,001</u>	<u>18,217</u>	<u>719,218</u>
Total liabilities and fund balances	<u>\$ 6,108</u>	<u>\$ 907,440</u>	<u>\$ 64,495</u>	<u>\$ 978,043</u>

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances – governmental funds (Exhibit B-1) \$ 719,218

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$598,866, and the accumulated depreciation is \$366,308 232,558

Long-term liabilities which consist of compensated absences are not payable in the current period and therefore are not reported as liabilities in the funds. The liabilities attributable to each fund is as follows:

General Fund	\$	115,867	
DCSI		9,609	
HIDTA		18,921	
VOCA		2,909	
Community Gun Violence		6,604	(153,610)

Total net assets - governmental activities (Exhibit A-1) \$ 798,166

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year-Ended June 30, 2006

	<u>General Fund</u>	<u>DCSI Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues:				
State appropriations	\$ 3,058,825	\$ -	\$ -	\$ 3,058,825
Governmental grants	-	826,732	466,932	1,293,664
Total revenues	<u>3,058,825</u>	<u>826,732</u>	<u>466,932</u>	<u>4,352,489</u>
Expenditures:				
Current:				
Public safety	3,053,352	1,350,878	446,091	4,850,321
Capital outlay	5,473	-	-	5,473
Total expenditures	<u>3,058,825</u>	<u>1,350,878</u>	<u>446,091</u>	<u>4,855,794</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(524,146)</u>	<u>20,841</u>	<u>(503,305)</u>
Other Financing Sources				
(Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(524,146)	20,841	(503,305)
Fund balances-beginning	<u>-</u>	<u>1,225,147</u>	<u>(2,624)</u>	<u>1,222,523</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ 701,001</u>	<u>\$ 18,217</u>	<u>\$ 719,218</u>

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS, STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year-Ended June 30, 2006**

Net Change in Fund Balances – Governmental Funds (Exhibit B-3) \$ (503,305)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following schedule show the activity in the capital assets:

Capital assets reported as capital outlay expenditures	\$ 5,473	
Depreciation expense	<u>(137,385)</u>	(131,912)
Depreciation expense is not reported in governmental funds		

In the statement of activities, certain operating expenses- compensated absences (vacations) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation leave earned, \$185,176, exceeded the amounts used \$177,484 by \$7,692.

(7,692)

Change in Net Assets of Government Activities (Exhibit A-2)	\$	<u>(642,909)</u>
---	----	------------------

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
General Fund
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (GAAP Basis) and Actual
For the Year-Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues:				
State appropriation	\$ 3,058,825	\$ 3,058,825	\$ 3,058,825	\$ -
Total operating revenues	<u>3,058,825</u>	<u>3,058,825</u>	<u>3,058,825</u>	<u>-</u>
Add: fund balance required	<u>-</u>	<u>-</u>		
	<u>3,058,825</u>	<u>3,058,825</u>		
Operating expenditures:				
Current:				
Personnel services	2,866,125	2,866,125	2,866,125	-
Contractual services	28,300	28,300	28,300	-
Other expenses	158,927	158,927	158,927	-
Capital outlay	5,473	5,473	5,473	-
Total expenditures	<u>3,058,825</u>	<u>3,058,825</u>	<u>3,058,825</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			<u>-</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance			-	
Total net assets – beginning of year			<u>-</u>	
Total net assets – end of year			<u>\$ -</u>	

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
DSCI Grants Fund
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (GAAP Basis) and Actual
For the Year-Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues:				
Federal grant	\$ 826,732	\$ 826,732	\$ 826,732	\$ -
Total operating revenues	<u>826,732</u>	<u>826,732</u>	<u>826,732</u>	<u>-</u>
Add: fund balance required	<u>812,619</u>	<u>812,619</u>		
	<u><u>1,639,351</u></u>	<u><u>1,639,351</u></u>		
Operating expenditures:				
Current:				
Personnel services	698,614	698,614	622,345	76,269
Contractual service	285,865	285,865	177,485	108,380
Other expenses	654,872	654,872	551,048	103,824
Total expenditures	<u>1,639,351</u>	<u>1,639,351</u>	<u>1,350,878</u>	<u>288,473</u>
Excess (deficiency) of revenues over expenditures			<u>(524,146)</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance			(524,146)	
Total net assets –beginning of year			<u>1,225,147</u>	
Total net assets – end of year			<u>\$ 701,001</u>	

