



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SEVENTH JUDICIAL  
DISTRICT ATTORNEY**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2018**



**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT ATTORNEY**  
**Table of Contents**  
**June 30, 2018**

**TABLE OF CONTENTS**

---

<b>INTRODUCTORY SECTION:</b>	<b>Page</b>
Official Roster	ii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
<b>Management Discussion and Analysis</b>	4-8
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of net position—governmental activities	9
Statement of activities—governmental activities	10
<b>Fund Financial Statements</b>	
Balance sheet—governmental funds	11
Statement of revenues, expenditures and changes in fund balances – governmental funds	12
Statement of revenues, expenditures, and changes in fund balances – budget and actual GAAP budgetary basis	
General Fund	13
SWBPI Fund	14
<b>Fiduciary Funds</b>	
Statement of fiduciary assets and liabilities – agency funds	15
<b>Notes to Financial Statements</b>	16-25
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of changes in fiduciary assets and liabilities – agency funds	26
<b>COMPLIANCE SECTION</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	27-28
Schedule of Findings and Responses	29
Exit Conference	30

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
Official Roster  
June 30, 2018**

**Elected Officials**

<b>Name</b>	<b>Title</b>
_____ Clint H. Wellborn	_____ District Attorney

**Administration**

<b>Name</b>	<b>Title</b>
_____ J. B. Mauldin	_____ Chief Financial Officer



**INDEPENDENT AUDITOR’S REPORT**

Mr. Clint H. Wellborn, District Attorney  
State of New Mexico, Office of the District Attorney  
Seventh Judicial District Attorney  
Socorro, New Mexico  
and  
Mr. Wayne Johnson  
New Mexico State Auditor

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Office of the District Attorney, Seventh Judicial District, State of New Mexico (the “District Attorney”), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District Attorney’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor’s Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

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 Seventh Judicial District Attorney, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance 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 financial position of each fiduciary fund of the Seventh Judicial District Attorney, as of June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Seventh Judicial District Attorney are intended to present the financial position and the changes in financial position and budgetary comparison of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Seventh 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, 2018, and the changes in its financial position and budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Seventh Judicial District Attorney's basic financial statements. The accompanying financial information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The basic statement of changes in assets and liabilities-agency funds is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018 on our consideration of the District'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* in considering the District Attorney's internal control over financial reporting and compliance.

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

Hinkle + Landers, PC  
Albuquerque, NM  
October 18, 2018

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2018**

The Seventh Judicial District Attorney's management discussion and analysis is intended to (1) Assist in focusing on significant issues, (2) Provide an overview of the Agency's financial activity, (3) Outline and identify changes in the Agency's financial position, (4) Identify significant deviations from the approved budget, and (5) Identify fund issues or concerns.

**HIGHLIGHTS**

Agency

The Seventh Judicial District Attorney's jurisdiction covers Socorro, Sierra, Torrance, and Catron Counties, which is the largest district, area-wise, in the United States. We have full-time offices in Socorro, Truth or Consequences, and Estancia, with the Socorro office also serving Catron County.

Financial

The Seventh Judicial District Attorney's Office is funded by the State General Fund. Appropriated revenues were \$2,504,300 for FY 2015, \$2,506,400 for FY 2016, \$2,410,200 for FY 2017 and \$2,475,000 for FY 2018.

For FY 2004 we received a non-recurring Southwest Border Prosecution Initiative federal grant of \$55,000 for federally referred cases that our agency handled. In FY 2005 we received an additional \$13,163 from this grant. A balance of \$15,774 remained for use in FY 2018.

The general fund final budget increased 4.24% in FY 2015, increased 0.08% in FY 2016, decreased 3.84% in FY 2017 and increased 2.69% in FY 2018.

We expended 98.03% in FY 2015, 98.8% in FY 2016, 99.06% in FY 2017 and 97.8% of our budget in FY 2018.

Actual expenditures on a budgetary basis were \$2,454,986 in FY 2015, \$2,476,000 in FY 2016, \$2,387,586 in FY 2017 and \$2,420,314 in FY 2018.

**OVERVIEW OF FINANCIAL STATEMENTS**

Government-wide Financial Statements

Government-wide financial statements report information on the Seventh Judicial District Attorney's Office using accounting methods similar to those used in the private sector. All governmental activities will be shown together. The agency has no business type activities. The statement of net position includes all the agency's assets and liabilities. The statement of activities will depict how net position have changed and show the overall bottom line for the agency. These financial statements do not include fiduciary activities as fiduciary resources do not finance government programs. General fixed assets and the Agency's liability for accrued compensated absences are included in the statement of net position. Depreciation expense on fixed assets and the change in the accrued compensated absence liability is reflected in the statement of activities.

Fund Financial Statements

Fund financial statements provide more detailed information about the funds in which the agency uses to separate sources of funding. The Seventh Judicial District Attorney's Office operates primarily from State General Fund money which is allocated to a single fund (governmental fund) at the agency level. This general fund is presented in the format of sources and uses of liquid resources and clearly shows

the source of the money and what it is being used for. The Agency has one small fiduciary fund reporting assets of other parties. These funds are purely custodial in nature and thus do not include measurement of the results of operations.



