

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
SEVENTH JUDICIAL DISTRICT**

**INDEPENDENT AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

**TABLE OF CONTENTS
SEVENTH JUDICIAL DISTRICT ATTORNEY**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Official roster	1
FINANCIAL SECTION	
Independent auditors' report	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Statement of Revenues and Expenditures (GAAP budgetary basis) – General Fund	12
Statement of Revenue and Expenditures (GAAP budgetary basis) – Capital Outlay Fund	13
Statement of Revenues and Expenditures (GAAP budgetary basis) – Violence Against Women Act Fund	14
Statement of Revenues and Expenditures (GAAP budgetary basis) – Southwest Border Prosecution Initiative Grant	15
Statement of Fiduciary Assets and Liabilities – Agency Funds	16
Notes To The Financial Statements	17-28
OTHER SUPPLEMENTAL INFORMATION	
Combining Balance Sheet—All Agency Funds	29
Combining Schedule of Changes in Assets and Liabilities---All Agency Funds	30
Schedule of Interagency Transfers	31
Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations	32
OTHER REPORT	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Schedule of findings and responses	35-36
Exit conference	37

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

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

Name	Title
Mr. Clint H. Wellborn	District Attorney
Mr. J.B. Mauldin	Fiscal Officer

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2500 9th Street NW
Albuquerque, New Mexico 87102
Tel (505) 883-8788
Fax (505) 883-8797
FVener@HL-CPAs.com

INDEPENDENT AUDITORS' REPORT

Mr. Clint W. Wellborn, District Attorney,
State of New Mexico, Office of the District Attorney
Seventh Judicial District
and
Mr. Hector H. Balderas, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, for each major fund and the aggregate remaining fund information of the Office of the District Attorney, Seventh Judicial District, of the State of New Mexico (DA) as of and for the year ended June 30, 2008, which collectively comprise the DA's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the fiduciary funds presented in the accompanying combining and individual financial statements as of June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the DA's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the DA are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of New Mexico that is attributable to the transactions of the DA. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate fund information of the Seventh Judicial District Attorney, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund, Capital Outlay fund, VAWA grant fund and the SWBPI grant fund 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 fiduciary fund of the Seventh District Attorney, as of June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008 on our consideration of the DA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 7, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, however we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the DA. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hinkle & Landers, P.C.

Hinkle & Landers, PC
December 8, 2008

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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.

Financial

The Seventh Judicial District Attorney's Office is funded by the State General Fund. Appropriated revenues were \$1,824,100 for FY 2005, \$1,877,540 for FY 2006, \$2,103,768 for FY 2007 and \$2,380,300 for FY 2008, not including a special appropriation of \$40,000 to purchase vehicles. 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. We received a STOP VAWA federal grant to establish a program for victims of domestic violence and sexual assault for \$39,263 for FY 2005 and 2006, \$42,272 for FY 2006 and 2007, and \$48,890 for FY 2007 and FY 2008. The general fund final budget has increased 6.8% from FY 2004 to FY 2005, 2.9% from FY 2005 to FY 2006, 12% from FY 2006 to FY 2007, and 13% from FY 2007 to FY 2008. We expended 99.2% of our budget in FY 2005, 99.5% in FY 2006, 97.8% in FY 2007 and 99.2% in FY 2008. Actual expenditures on a budgetary basis were \$1,808,866 in FY 2005, \$1,867,611 in FY 2006, \$2,057,981 in FY 2007 and \$2,360,767 in FY 2008.

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 assets includes all the agency's assets and liabilities. The statement of activities will depict how net assets 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 assets. 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 two small fiduciary funds 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
JUNE 30, 2008

FINANCIAL ANALYSIS

Analysis of Financial Position

A comparative condensed statement of net assets is as follows:

	<u>2008</u>	<u>2007</u>
Total assets	\$ 288,586	\$ 350,008
Total liabilities	\$ 268,830	\$ 312,101
Net assets	\$ 24,756	\$ 37,907

Current year total assets include \$197,008 in cash and \$91,578 of capital assets, net of accumulated depreciation. Liabilities include normal agency obligations to vendors and accrued payroll as well as the current year reversion to state general fund of \$20,132. In addition, a liability for \$85,698 is reported for accrued compensated absences, expected to be paid within one year.