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>-</u>
Total Assets	\$ <u>-</u>
LIABILITIES	
Accounts payable and other liabilities	-
Total Liabilities	\$ <u>-</u>
Net Assets	
Held in Trust for individuals and other governments	\$ <u>-</u>

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies

The financial statements of the Third Judicial District Attorney (District Attorney) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosures requirements.

The District Attorney implemented the provisions of GASB No.'s 34, 37 and 38 effective July 1, 2003. The Third Judicial District Attorney implemented the provisions of GASB No. 40 effective July 1, 2004.

A. Financial Reporting Entity

The District Attorney is given his authority under Section 24 of the New Mexico State Constitution and Sections 36-1-1 through 36-1-27 of the New Mexico State Statutes Annotated, 1978 Compilation, and is a component unit of the state of New Mexico. The District Attorney is elected to serve a four-year term by the qualified voters within the District, which comprises all of Doña Ana County. The function of the District Attorney involves criminal prosecutions of violators of state law and civil representation and advice to the counties served and the officers thereof.

The District Attorney's basic financial statements include all activities and accounts of the District Attorney's "financial reporting entity."

The financial reporting entity consists of the primary government, and another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level or services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The District Attorney's Office has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses have a given function or identifiable activity is offset by program revenues. Direct expenses are those that are a clearly identifiable activity with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable activity. State appropriations and other items not properly included among program revenues are reported instead as general revenues.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State appropriations are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Neither fiduciary funds nor component units that are fiduciary in nature are included.

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 District Attorney 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, expenditures related to compensated absences are recorded only when payment is made.

The District Attorney reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the District Attorney. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the general fund at the end of the fiscal year reverts to the general fund of the state of New Mexico. The CAS number and description for the general fund of the District Attorney is 157 – Third Judicial District Attorney Regular.

DCSI Grants Fund – This fund is used to account for proceeds from the Southwest Border Prosecution Initiative (SWBPI) and the expenditures there from. The SWBPI reimbursements are from the United States Department of Justice. The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico's general fund as the source of revenues is the federal government. The District Attorney has determined that the DCSI grants fund is a major fund whose CAS number is 934.

The District Attorney reports the following non-major governmental funds:

High Intensity Drug Trafficking Area (HIDTA) Fund – The HIDTA fund is used to account for proceeds from the Office of National Drug Control Policy – High Intensity Drug Trafficking Area Grant, and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the federal government to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico's general fund as the source of revenues is the federal government. The District Attorney has determined that the HIDTA fund is a non-major fund whose CAS number is 936.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

Victims of Crime Act (VOCA) Fund – The Victim’s Assistance fund is used to account for the grant proceeds from the Victims of Crime Act (VOCA), National Crime Victims Rights Week (NCVRW) Community Awareness Project grant, and the Rural Domestic Violence & Child Victimization Enforcement grants, and the expenditures there from. The authority for the creation of the VOCA grant comes from Congress and is administered at the federal level through the U.S. Department of Justice Office for Victims of Crime. The state agencies sub-grant to the organizations that provide direct services to the victims of crime. The authority for the creation of the NCVRW grant came from the U.S. Department of Justice’s Office of Victims of Crime and is used to implement certain provisions of the Violence Against Women Act. It is administered by the U. S. Department of Justice’s Office on Violence Against Women. The authority for the creation of the Rural Domestic Violence and Child Victimization Enforcement Grant comes from Congress and is administered by the U.S. Department of Justice’s Office on Violence Against Women. The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico’s general fund as the source of revenues is the federal government. The District Attorney has determined that the Victim’s Assistance fund is a non-major fund whose CAS number is 933.