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2018**

**FINANCIAL ANALYSIS**

Analysis of Financial Position

A comparative condensed **statement of net position** is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	\$ 211,471	\$ 306,818
Total liabilities	\$ 179,616	\$ 222,399
Net position	\$ 31,855	\$ 84,419

Current year total assets include \$98,928 in investment in STO GFIP and \$109,030 of capital assets, net of accumulated depreciation. We do not own any infrastructure assets. Liabilities include normal agency obligations to vendors with accounts payable of 2,809 and accrued payroll and benefits payable of 80,345. In addition, a liability for \$75,948 is reported for accrued compensated absences expected to be paid within one year, and \$17,001 expected to be paid after one year. This is primarily for employees' accrued annual leave.

Results of Operation

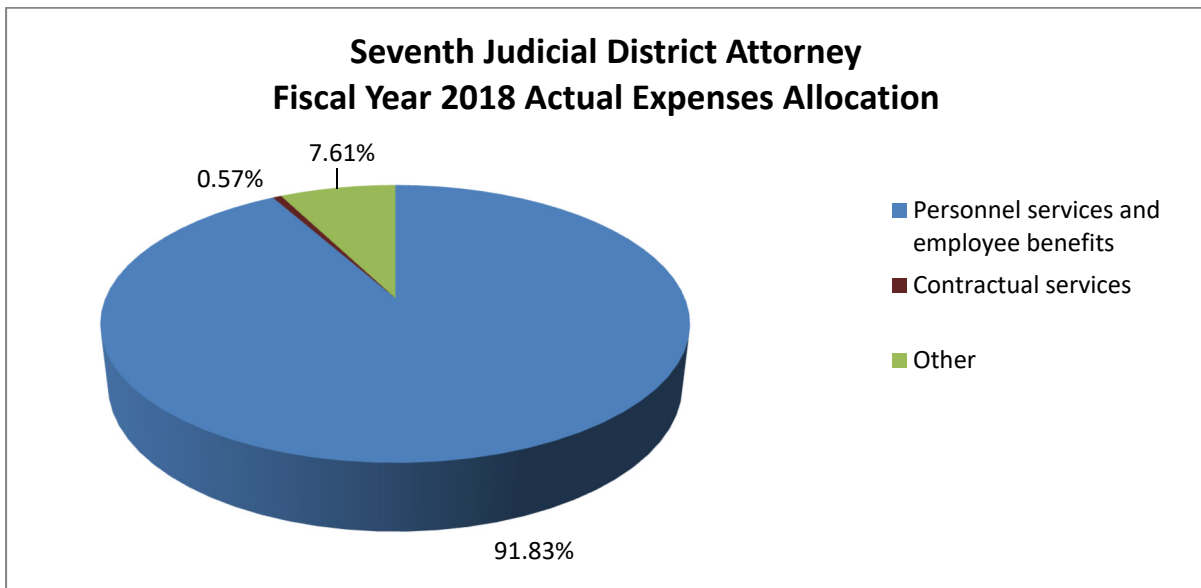
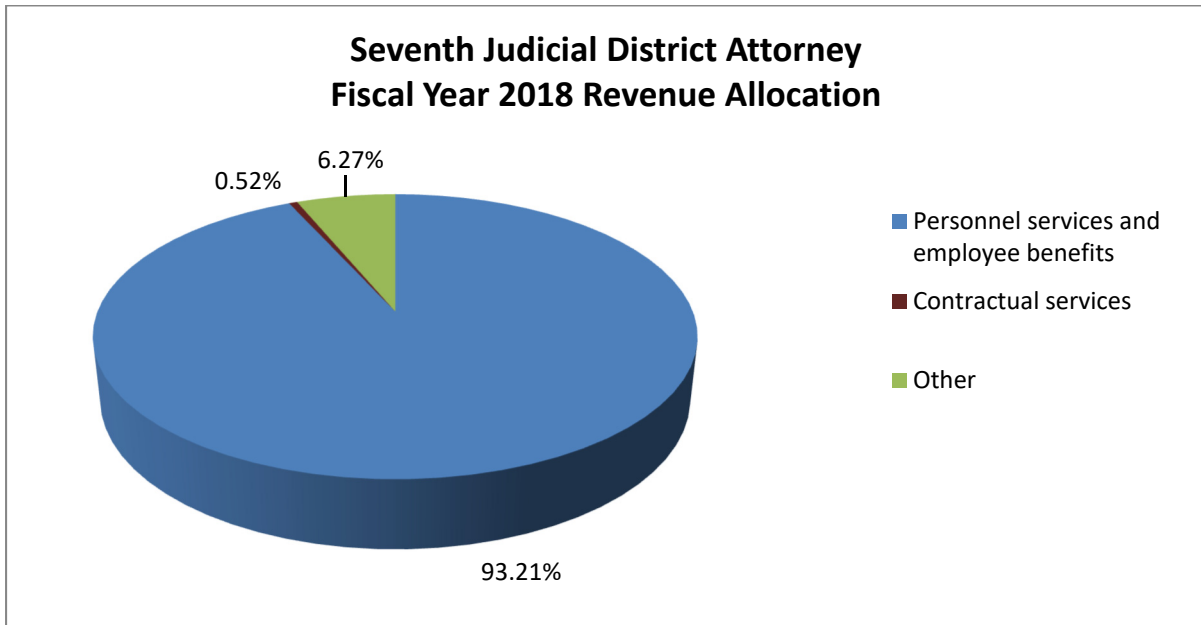
A comparative condensed **statement of activities** is as follows:

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 2,420,314	\$ 2,387,586
Total expenses	\$ 2,472,878	\$ 2,372,815
Change in net position	\$ (52,564)	\$ 14,771
Net position, beginning of year	\$ 84,419	\$ 69,648
Net position, end of year	\$ 31,855	\$ 84,419

In FY 2018 we had some vacancy savings that was able to be used to purchase computer network equipment which included one router, three switches and current software for all offices. We had no other major expenses. None of this equipment or software were capital outlay expenditures. Our revenues were lower than expenses and our net position decreased by this amount for FY 2018. Our reversion of \$54,686 to the State general fund decreased our realized revenues and thus our net position. While we had a decrease of 3.35% in revenues from FY 2016 to FY 2017, we had a 1.37% increase in FY 2018.