Results of Operation

A comparative condensed statement of activities is as follows:

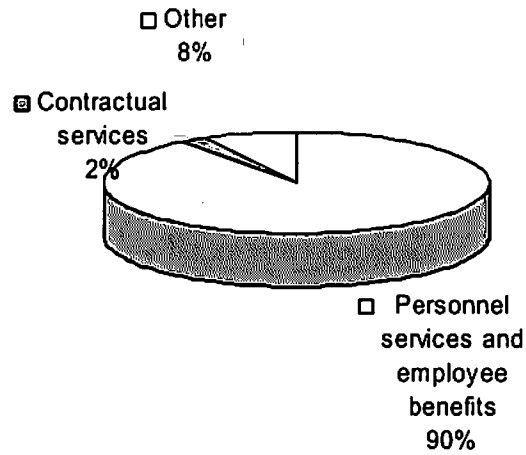
	<u>2008</u>	<u>2007</u>
Total revenues	\$ 2,360,767	\$ 2,098,022
Total expenses	\$ 2,373,918	\$ 2,064,929
Change in net assets	\$ (13,151)	\$ 33,093
Net assets, beginning of year	\$ 37,907	\$ 4,814
Net assets, end of year	\$ 24,756	\$ 37,907

The decrease in net assets is partly due to a one time State general fund multi-year special appropriation for capital outlay for \$40,000 which was counted as revenue in FY 2007. We, of course did not receive this revenue for FY 2008. Of this \$40,000, \$36,500 was expended in FY 2008 for the purchase of vehicles. Accrued compensated absences increased from \$70,383 in FY 2007 to \$86,849 in FY 2008 for a difference of \$16,466, which decreased net assets. The increase in revenues is due to an increase in our overall budget and appropriation by 13%, which was primarily due to increased employee benefits costs and receiving some additional funds for employee salary increases.

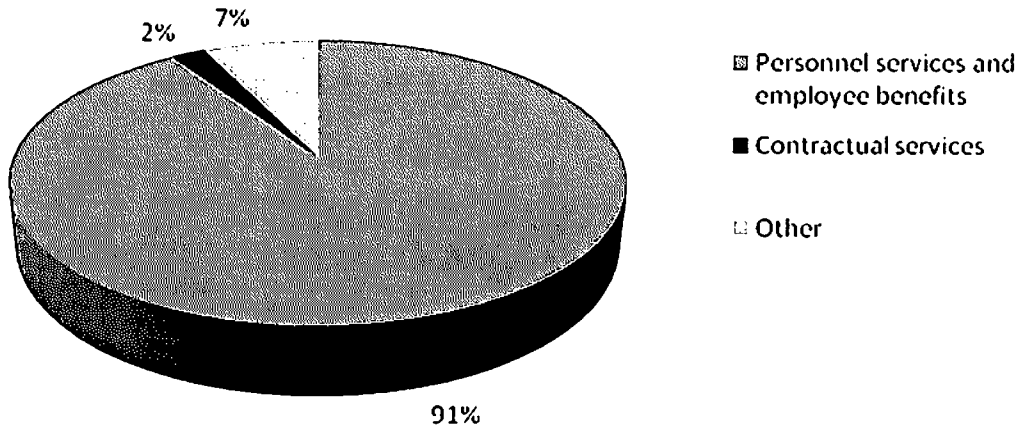
The agency's governmental fund expenditures are divided into three categories: (1) Personal services and employee benefits, (2) Contractual services, and (3) Other costs, which include all operational costs (travel, supplies, maintenance, telecommunications, rent of equipment, and capital outlay). The following charts illustrate the expenditure allocation for Fiscal Years 2007 and 2008.