Other Grants Fund – The Other Grants fund is used to account for grant proceeds from the Department of Justice for the Community Gun Violence Prosecution Program. The statutory authority for the Gun Violence Grant is supported under Public Law 106-113, 113 Stat 1501 (1999). The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico’s general fund as the source of revenues is the federal government. The District Attorney has determined that the Other Grants fund is a non-major fund whose CAS number is 485.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government’s risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

The governmental fund types and agency funds for financial statement purposes follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period (amounts collected within 60 days after year end).

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditure are recorded as liabilities when they are incurred, except for unmatured interest on general long term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, and then unrestricted resources as they are recorded.

Fiduciary Funds

Agency Funds – Agency funds were used to account for assets held by the District Attorney in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds were custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

Fiduciary Funds (continued)

There were two programs within the agency funds: (1) Worthless Check Program and, (2) Preprosecution Diversion Program. The Worthless Check Program was maintained for worthless check writers who were willing to pay restitution with a short time frame and in turn, prosecution is waived. The fees that were collected for the administration of this program were subsequently remitted to the Administrative Office of District Attorneys.

The purpose of the Preprosecution Diversion Program was to remove those persons from the criminal justice system who were most amenable to rehabilitation and least likely to commit future offenses; to provide those persons with services designed to assist them in avoiding future criminal activity; to conserve community and criminal justice resources; to provide standard guidelines and to evaluate preprosecution programs. The fees that were collected for the administration of this program were subsequently remitted to the Administrative Office of District Attorneys.

D. Budgets and Budgetary Accounting

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

1. Prior to September 15th, the District Attorney submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1st. The appropriation request 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 Governor of the State of New Mexico within the legally prescribed time limit signs the Act into law.
4. The District Attorney submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA – Budget Division review and approves the operating budget, which becomes effective on July 1st. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.
5. Legal budget control for expenditures is by expenditure category.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
7. Beginning with fiscal year 2005, the General Appropriation Act establishes the modified basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico. So long as the appropriation period has not lapsed, and a budget has been approved by the Department of Finance and Administration, an encumbrance can be charged against that budget. However, when the appropriation period lapses, so does the authority for the budget. If the Legislature has provided a new appropriation, the encumbrance is carried forward to a new appropriation, the encumbrance is no longer authorized and the amount of the encumbrance must be restored to unreserved fund balance. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of appropriation period.

E. Assets, Liabilities and Net Assets or Equity

Cash: The District Attorney has defined cash to include cash on deposit with the State Treasurer. The State Treasurer has final authority on all cash disbursement.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable from available resources.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

Interfund Activity: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-side financial statements. Capital assets including computer software are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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. Donated capital assets are recorded at estimated fair market value at the date of donation. 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. Costs other than personnel expenses for computer software developed internally are capitalized and depreciated over its useful life. Purchased software is recorded at historical cost.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Years</u>
Furniture and fixtures	7
Equipment and machinery	5
Automotive	5
Data processing	3
(Including Computer Software)	

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

Compensated Absences

District Attorney employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

District Attorney employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs are paid from available, expendable resources.

Net Assets: The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in Capital Assets - In the fund financial statements, investment in capital assets are reported net of depreciation.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

Note 1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

Restricted Net Assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted Net Assets – This category reflects net assets of the Agency, not restricted for any project or other purpose.

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.

Note 2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Governmental-wide Statement of Net Assets – The governmental fund balance sheet includes reconciliation between fund balance total governmental funds and net assets-governmental activities as reported in the governmental-wide statement of net assets. One element of that reconciliation explains “long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Capital assets	\$ 232,558
Compensated absences payable	<u>(153,610)</u>
Net adjustments to reduce fund balances total governmental funds to arrive at net assets governmental activities	<u>\$ 78,948</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities- The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that, “Governmental funds report capital outlay 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.” The details of this difference are as follows:

Capital outlay	\$ 5,473
Depreciation expense	<u>(137,385)</u>
Net adjustments to reduce net changes in fund balances total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (131,912)</u>

An element of that reconciliation states, “Some expenses 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.” The details of this difference are as follows:

Compensated absences	\$ 7,692
----------------------	----------

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 3. Cash and Deposits

Cash Deposited with New Mexico State Treasurer

Cash includes cash deposits held by the New Mexico State Treasurer. The District Attorney's deposits are carried at cost.