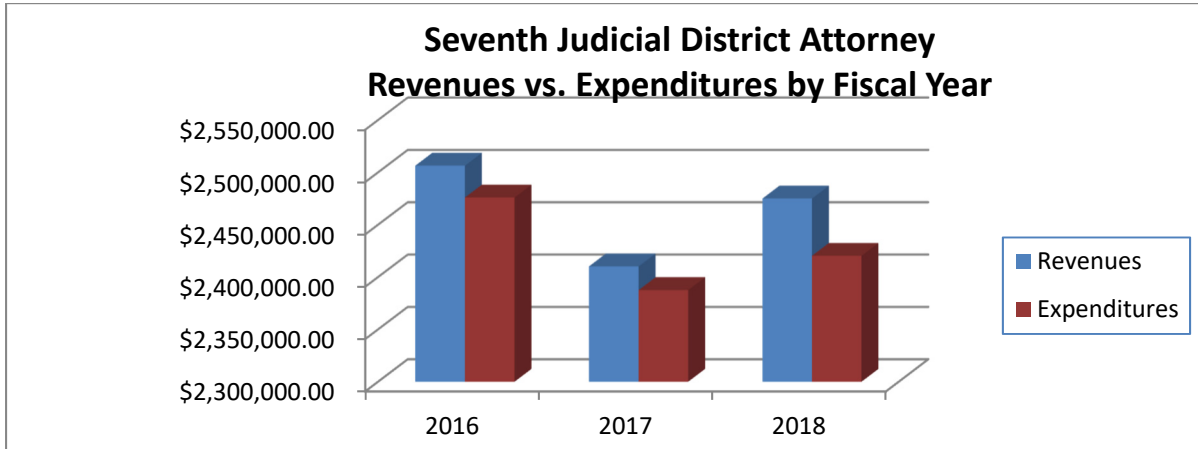
The agency's governmental fund expenditures are divided into three categories: (1) Personal services and employee benefits, (2) Contractual services, and (3) Other Costs, includes all operational costs (travel, supplies, maintenance, telecommunications, rent of equipment, capital outlay, etc.). The following charts illustrate the revenue and actual expenses allocation for Fiscal Year 2018.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2018**

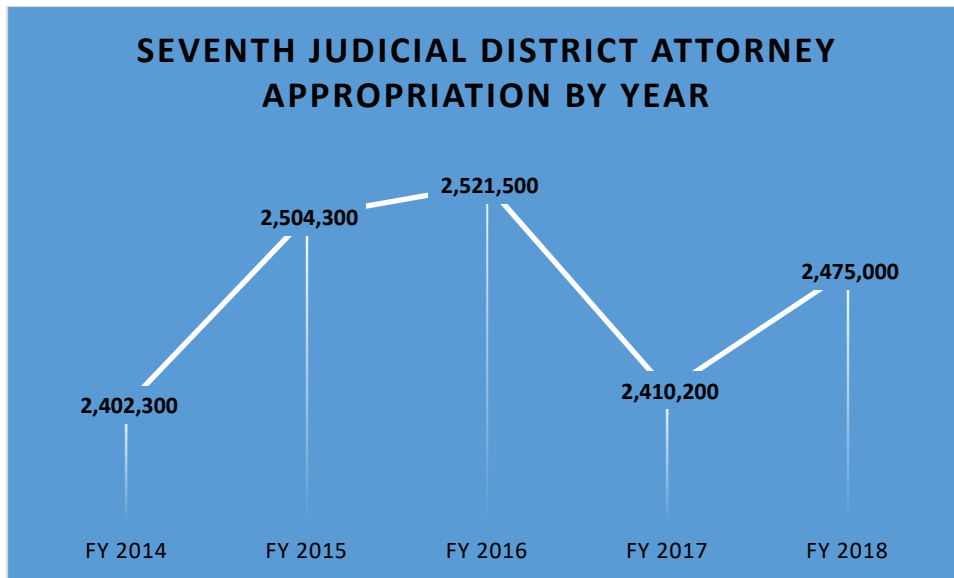


**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2018**

A comparison of revenues and expenditures for the last three fiscal years are illustrated below.



Appropriations, or revenues, for the last five years are illustrated below.



Analysis of Overall Agency Position and Result of Operations

The Seventh Judicial District Attorney's financial position remained stable for FY 2018 as our revenues increased by \$64,800 from FY 2017 to FY 2018. Our budget continues to primarily fund personal services and employee benefits, as this comprises 92% of our expenditures. Net position decreased. This decrease was due primarily to decreased expenses, due to position vacancies, and thus having to revert \$54,686, which on the Government-wide statement of activities shows as less revenue.