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

**Seventh Judicial District Attorney
Fiscal Year 2007 Expenditures**

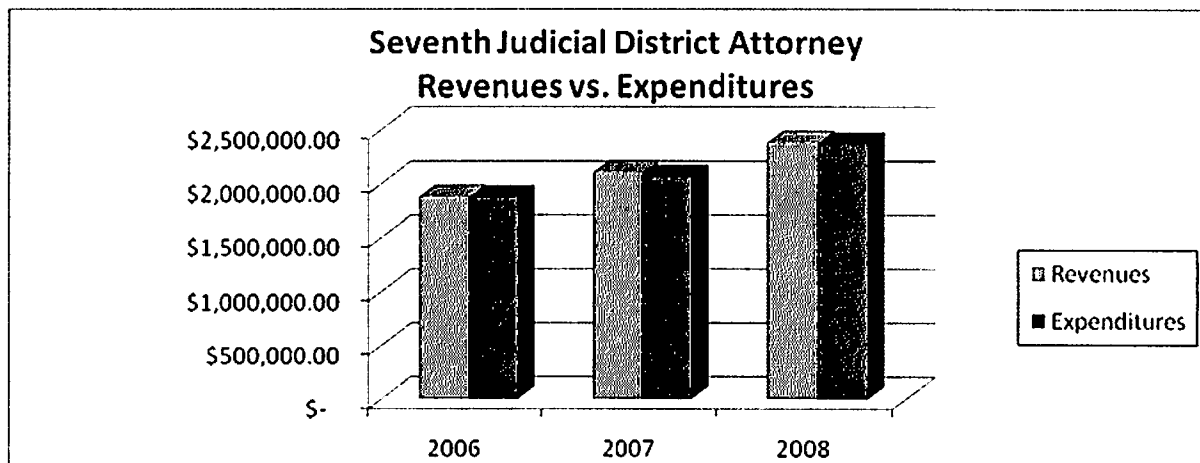


**Seventh Judicial District Attorney
Fiscal Year 2008 Expenditures**



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

STATE OF NEW MEXICO
 SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2008



Analysis of Overall Agency Position and Result of Operations

There are no significant changes in the Seventh Judicial District Attorney's financial position from the prior year other than the net book value of fixed assets. Net assets did decrease. This decrease was due primarily to not receiving another special appropriation for capital outlay of \$40,000 to purchase vehicles, which was recorded as revenue in FY2007, and also due to accrued compensated absences increasing. 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 which the majority of the funds were used for expenses related to our move to a new building across the street. We also received a STOP VAWA federal grant to establish a program for victims of domestic violence and sexual assault for \$39,263 for FY 2005 and 2006, \$42,272 for FY 2006 and 2007 and \$48,890 for FY 2007 and 2008. This grant funds one full time victim advocate position. Our appropriation was \$1,824,100 in FY 2005, \$1,877,540 in FY 2006, \$2,103,768 in FY2007 and \$2,380,300, plus the capital outlay appropriation of \$40,000, for FY 2008. There was a 2.9% increase in funding from FY 2005 to FY 2006, a 12% increase from FY 2006 to FY 2007 and a 13% increase from FY 2007 to FY 2008. On an actual budgetary basis the agency's expenditures were \$2,360,767 and revenues were \$2,380,899 for FY 2008. Current budgeted revenues exceeded our current budgeted expenditures by \$20,132, or 0.8%. Or, to look at this from another perspective, we spent 99.2% of our general fund budget. This excess of \$20,132 has been included in the required reversion to the State general fund.

The final budget changed from the original by a \$2,700 budget adjustment transferring funds from the personal services/employee benefits category to the contractual services category. This helped pay for our annual audit. We also had a \$62,000 budget adjustment transferring funds from the personal services/employee benefits category to other costs category. This allowed us to purchase a new vehicle and new computers for the district. These funds were available to transfer due to position vacancy savings.

Overall, the Seventh Judicial District Attorney's Office remains financially stable and operating efficiently with an increase in the general fund budget occurring for FY 2008.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

ASSETS	Governmental Activities
Current Assets	
Investment in STO GFIP	\$ 191,421
Federal grant receivable	5,587
	197,008
Total current assets	197,008
Capital assets, net	91,578
Total assets	\$ 288,586
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 67,900
Due to the state general fund	20,132
Accrued salaries and employee benefits	88,949
Compensated absences payable - expected to be paid within one year	85,698
	262,679
Total current liabilities	262,679
Non-current liabilities	
Compensated absences payable - expected to be paid after one year	1,151
	1,151
Total liabilities	263,830
 NET ASSETS (DEFICIT)	
Invested in capital assets	91,578
Restricted for special revenue	20,027
Unrestricted (deficit)	(86,849)
	24,756
Total net assets	24,756
Total liabilities and net assets	\$ 288,586

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

EXPENSES	<u>Governmental Activities</u>
General government	
Public safety	\$ (2,414,953)
Less: Program revenues	
Operating grants and contracts	41,035
Net program (expenses)/revenues	<u>(2,373,918)</u>
 REVENUES	
General revenues	
Transfers - State General Fund appropriation	2,380,899
less Transfers - reversion to State General Fund - FY - 08	<u>(20,132)</u>
Total general revenues	2,360,767
 Change in net assets	 (13,151)
 Net assets, beginning	 <u>37,907</u>
 Net assets, ending	 \$ <u><u>24,756</u></u>