As of June 30, 2006, the following amounts have been confirmed with the State Treasurer:

General fund	\$	6,108
DCSI Grant fund		619,483
HIDTA fund		77
VOCA fund		(46,278)
Other grants fund		1,049
Total	\$	<u>580,439</u>

Note 4. Grants Receivable

Amounts due from governmental grants as of June 30, 2006, consisted of the following:

DCSI Grant fund	\$	287,957
VOCA fund		63,369
Total	\$	<u>351,326</u>

Note 5. Capital Assets

Summary of changes in capital assets is as follows:

<u>Description</u>	<u>Balance 6/30/05</u>	<u>Additions</u>	<u>Deletions Transfers</u>	<u>Balance 6/30/06</u>
Capital assets, being depreciated:				
Furniture and fixtures	\$ 23,964	\$ -	\$ -	\$ 23,964
Equipment	283,437	5,473	-	288,910
Vehicles	285,992	-	-	285,992
Total capital assets, being Depreciated	<u>593,393</u>	<u>5,473</u>	<u>-</u>	<u>598,866</u>
Less accumulated depreciation for:				
Furniture and fixtures	14,825	3,381	-	18,206
Equipment	134,041	81,653	-	215,694
Vehicles	80,057	52,351	-	132,408
Total accumulated depreciation	<u>228,923</u>	<u>137,385</u>	<u>-</u>	<u>366,308</u>
Total net assets	<u>\$ 364,470</u>	<u>\$ (131,912)</u>	<u>\$ -</u>	<u>\$ 232,558</u>

Current depreciation expense amounts to \$137,385. All of the depreciation was charged to assets in the General Fund.

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006**

Note 6. Compensated Absences

Qualified employees accumulate annual leave at a rate of:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
Less than 4 years	10	1.250	30
4-8 years	11	1.375	30
8-12 years	12	1.500	30
12-16 years	13	1.625	30
Beyond 16 years	14	1.750	30

A maximum of 240 hours of 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.

Description	Balance 6/30/05	Additions	Deletions	Balance 6/30/06	Due within One Year
Compensated Absences	\$ 145,918	\$ 185,176	\$ 177,484	\$ 153,610	\$ 10,302
Totals	\$ 145,918	\$ 185,176	\$ 177,484	\$ 153,610	\$ 10,302

Seventy-five percent of the compensated absences are to be paid by the General fund; twelve percent by the HIDTA fund; three percent by the VOCA fund; six percent by the DSCI fund, and four percent by the other grant fund.

Note 7. Transfer of Funds

During the fiscal year, \$3,058,825 was transferred from the State General Fund, CAS Fund 853, to the District Attorney. Reversions of \$573 were transferred to the State General Fund, CAS Fund 853.

Note 8. Due to State of New Mexico General Fund

As of June 30, 2006, the amount due to the New Mexico General Fund is \$34. This amount is composed of the following:

	Reversions
06 Fiscal Year	\$ 34

Note 9. Operating Leases

The District Attorney has the following leases, which can be terminated due to lack of funding from the legislature with no penalty to the agency.

A 48-month lease for a postage meter was entered into on September 30, 2001, which requires 16 quarterly payments of \$901. A lease for a telephone system was entered into on July 1, 2001, which requires 60 monthly payments of \$906; however, several additions have increased the monthly payment to \$1,055. A lease for five Cannon copiers was entered into on April 29, 2002, which requires 60 monthly payments of \$888.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 10. Retirement Plans

Substantially all of the District Attorney 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, disability 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123.

Plan members are required to contribute 7.42% of their gross salary. The District Attorney is required to contribute 16.59% of the gross covered salary. The contributions requirements of plan members and the District Attorney are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District Attorney contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were \$444,425, \$420,444, and \$399,563, respectively, equal to the amount of the required contributions for each year.