We remain primarily funded by the State General Fund, with the exception of a \$55,000 FY 2004 SWBPI federal grant and a FY 2005 \$13,163 SWBPI federal grant. Of the \$68,163 of SWBPI funds received we have a balance of \$15,774 remaining.

Our general fund appropriation increased from FY 2006 through FY 2009 by an average of 9.7% per year. This came to a halt in FY 2010 and our budget decreased by an average of 4.1% per year from FY 2009 through FY 2012. Our budget was on an increasing trend, increasing by an average of 4.59% over the last three fiscal years but slowing to a 0.08% increase for FY 2016, a 3.84% decrease for FY 2017 and a 2.69% increase for FY 2018.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2018**

The final budget changed from the original by \$15,774 after establishing the budget from the fund balance for the remaining SWBPI funds. We also processed two Budget Adjustment Requests through the Department of Finance & Administration that moved funds from personal services and employee benefits to contractual services and other costs. The total of these BARs was \$36,000.

Overall, the Seventh Judicial District Attorney's Office remains financially stable due to careful planning with our staff levels. We have still had to leave some positions vacant due to not receiving full funding for them. The State of New Mexico has made some progress towards an economic recovery but with the price of oil and natural gas remaining unstable we anticipate our budget remaining the same or slowly recovering to be able to fully fund all the positions that we have. The State's economic outlook continues to remain uncertain although our FY 2018 budget increased by 2.7%. Although we continue to plan for the possibility of further budget reductions, we are also hoping that we can soon receive and maintain appropriations to fully staff our approved positions, and that we are able to hire qualified individuals in order to continue to effectively and efficiently carry out our mission.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
As of June 30, 2018**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Investments in the State General Fund Investment Pool	\$ <u>102,441</u>
Total current assets	102,441
<b>Noncurrent Assets</b>	
Capital assets, net	<u>109,030</u>
Total assets	\$ <u><u>211,471</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 2,809
Accrued expenses	83,858
Accrued compensated absences - expected to be paid within one year	<u>75,948</u>
Total current liabilities	<u>162,615</u>
<b>Noncurrent Liabilities</b>	
Compensated absences payable - expected to be paid after one year	<u>17,001</u>
Total liabilities	<u>179,616</u>
<b>NET POSITION</b>	
Unrestricted	(77,175)
Net investment in capital assets	<u>109,030</u>
Total net position	<u>31,855</u>
Total liabilities and net position	\$ <u><u>211,471</u></u>

See Independent Auditor's Report.  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2018**

	<u><b>Governmental Activities</b></u>
<b>Program Expenses</b>	
General government	
Personnel services and employee benefits	\$ 2,223,962
Contractual services	13,717
Operating expenses	184,130
Depreciation	<u>51,069</u>
Total program expenses	<u>2,472,878</u>
<b>General Revenues (Expenses)</b>	
State general fund appropriations FY18	2,475,000
Less: reversion to state general fund FY18	<u>(54,686)</u>
Total net transfers	<u>2,420,314</u>
Change in net position	(52,564)
Net position, beginning	<u>84,419</u>
Net position ending	<u><u>\$ 31,855</u></u>

See Independent Auditor's Report.  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2018**

	<u>General Fund</u>	<u>SWBPI Fund</u>	<u>2018 Total</u>
<b>ASSETS</b>			
Investment in State Treasurer's Office General Fund Investment Pool	\$ 86,667	15,774	102,441
Total assets	<u>\$ 86,667</u>	<u>15,774</u>	<u>102,441</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,809	-	2,809
Accrued payroll and related benefits payable	83,858	-	83,858
Total liabilities	<u>86,667</u>	<u>-</u>	<u>86,667</u>
<b>FUND BALANCE</b>			
Assigned	-	15,774	15,774
Total fund balances	<u>-</u>	<u>15,774</u>	<u>15,774</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 86,667</u>	<u>15,774</u>	<u>102,441</u>

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION

Total fund balance	\$	15,774
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		109,030
Accrued compensated absences are not due and payable in the current period and therefore not reported in the funds.		<u>(92,949)</u>
Total net position (Statement of net position)	\$	<u>31,855</u>

See Independent Auditor's Report.  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2018**

	<u>(16100)</u> <b>General Fund</b>	<u>(94000)</u> <b>SWBPI Fund</b>	<u>Total</u>
<b>EXPENDITURES</b>			
Current			
General government:			
Personal services and benefits	\$ 2,222,467	-	2,222,467
Contractual services	13,717	-	13,717
Operating expenses	184,130	-	184,130
Capital outlay	-	-	-
Total expenditures	<u>2,420,314</u>	<u>-</u>	<u>2,420,314</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
State general fund appropriations FY18	2,475,000	-	2,475,000
Less: reversion to state general fund FY18	<u>(54,686)</u>	<u>-</u>	<u>(54,686)</u>
Net other financing sources	<u>2,420,314</u>	<u>-</u>	<u>2,420,314</u>
Net change in fund balance	-	-	-
Fund balance, beginning	-	<u>15,774</u>	<u>15,774</u>
Fund balance, ending	<u>\$ -</u>	<u>15,774</u>	<u>15,774</u>

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.**

Net change in fund balance	\$	-
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds do not report depreciation expense which is recorded in the statement of activities.		(51,069)
Governmental funds do not report the net change in accrued compensated absences.		<u>(1,495)</u>
Increase (decrease) in net position (Statement of Activities)	\$	<u>(52,564)</u>