The accompanying notes are an integral part of these financial statements

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

	Major Funds				Total Governmental Funds
	(161) General Fund	(250) Capital Outlay	Special Revenue Funds		
			(939) VAWA	(940) Southwest Border	
ASSETS					
Cash and cash equivalents	\$ 169,790	3,500	2,357	15,774	191,421
Federal grant receivable	-	-	5,587	-	5,587
Total assets	169,790	3,500	7,944	15,774	197,008
LIABILITIES					
Accounts payable	67,242	-	658	-	67,900
Accrued salaries and employee benefits	82,416	-	6,533	-	88,949
Due to state general fund (reversion FY 08)	20,132	-	-	-	20,132
Current liabilities	169,790	-	7,191	-	176,981
FUND BALANCE					
Reserved for subsequent year's expenditures	-	3,500	-	-	3,500
Unreserved/undesignated reported in:					
General fund	-	-	-	-	-
Special revenue funds	-	-	753	15,774	16,527
Total fund balance	-	3,500	753	15,774	20,027
Total liabilities and fund balance	\$ 169,790	3,500	7,944	15,774	197,008
Total fund balance governmental funds				\$	20,027
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds					91,578
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds					(86,849)
Net assets of governmental activities				\$	<u>24,756</u>

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

	Major Funds				Total Funds
	(161) General Fund	Special Revenue Funds		(940) Southwest Border	
	(250) Capital Outlay	(939) VAWA			
REVENUES					
Intergovernmental revenues					
Federal sources	\$ -	-	41,035	-	41,035
Total revenues	-	-	41,035	-	41,035
EXPENDITURES					
Current					
General government:					
Personal services and benefits	2,071,382	-	37,264	-	2,108,646
Contractual services	52,746	-	-	-	52,746
Other costs	207,856	-	3,018	-	210,874
Capital outlay	28,783	36,500	-	-	65,283
Total expenditures	2,360,767	36,500	40,282	-	2,437,549
OTHER FINANCING SOURCES (USES)					
Transfers - State General Fund appropriations	2,380,899	-	-	-	2,380,899
Transfers - reversion to State General Fund - FY08	(20,132)	-	-	-	(20,132)
Net other financing sources	2,360,767	-	-	-	2,360,767
Net change in fund balances	-	(36,500)	753	-	(35,747)
Fund balance, beginning	-	40,000	-	15,774	55,774
Fund balance, ending	\$ -	3,500	753	15,774	20,027
Net change fund balance in governmental funds				\$ (35,747)	

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

In the current period, these amounts are:

Depreciation expense	(26,221)
Capital outlay that was included as additions in capital assets	65,283

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

Net change in compensated absences	(16,466)
Change in net assets - governmental activities	\$ (13,151)

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (Non-GAAP Budgetary Basis)
General Fund (161)
For The Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Favorable (Unfavorable)</u>
EXPENDITURES:				
Current:				
General government				
Personal services	\$ 2,161,300	2,096,600	2,071,382	25,218
Contractual services	50,200	52,900	52,746	154
Other costs	168,800	230,800	236,639	(5,839)
Total expenditures	<u>2,380,300</u>	<u>2,380,300</u>	<u>2,360,767</u>	<u>19,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,380,300)</u>	<u>(2,380,300)</u>	<u>(2,360,767)</u>	<u>19,533</u>
OTHER FINANCING SOURCES (USES):				
State general fund appropriations	2,380,300	2,380,300	2,380,899	599
Reversion to state general fund FY08	-	-	(20,132)	(20,132)
Net interagency transfers	<u>2,380,300</u>	<u>2,380,300</u>	<u>2,360,767</u>	<u>(19,533)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (Non-GAAP Budgetary Basis)
Special Revenue Fund - Capital Outlay Fund (250)
For The Year Ended June 30, 2008**

	Actual Amounts			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		(Budgetary Basis)	
	Original	Final		
REVENUES:				
Special appropriation	\$ 90,000	90,000	-	(90,000)
TOTAL REVENUES	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
EXPENDITURES:				
Current:				
General government				
Other costs	90,000	90,000	36,500	53,500
Total expenditures	<u>90,000</u>	<u>90,000</u>	<u>36,500</u>	<u>53,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(36,500)</u>	<u>(36,500)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>(36,500)</u></u>	<u><u>(36,500)</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (Non-GAAP Budgetary Basis)
Special Revenue Fund - Violence Against Women Act Fund (VAWA) (939)
For The Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Intergovernmental revenue:				
Federal sources	\$ 29,600	39,064	41,035	1,971
TOTAL REVENUES	<u>29,600</u>	<u>39,064</u>	<u>41,035</u>	<u>1,971</u>
EXPENDITURES:				
Current:				
General government				
Personal services/employee benefits	29,600	36,000	37,264	(1,264)
Other costs	-	3,064	3,018	46
Total expenditures	<u>29,600</u>	<u>39,064</u>	<u>40,282</u>	<u>(1,218)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>753</u>	<u>753</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>753</u>	<u>753</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES (Non-GAAP Budgetary Basis)
Special Revenue Fund - Southwest Border Prosecution Initiative Grant (SWBPI) (940)
For The Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental revenue:				
Federal sources	\$ -	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
General government				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
Statement of Fiduciary Assets and Liabilities - Agency Funds
As of June 30, 2008**