Note 11. Post Employment Benefits

The Retiree Health Care Act (ACT) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans of benefits that can be purchased by funds flowing into the Retiree Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employees consist of institutions of higher education, school districts, or other entities participating in the Public Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Fire Fighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf, unless the person retires before the employee's NMRHCA effective date, in which event the time period for contributions becomes the period of time between the employee's effective date, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990 and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount on 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional five (\$5.00) if the eligible participant retired prior to the employee's NMRHCA effective date or is a former legislature.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2006, the Department remitted \$34,683 in employer contributions and \$17,342 employee contributions to the Retiree Health Care Authority.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 12. Risk of Loss

The District Attorney's Office 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, workman's compensation, general and property insurance, and attempt to reduce the number of suits against the state and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and are not included in this report. However, the District Attorney is not liable for more than the premiums paid.

Note 13. Disclosure of Financial Interest

In the fiscal year ended June 30, 2005, the District Attorney conducted business with an employee of the District Attorney's office. The employee had a substantial interest, as owner, in a retail office supply company. The total amount of various office supplies bought for the District Attorney's office for the year ended June 30, 2005 was \$3,843.

The District Attorney no longer conducts business with that company and there were no other related party transactions during the fiscal year ended June 30, 2006.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET – SPECIAL REVENUE FUNDS
June 30, 2006

	<u>HIDTA Fund</u>	<u>VOCA Fund</u>	<u>Other Grants Funds</u>	<u>Totals</u>
ASSETS				
Cash held by State Treasurer	\$ 77	\$ -	\$ 1,049	\$ 1,126
Due from other governments	-	63,369	-	63,369
Total assets	<u>\$ 77</u>	<u>\$ 63,369</u>	<u>\$ 1,049</u>	<u>\$ 64,495</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdrafts	\$ -	\$ 46,278	\$ -	\$ 46,278
Total liabilities	<u>-</u>	<u>46,278</u>	<u>-</u>	<u>46,278</u>
Fund balance:				
Unreserved	77	17,091	1,049	18,217
Total fund balance	<u>77</u>	<u>17,091</u>	<u>1,049</u>	<u>18,217</u>
Total liabilities and fund balances	<u>\$ 77</u>	<u>\$ 63,369</u>	<u>\$ 1,049</u>	<u>\$ 64,495</u>

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – SPECIAL REVENUE FUNDS
For the Year-Ended June 30, 2006

	<u>HIDTA</u> <u>Fund</u>	<u>VOCA</u> <u>Fund</u>	<u>Other Grants</u> <u>Funds</u>	<u>Totals</u>
REVENUES:				
Federal grants	\$ 263,276	\$ 183,038	\$ 20,618	\$ 466,932
Total revenues	<u>263,276</u>	<u>183,038</u>	<u>20,618</u>	<u>466,932</u>
EXPENDITURES:				
Current:				
Personnel services	263,276	146,562	20,618	430,456
Contract services	-	500		500
Other expenses	-	15,135		15,135
Total Expenditures	<u>263,276</u>	<u>162,197</u>	<u>20,618</u>	<u>446,091</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>20,841</u>	<u>-</u>	<u>20,841</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	20,841		20,841
Fund Balance, Beginning of Year	<u>77</u>	<u>(3,750)</u>	<u>1,049</u>	<u>(2,624)</u>
Fund Balance, End of Year	<u>\$ 77</u>	<u>\$ 17,901</u>	<u>\$ 1,049</u>	<u>\$ 18,217</u>

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
HIDTA Fund
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (GAAP Basis) and Actual
For the Year-Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues:				
Federal grants	\$ 345,800	\$ 263,276	\$ 263,276	\$ -
Total operating revenues	<u>345,800</u>	<u>263,276</u>	<u>263,276</u>	<u>-</u>
Add: fund balance required	<u>(4,400)</u>	<u>-</u>		
	<u>341,400</u>	<u>263,276</u>		
Operating expenditures:				
Current:				
Personnel expenses	<u>341,400</u>	<u>263,276</u>	<u>263,276</u>	<u>-</u>
Total expenditures	<u>341,400</u>	<u>263,276</u>	<u>263,276</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures			<u>-</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance				
Total net assets – beginning of year			<u>77</u>	
Total net assets – end of year			<u>\$ 77</u>	