See Independent Auditor's Report.  
The accompanying notes are integral to these financial statements



STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND (16100)  
For The Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
General government				
Personal services and benefits	\$ 2,306,900	2,270,900	2,222,467	48,433
Contractual services	12,900	13,900	13,717	183
Operating expenses	155,200	190,200	184,130	6,070
Capital outlay	-	-	-	-
Total expenditures	<u>2,475,000</u>	<u>2,475,000</u>	<u>2,420,314</u>	<u>54,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,475,000)</u>	<u>(2,475,000)</u>	<u>(2,420,314)</u>	<u>54,686</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers				
State general fund appropriations FY18	2,475,000	2,475,000	2,475,000	-
Less: reversion to state general fund FY18	-	-	(54,686)	(54,686)
Net other financing sources	<u>2,475,000</u>	<u>2,475,000</u>	<u>2,420,314</u>	<u>(54,686)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Independent Auditor's Report.  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO**  
**SEVENTH JUDICIAL DISTRICT ATTORNEY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**SOUTHWEST BORDER PROSECUTION INITIATIVE GRANT FUND (94000)**  
**For The Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Southwest Border Patrol Initiative grant	\$ -	-	-	-
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Current:				
General government	15,774	15,774	-	-
Total expenditures	15,774	15,774	-	15,774
Excess (deficiency) of revenues over (under) expenditures	(15,774)	(15,774)	-	15,774
<b>OTHER FINANCING SOURCES (USES):</b>				
State general fund appropriations FY18	-	-	-	-
Other financing sources	-	-	-	-
Less: Reversion to state general fund FY18	-	-	-	-
Net other financing sources	-	-	-	-
Net change in fund balance	(15,774)	(15,774)	-	15,774
Fund balance, beginning	15,774	15,774	15,774	15,774
Fund balance, ending	\$ -	-	15,774	15,774

See Independent Auditor's Report.  
 The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
For The Year Ended June 30, 2018**

		<b><u>Agency Funds</u></b>
<b>ASSETS</b>		
Cash	\$	1,303
Due from participants		<u>31,426</u>
Total assets	\$	<u><u>32,729</u></u>
<b>LIABILITIES</b>		
Held for participants	\$	1,303
Due to Administrative Office of the District Attorney		<u>31,426</u>
Total liabilities	\$	<u><u>32,729</u></u>

See Independent Auditor's Report.  
The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Seventh Judicial District Attorney ("District Attorney") is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The District Attorney is elected to a four-year term. Functions of the District Attorney are defined in Section 36-1-1 through 36-1-26, NMSA 1978. The Seventh Judicial District serves the New Mexico counties of Socorro, Torrance, Catron, and Sierra and has full time offices in Socorro, Truth or Consequences and Estancia. Financing of the District Attorney is by State of New Mexico appropriation.

It is the duty of the District Attorney to (a) prosecute and defend the state, in all courts of record of the counties of their district, all cases, criminal and civil, in which the state or any county in their district may be a party or may be interested; (b) represent the county before the board of county commissioners of any county in their district in all matters before the board whenever requested to do so by the board, and the District Attorney may appear before the board when sitting as a board of equalization (county valuation protests board) without request; (c) advise all county and state officers whenever requested; and (d) represent any county in their district in all civil cases in which the county may be concerned in the supreme court or court of appeals, but not in suits brought in the name of the state.

The District Attorney is legally separate and fiscally independent of other state agencies, has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District Attorney is an agency of the State of New Mexico and is included in the State of New Mexico Comprehensive Annual Financial Report. These financial statements present the financial position and results of operations of only those funds over which the District Attorney has oversight responsibility.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations 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.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units required to be reported under GASB Statements No. 14, No. 39, or No. 61.

The accompanying financial statements of the District Attorney have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

These statements include:

- Presentation of a management discussion and analysis ("MD&A") which provides an analysis of the District Attorney's overall financial position and results of operations.
- Presentation of financial statements prepared using full accrual accounting for all of the District Attorney's activities including reporting capital assets and related depreciation.

**B. Government-wide and Fund Financial Statements**

The District Attorney's basic financial statements include both government-wide and fund financial statements. The government-wide statements (the statements of net position and the statements of activities) report information on the District Attorney as a whole. The separate fund financial statements provide reports on the financial condition and results of operations for major individual funds. The District Attorney's activities are all governmental activities, which include the classification of activities as a judicial government.

The government-wide focus is on the sustainability of the District Attorney as an entity and the changes in the District Attorney's net position resulting from current year's activities. The statements of net position incorporate long-term assets and receivables and deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources. The District Attorney's net position is reported in three parts-invested in capital assets net of related debt and deferred inflows of resources, if any, restricted net position (none at June 30, 2018), and unrestricted net position.

The government-wide statements of activities demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with specific functions. The statements of activities report the gross and net cost of the District Attorney's judicial government program. The judicial government function is primarily supported by a general revenue source -the annual State of New Mexico appropriation.

The governmental fund statements are presented on a current financial resource measurement focus and the modified accrual basis of accounting. This presentation is deemed appropriate to demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District Attorney's actual experience conforms to the budget plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations which briefly explain the differences between the governmental fund financial statements and the government-wide financial statements are presented for each statement.