	<u>Agency Fund</u>
ASSETS	
Cash in bank	\$ 2,460
Due from participants	<u>15,794</u>
TOTAL ASSETS	<u>\$ 18,254</u>
LIABILITIES	
Held for participants	\$ 2,236
Due to the Administrative Office of the District Attorney	<u>16,018</u>
TOTAL LIABILITIES	<u>\$ 18,254</u>

The accompanying notes are an integral part of these financial statements

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

NATURE OF BUSINESS AND REPORTING ENTITY

The DA is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The DA is elected to a four-year term. Functions of the DA are defined in Section 36-1-1 through 36-1-26 NMSA 1978 as amended. The 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.

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

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

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

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

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

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basic Financial Statements – GASB Statement No. 34

The financial statements of the DA have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the DA's accounting policies are described below.

For its government-wide activities, the DA has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the sustainability of the DA as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the DA's actual experience conforms to the budget of fiscal plan. Since the governmental fund statements are presented on a different focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented for each statement, which briefly explains the adjustment necessary to transform the fund based financial statements in to the governmental column on the government-wide presentation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement.

2. Basis of Presentation

The financial transactions of the DA are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses.

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

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

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

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and the fiduciary financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

The statement of net assets and the statement of activities are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support DA programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

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

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 No. 33, which was also adopted as of July 1, 2001 by the DA, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

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".

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

4. Budgetary Data

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

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

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

1. By September 1st, the DA prepares a budget request by appropriation unit to be presented to the next Legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
4. Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of these hearings are incorporated into the General Appropriations Act.
7. The DA's budget for the fiscal year ending June 30, 2008 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
8. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The DA submits, no later than May 1st, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the DA and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2008. The DA's General Fund is a reverting fund (funds revert back to the State General Fund).
13. Appropriations lapse at the end of the year except for those amounts encumbered.
14. 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 by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid on a timely basis must be paid out of the next years budget.. Therefore the budgetary basis is non-GAAP basis. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amount subject to reversion.

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

Budgetary comparisons presented for the General fund and Special Revenue fund in this report are on the modified accrual budgetary basis, which does not conform to accounting principles generally accepted in the United States of America as encumbrances are treated as expenditures. This procedure conforms to Department of Finance and Administration and state requirements.

Major individual funding sources are reported in the general and special revenue funds in the fund financial statements. The DA has elected to consider all of its special revenue funds as major finds. The following are the DA's major funding sources:

Governmental Funds

General Fund (161)-The general operating fund of the DA. It is used to account for all financial resources except those required to be accounted for in another fund. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame.

Capital Outlay Fund (Fund 250)-To purchase vehicles for the Seventh District Attorney's office in Socorro. \$40,000 for the year ended June 30, 2007 was appropriated on /Senate Bill 827 Section 44 and is a multi-year appropriation, of which unexpended balances will not revert until June 30, 2011. The DA had expended \$36,500 of the appropriation as of the year end. The unencumbered balance of this appropriation at June 30, 2008 was \$3,500.

Violence Against Women Act (VAWA) (Fund 939) -To assist States, Indian tribal governments, tribal courts, State and local courts, and units of local government to develop and strengthen effective law enforcement and prosecution strategies to combat violent crimes against women, and to develop and strengthen victim services in cases involving crimes against women. The Program encourages the development and implementation of effective, victim-centered law enforcement, prosecution, and court strategies to address violent crimes against women and the development and enhancement of victim services in cases involving violent crimes against women.

Southwest Border Prosecution Initiative (SWBPI) (Fund 940) -Provides funds to support the prosecution and detention of federally referred cases for four states: Arizona, California, New Mexico and Texas. In accordance with the BJA guidelines, funds awarded may be used by jurisdictions for any lawful purpose. The program is designed to assist jurisdictions in meeting their financial burdens associated with the prosecution of federally funded cases

Fiduciary Funds

Agency Funds – 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 purely custodial and thus do not involve a measurement of results of operations.