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
VOCA Fund**

**Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (GAAP Basis) and Actual
For the Year-Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		Final to Actual
Revenues:				
Federal grants	\$ 167,900	\$ 176,111	\$ 183,038	\$ 6,927
Total operating revenues	<u>167,900</u>	<u>176,111</u>	<u>183,038</u>	<u>6,927</u>
Add: fund balance required	<u>-</u>	<u>-</u>		
	<u>167,900</u>	<u>176,111</u>		
Operating expenditures:				
Current:				
Personnel expenses	154,000	150,311	150,311	-
Contract service	-	1,000	500	500
Other costs	13,900	24,800	11,386	13,414
Total expenditures	<u>167,900</u>	<u>176,111</u>	<u>162,197</u>	<u>13,914</u>
Excess (deficiency) of revenues over expenditures			<u>20,841</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance			20,841	
Total net assets – beginning of year			<u>(3,750)</u>	
Total net assets – end of year			<u>\$ 17,091</u>	

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Other Grants Fund
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (GAAP Basis) and Actual
For the Year-Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues:				
Federal grants	\$ 46,099	\$ 46,099	\$ 20,618	\$ (25,481)
Total operating revenues	<u>46,099</u>	<u>46,099</u>	<u>20,618</u>	<u>(25,481)</u>
Add: fund balance required	<u>-</u>	<u>-</u>		
	<u>46,099</u>	<u>46,099</u>		
Operating expenditures:				
Current:				
Personnel expenses	46,099	46,099	20,618	25,481
Total expenditures	<u>46,099</u>	<u>46,099</u>	<u>20,618</u>	<u>25,481</u>
Excess (deficiency) of revenues over expenditures			<u>-</u>	
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balance			-	
Total net assets – beginning of year			<u>1,049</u>	
Total net assets – end of year			<u>\$ 1,049</u>	

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Agency Funds
Schedule of Changes in Assets and Liabilities
June 30, 2006

	<u>Balance at</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2006</u>
Assets				
Cash – worthless checks	\$ 850	\$	\$ 850	\$ -
Cash – pre-prosecution	<u>2,160</u>	<u> </u>	<u>2,160</u>	<u>-</u>
	<u>\$ 3,010</u>	<u>\$</u>	<u>\$ 3,010</u>	<u>\$ -</u>
Liabilities				
Due to New Mexico Administrative Office of District Attorneys	<u>\$ 3,010</u>	<u>\$ -</u>	<u>\$ 3,010</u>	<u>\$ -</u>

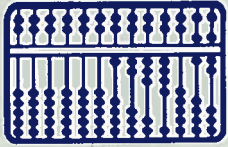
STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Schedule of Expenditures of Federal Awards
June 30, 2006

	CFDA Number	Grant Number	Award Amount	Grant Expended
U.S. Department of Justice, Passed through New Mexico Department of Public Safety, Southwest Border Prosecution Initiative Phase VII	16.000	N/A	\$ 1,098,484	\$ 1,197,968
U.S. Department of Justice, Passed through New Mexico Department of Public Safety, Southwest Border Prosecution Initiative Phase VIII	16.000	N/A	540,867	252,910
U.S. Department of Justice, Passed through New Mexico Department of Public Safety, Project Safe Neighborhoods	16.609	03/04-PSN-3 RD DA-FY-05	84,426	20,618
U.S. Department of Justice, Passed through New Mexico Crime Victims Reparation Commission VOCA Subgrant	16.575	2003-VA-GX-0014	1,000	1,000
U.S. Department of Justice, Passed through New Mexico Crime Victims Reparation Commission VOCA Subgrant	16.575	2005-VA-GX-0033	42,150	42,150
U.S. Department of Justice, Passed through Office of Justice Programs/Violence Against Women Office Rural Domestic Violence & Child Victimization Enforcement Grant Program	16.589	2004-WR-AX-0056	250,000	119,047
Executive Office of the President, Passed through the Office of National Drug Control Policy, High Intensity Drug Trafficking Area (HIDTA) Operation Up the Ladder Cooperative Agreement	07.999	14 PSNP 553	264,276	263,276
Total Funds Available			\$ <u>2,281,203</u>	\$ <u>1,896,969</u>