The District Attorney's fiduciary funds (agency funds) are presented in the fund financial statements. Since by definition these assets are being held for the benefit of third parties and

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**C. Fund Accounting**

The District Attorney uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund balances, revenues and expenditures and other financing sources or uses. The District Attorney's resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The various funds are grouped in the financial statements into fund types and categories as follows

**The following are the District Attorney's Governmental Funds**

**General Fund (16100)**—This fund is the 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. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame.

**SWBPI Grant Fund (94000)**—This special revenue fund accounts for prior year grant funds provided by the Southwest Border Prosecution Initiative to support the prosecution and detention of federally referred cases. Remaining funds under the program may be used for any lawful purpose and are available for general expenditure. Any unexpended balances remaining at the end of the fiscal year do not revert, but remain for expenditure in future fiscal years, and this is the criteria for establishing this special revenue fund.

The District Attorney has elected to consider this special revenue fund as a major fund regardless of size.

**Fiduciary Funds (Agency Funds) (96790)**—Agency Funds are used to account for assets held by the District Attorney in a temporary fiduciary relationship involving only custodial or modest management responsibilities. Agency funds are not "operating" funds but are purely custodial and thus do not involve a measurement of results of operations. At June 30, 2018, the District Attorney had one fund:

**Pre-Prosecution Diversion Program** -This fund is used to account for fees charged to participants in the pre-prosecution diversion program of the District Attorney. The fund is an administratively established fund, as authorized by Article 3 1-16A-I to 31-16A-8, NMSA 1978. This fund includes the Drug Testing Program, which was established to account for fees collected from participants to defray the costs of testing for controlled substances. The fund is an administratively established fund as authorized by Article 30-31-1, NMSA 1978.

**D. Basis of Accounting**

The government-wide and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flow.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenue is considered available if it is collected within 60 days of the current fiscal year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include recording employees' annual leave when paid.

**E. Budgets and Budgetary Accounting**

The New Mexico State Legislature makes annual appropriations to the District Attorney. Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

to actual expenditure comparison. Appropriations lapse at the end of the fiscal year. The District Attorney's general fund is a reverting fund.

The District Attorney submits to the New Mexico Department of Finance and Administration ("DFA") an appropriation request and operating budget in accordance with New Mexico state law. Budget adjustments are also submitted to DFA. The budget and all budget adjustments made during the year have been approved by DFA. Expenditures may not legally exceed the budget at the appropriation program level. The District Attorney may request category transfers among personal services and employee benefits, contractual services, operating expense and capital outlay. The budgets as presented in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

The budgets for the general fund and special revenue funds are presented on the modified accrual basis of accounting except for accounts payable at the end of the fiscal year that do not get paid on a timely basis and must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Encumbrances representing goods and services received by year end are reported as accounts payable. Remaining encumbrances, if any, are reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion.

**F. Modified Accrual**

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

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

The interfund transactions are eliminated. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds". If the New Mexico State Legislature provides a new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

**G. Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued. The only revenues that the District Attorney receives other than State appropriations are state and federal operating grants and other contracts.

**H. Capital Assets**

Capital assets, which include furniture, equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District Attorney as assets which have a cost of \$5,000 or more at date of acquisition. The District Attorney has no capitalized computer software costs. Donated capital assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs are expensed as incurred. Depreciation on all assets is

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

provided on the straight-line basis over the estimated useful lives with no salvage value. The District Attorney estimates the useful lives of capital assets as follows:

Furniture and equipment	10 years
Computer equipment and software	5 years
Vehicles	5 years

**I. Compensated Absences**

Qualified employees are entitled to accumulate annual leave which is payable to the employee upon termination or retirement. Employees earn annual leave as follows:

<b>Employment</b>	<b>Per month</b>
Less than 4 years	10 hours
4 but less than 8 years	11 hours
8 but less than 12 years	12 hours
12 but less than 16 years	13 hours
16 years or more	14 hours

The maximum accrual of annual leave is 240 hours. The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. At June 30, 2018, accrued annual leave totaled \$92,949.

Qualified employees are entitled to accumulate sick leave. Existing legislation provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 on July 1 and January 1 of each year. This sick leave is paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 240 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, sick leave which has been accrued represents the hours earned at June 30, 2018 more than 600 hours. The District Attorney had two employees with accumulated sick leave in excess of 600 hours at June 30, 2018, which amounted to \$3,838.

**J. Spending Policy**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the District Attorney's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District Attorney's policy to spend committed resources first.

**K. Risk Management**

The District Attorney is exposed to various risks of loss related to damage to and destruction of property, errors and omissions injuries to employees, and natural disasters. The District Attorney participates in the State of New Mexico risk management program, which provides liability and property, vehicle, and workers compensation insurance.

**L. Fund Balances/Net Position**

The District Attorney reports fund balances in the following categories:

- *Nonspendable* -amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

- *Restricted* -amounts that are restricted to specific purposes either externally imposed by creditors, grantors, or laws or regulations or imposed by law through constitutional provisions or enabling legislation.
- *Committed* -amounts that can only be used for specific purposes pursuant to formal action of the District Attorney.
- *Assigned* -amounts that the District Attorney intends to be used for specific purposes but are neither restricted nor committed.
- *Unassigned* -remaining fund balances not restricted, committed, or assigned.

Net position represents the excess of assets over liabilities of the District Attorney at June 30, 2018. Net position consists of the District Attorney's net investment in capital assets, compensated absences payable and non-reverting monies in the SWBPI grant fund. It is expected that the compensated absences payable will be financed by future state appropriations.