Note 1. Basis of Presentation

The above Schedule of Expenditures of federal awards includes the federal grant activity of the Third Judicial District Attorney and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

COMPLIANCE SECTION



**MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.**

**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***

Domingo P. Martinez, CGFM, State Auditor
and
Susana Martinez, District Attorney
State of New Mexico, Third Judicial District
Las Cruces, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the state of New Mexico Third Judicial District Attorney as of and for the year-ended June 30, 2006, which collectively comprise the Third Judicial District Attorney's basic financial statements and have issued our report thereon dated October 11, 2006. We also have audited the financial statements of each of the Third Judicial District Attorney's non-major governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2006 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 Third Judicial District Attorney's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

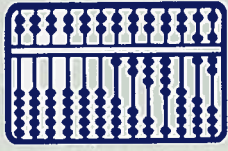
As part of obtaining reasonable assurance about whether the Third Judicial District Attorney's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have 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.

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

Marcus, Fairall, Bristol + Co. LLP

Marcus, Fairall, Bristol + Co., L.L.P.
El Paso, Texas

October 11, 2006



**MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Domingo P. Martinez, CGFM, State Auditor
and
Susana Martinez, District Attorney
State of New Mexico, Third Judicial District
Las Cruces, New Mexico

Compliance

We have audited the compliance of the Third Judicial District Attorney with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year-ended June 30, 2006. The Third Judicial District Attorney's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Third Judicial District Attorney's management. Our responsibility is to express an opinion on the Third Judicial District Attorney's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurances about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Third Judicial District Attorney's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Third Judicial District Attorney's compliance with those requirements.

In our opinion, the Third Judicial District Attorney complied, in all material respects, with the requirement referred to above that are applicable to each of its major federal programs for the year-ended June 30, 2006.

Internal Control Over Compliance

The management of the Third Judicial District Attorney is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Third Judicial District Attorney's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Marcus, Fairall, Bristol + Co. - LLP

Marcus, Fairall, Bristol + Co., LLP
El Paso, Texas

October 11, 2006

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year-Ended June 30, 2006

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Reportable condition (s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ Yes X No
- Reportable condition (s) identified that are not considered to be material weakness (es)? _____ Yes X None reported

Type of auditors’ report issued on compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Programs:

C DFA Number

16.000

U.S. Department of Justice, Passed through New Mexico Department of Public Safety, Southwest Border Prosecution Initiative

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee

 X Yes _____ No

**STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
CURRENT YEAR SCHEDULE OF FINDINGS
For the Year-Ended June 30, 2006**

Section II - Reportable Findings and Questioned Costs-Financial Statement

Prior Year Reportable Findings and Questioned Costs – Financial Statement

05-01 Unauthorized use of State Owned Motor Vehicles - Resolved

Current Year Reportable Findings and Questioned Costs:

None.

Section III. Reportable Findings and Questioned Costs – Major Federal Awards

There are no findings for the period ended June 30, 2006.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
June 30, 2006

An exit conference was held on December 12, 2006 with Jack W. Fairall, CPA, of Marcus, Fairall, Bristol + Co., L.L.P., and the following personnel from the Office of the Third Judicial District Attorney:

Susana Martinez
Kelly Kuenstler
Juliet Lucero

District Attorney
District Office Manager
Chief Financial Officer

Compilation of Financial Statement

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol + Co., L.L.P. However, the contents of their financial statements remain the responsibility of the management.

STATE OF NEW MEXICO
THIRD JUDICIAL DISTRICT ATTORNEY
Passed Journal Entries
June 30, 2006

There are no passed journal entries.