The District Attorney records restricted net assets when there are legal limitations imposed on their use by law. If restricted and unrestricted assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets. If committed, assigned, and unassigned amounts are available for the same purpose, then committed amounts will be used first, followed by assigned amounts, then unassigned amounts. For the year ended June 30, 2018, there are no restricted assets.

**M. Use of Estimates**

The preparation of the District Attorney's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and of revenues and expenditures during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**NOTE 2. CASH AND INVESTMENT IN STATE TREASURER'S OFFICE GENERAL FUND INVESTMENT POOL**

For cash management and investment purposes, funds of various state agencies, including the District Attorney, are deposited in the General Fund Investment Pool ("the Pool"), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by agencies investing in the Pool.

State law (Section 8-6-3 NMSA 1978) requires the District Attorney's cash to be managed by the New Mexico State Treasurer's Office. Accordingly, the cash investment of the District Attorney consists of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2018, the District Attorney had \$102,442 invested in the General Fund Investment Pool.

***Interest Rate Risk***—The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is the means of managing exposure to fair value losses arising from increasing interest rates. The investment activity of the State Treasurer's Office is reported to the State Board of Finance monthly.

***Credit Risk***—The New Mexico State Treasurer's Office General Fund Investment Pool is not rated. For additional disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

Cash reflected in agency funds is held by a private financial institution. At June 30, 2018, the carrying amount of the District Attorney accounts was \$1,303.

Custodial credit risk is the risk that in the event of bank failure the District Attorney's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized by securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agency but not in the District Attorney's name. At June 30, 2018, cash is fully insured by the Federal Deposit Insurance Corporation and the District Attorney has no custodial credit risk.

At June 30, 2018, the District Attorney had the following invested in the SGFIP and a local private bank:

<u>Name/SHARE #</u>	<u>Location</u>	<u>Balance Per Depository</u>	<u>Outstanding Deposits</u>	<u>(Checks)</u>	<u>Balance Per Financial Statements</u>
<u>First State Bank of Socorro</u>					
<u>Drug Testing Trust</u>					
Checking Account	Socorro	\$ 1,579	-	(276)	1,303
		\$ 1,579	-	(276)	1,303
<u>New Mexico State Treasurer</u>					
General-16100	STO	\$ 86,667	-	-	86,667
SWBPI-94000	STO	15,774	-	-	15,774
		\$ 102,441	-	-	102,441

There were no deposits in transit as of June 30, 2018. The Office of the State Treasurer (STO) accounts are interest bearing accounts, but no interest income was allocated to the District.

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, is summarized as follows:

<u>Governmental Activities</u>	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
<b>Capital assets depreciated</b>				
Vehicles	\$ 501,717	-	(60,612)	<b>441,105</b>
Furniture and equipment	61,350	-	-	<b>61,350</b>
Total capital assets	563,067	-	(60,612)	<b>502,455</b>
<b>Less accumulated depreciation</b>				
Vehicles	(352,522)	(48,869)	60,612	<b>(340,779)</b>
Furniture and equipment	(50,446)	(2,200)	-	<b>(52,646)</b>
Total accumulated depreciation	(402,968)	(51,069)	60,612	<b>(393,425)</b>
<b>Total capital assets, net</b>	<b>\$ 160,099</b>	<b>(51,069)</b>	<b>-</b>	<b>109,030</b>

Depreciation expense for the year ended June 30, 2018 was \$51,069.

**NOTE 4 INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS**

Interfund receivables and payables reflect short-term (current) borrowings among the District Attorney's funds in the normal course of business. The District Attorney's had no due to/from other funds as of June 30, 2018.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 5. ACCRUED COMPENSATED ABSENCES**

A summary of changes in long-term liabilities for the year ended June 30, 2018 are as follows:

	<b>2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>2018</b>	<b>Due Within One Year</b>
Compensated absences payable \$	91,454	94,107	(92,612)	92,949	75,948

**NOTE 6. PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION**

**Plan Description.** Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2018.

The District Attorney, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the next pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**Funding Policy.** Plan members are required to contribute 8.92% of their gross salary. The District Attorney is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the District Attorney are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District Attorney's contributions to PERA for the years ending June 30, 2018, 2017, and 2016, were \$254,412, \$255,565, and \$254,007, and respectively, which equal the amount of the statutorily required contributions for each fiscal year.

**NOTE 7. POST EMPLOYMENT BENEFITS– STATE RETIREE HEALTH CARE PLAN**

**Plan Description.** Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2018.

The District Attorney, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit post-employment health care plan (New Mexico Retiree Health Care Fund) administered by the New Mexico Retiree Health Care Authority (NMHCA). Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the Office's financial statements. Disclosure requirements apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net OPEB liability, OPEB expense, and OPEB-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**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 (5) 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 100.00% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico state legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Act (Section 10-7C-15, NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal member cover plans 3, 4, or 5; municipal fire member cover plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2018, the statutes required each participating employer to contribute 2.50% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; and each participating employee was required to contribute 1.00% of their salary. In addition, pursuant to Section 10-7C-15(G), NMSA 1978, at the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1, NMSA 1978 and the employer and employee contributions to the Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District Attorney's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$29,959, \$30,085, and \$29,900, respectively.

**NOTE 8. RISK MANAGEMENT**

The District Attorney is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of property; errors and omissions; injuries to employees; and natural disasters. The District Attorney participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability and physical damage insurance for the District Attorney, for the risks of loss mentioned above, except for injuries to employees. For risks of loss related to injuries to employees, the District Attorney has not obtained coverage from a commercial insurance company but has effectively managed risk through various employee education and prevention programs. The premiums for Risk Management are based on payroll and other expenditures and are not directly related to claims filed. The policies are retrospectively prorated, and premiums may be adjusted after year end, based on the ultimate level of expenditures.

**NOTE 9. CONTINGENT LIABILITIES**

The District Attorney is party to various litigation and other claims in the ordinary course of business. The District Attorney is unaware of any material pending or threatened litigation, claims, or assessments against the District Attorney that are not covered by the District Attorney's insurance.

**NOTE 10. CONCENTRATIONS**

The District depends on financial resources flowing from, or associated with, both the federal government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

**NOTE 11. OPERATING LEASES**

The District Attorney leases certain office equipment with required monthly payments ranging from 36 to 60 months. The leases are subject to an annual appropriation clause which commits the District Attorney only for each fiscal year.

Expenditures under these leases amounted to \$10,009 for the year ended June 30, 2018. Minimum lease payments under these operating leases as of June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2019	\$ 10,586
2020	9,660
2021	9,660
2022	6,907
2023	61
	<u>\$ 36,874</u>

**NOTE 12. EVALUATION OF SUBSEQUENT EVENTS**

The District Attorney has evaluated events subsequent to June 30, 2018 that would possibly require adjustment or disclosure in these financial statements, through October 18, 2018, the date that these financial statements were available to be issued.

No events have occurred subsequent to October 18, 2018 that would require adjustment or modification to the contents of these statements.

**NOTE 13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require certain information concerning individual funds including:

- a) Deficit fund balance of individual funds. The District Attorney had no deficit fund balances as of June 30, 2018.

**NOTE 14. INTER-AGENCY TRANSFERS**

The District Attorney received appropriations from DFA as follows:

<u>Description</u>	<u>Agency Transferred From</u>	<u>From SHARE Fund</u>	<u>To SHARE Fund</u>	<u>Reference</u>	<u>Appropriation Period</u>	<u>Amount Transferred In</u>
General fund appropriation	DFA	85300-34100	25700-16100	Laws of 2017, Chapter 135, section 4c	FY 18	\$ 2,475,000
<b>Total Other Financing Sources</b>						<u>2,475,000</u>
<u>Description</u>	<u>Agency Transferred To</u>	<u>From SHARE Fund</u>	<u>To SHARE Fund</u>	<u>Reference</u>	<u>Appropriation Period</u>	<u>Amount Transferred Out</u>
General fund reversion	DFA	25700-16100	85300-34100	None	FY 18	(54,686)
<b>Total other Financial Sources (Uses)</b>						<u>\$ 2,420,314</u>

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
For The Year Ended June 30, 2018**

<b>Pre-Prosecution Diversion Program (96790)</b>	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2018</u>
<b>ASSETS</b>				
Cash	\$ 1,599	554	(850)	1,303
Due from participants	<u>14,595</u>	<u>46,360</u>	<u>(29,529)</u>	<u>31,426</u>
Total assets	<u>\$ 16,194</u>	<u>46,914</u>	<u>(30,379)</u>	<u>32,729</u>
<b>LIABILITIES</b>				
Held for participants	\$ 1,599	554	(850)	1,303
Due to Administrative Office of the District Attorney	<u>14,595</u>	<u>46,360</u>	<u>(29,529)</u>	<u>31,426</u>
Total liabilities	<u>\$ 16,194</u>	<u>46,914</u>	<u>(30,379)</u>	<u>32,729</u>

See Independent Auditor's Report.  
The accompanying notes are integral to these financial statements



**INDEPENDENT AUDITOR'S 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**

Wayne Johnson, New Mexico State Auditor  
Clint H. Wellborn, District Attorney,  
Office of the District Attorney, Seventh Judicial District  
Socorro, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and major special revenue funds, of the Office of the District Attorney, Seventh Judicial District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District Attorney's basic financial statements and have issued our report thereon dated October 18, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District Attorney's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District Attorney's internal control. Accordingly, we do not express an opinion on the effectiveness of the District Attorney's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency, or combination of deficiencies, in internal control that is less than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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, 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 did not disclose any instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS, continued

October 18, 2018

**Purpose of This Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this information is not suitable for any other purpose.

*Hinkle & Landers, P.C.*

Hinkle + Landers, PC  
Albuquerque, NM  
October 18, 2018



**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2018**

<b>Reference</b>	<b>Findings</b>	<b>Status of Prior/Current Year Findings</b>	<b>Type of Finding*</b>
<b>Prior year</b>			
None			
<b>Current year</b>			
None			

\* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

**STATE OF NEW MEXICO  
SEVENTH JUDICIAL DISTRICT ATTORNEY  
EXIT CONFERENCE  
For The Year Ended June 30, 2018**

**EXIT CONFERENCE**

An exit conference was held in a closed session on October 18, 2018, at the District's Offices in Socorro, New Mexico. In attendance were the following:

Representing the Seventh Judicial District Attorney:

Clint H. Wellborn  
J.B. Mauldin

District Attorney  
Chief Financial Officer

Representing Hinkle + Landers, PC:

Farley Vener, CPA, CFE, CGMA

Managing Shareholder

**FINANCIAL STATEMENTS**

The financial statements of the District as of June 30, 2018, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.