Worthless Check Fund – The fund is used to account for fees charged for monies collected from individuals issuing checks which are not redeemable by the bank, for either insufficient funds or other reasons. The fund is an administratively established fund, as authorized by article 30-36-10, NMSA, 1978 Compilation.

Pre-prosecution Diversion Program – The fund is used to account for financial resources of the pre-prosecution diversion program of the Seventh Judicial District Attorney. The fund is an administratively established fund, as authorized by Article 31-16A-1 to 31-16A-8, NMSA, 1978 Compilation.

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

Drug Testing Fund – The fund was established to account for financial resources used to defray the costs of testing controlled substances. The fund is an administratively established fund as authorized by Article 30-31-1 NMSA 1978 Compilation.

5. Encumbrances

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

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

6. Reservations of Fund Balances

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

Revenues, Expenditures and Expenses

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

Expenditures are recognized when the related fund liability is incurred.

7. Net Assets

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

Investment in Capital Assets (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The DA did not have any related debt during the year ended June 30, 2008.

Unrestricted (Deficit) Net Assets - represent the deficit of the DA at June 30, 2008. It consists of the DA's compensated absences payable.

Restricted net assets– Consist of net assets with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.

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

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

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

statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

9. Cash and Cash Equivalents

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

10. Receivables

Receivables consist of amounts due from federal, and other state and local governments. No allowance for doubtful accounts is established, since all amounts are considered collectible in the subsequent fiscal year.

11. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the DA's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The DA does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the DA depreciation guidelines. Capital assets are depreciated on the straight-line basis using the estimated useful lives listed below. There is no related debt relating to capital assets.

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

12. Accrued Compensated Absences

Qualified employees accumulated annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned per Month</u>	<u>Days Earned per Month</u>	<u>Days of Maximum Accrual</u>
1 month – 3 years	10	1 ¼	30
Over 3 – 7 years	12	1 ½	30
Over 7 – 14 years	14	1 ¾	30
Over 14 years/beyond	16	2	30

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. At June 30, 2008, accrued compensated absences payable for accumulated annual leave totaled \$85,681.

13. Accrued Sick Leave

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the

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

hours over 600 up to 120 hours on July 1st and January 1st of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 240 hours for the hours over 600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2008 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the Governmental Activities Funds. As of June 30, 2008 two employees of the DA's office have accrued leave benefits in excess of 600 hours. At June 30, 2008 the liability for accumulated sick leave was \$1,151.

Restricted Net Assets/Reserved Fund Balance For Capital Outlay and Special Revenue

The District Attorney records restricted net assets when there are legal limitations imposed on their use by law. These same legal limitations are reflected as reservations of fund balance. If restricted and unrestricted assets are available for the same purpose, then restricted net assets will be used before unrestricted net assets.

B. CASH AND INVESTMENTS POLICY

Investments in the State Treasurer General Fund Investment Pool

Please see the State Treasurer's annual audit report for the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608.

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

<u>Fund Type</u>	<u>Location</u>	<u>Fund No./ Description</u>	<u>Balance Per Depository</u>	<u>Outstanding Warrants/ Checks</u>	<u>Balance Per Financial Statements</u>
General	STO	16100	\$ 169,790	-	169,790
Capital Outlay	STO	25000	3,500	-	3,500
VAWA	STO	93900	2,357	-	2,357
Southwest Border	STO	94000	15,774	-	15,774
Agency	First State Bank	Checking	1,055	-	1,055
Agency	First State Bank	Checking	1,181	-	1,181
Agency	First State Bank	Checking	224	-	224
			<u>\$ 193,881</u>	<u>-</u>	<u>193,881</u>

All investments are on deposit with the State Treasurer cash is on deposit in one financial institution.

The New Mexico State Treasurer monitors the collateral for deposits held by it for the other state entities, which would include the investment account of the DA. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. The DA is not permitted to have any investments other than what is held at the State Treasurer's Office and the

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

DA did not have any other investments during the year ended June 30, 2008. There is not custodial credit risk at the DA level since the cash amount is under the contract of the New Mexico State Treasurer.

Custodial Credit Risk-Deposits—Custodial credit risk is the risk that in the event of a bank failure, the DA’s deposits may not be returned to it. In general, state statutes require that all deposits held by financial institutions be collateralized at a minimum level of 50 percent. Since the financial institutional balances (First State Bank account) are held in the DA’s name did not exceed \$100,000, they are fully insured by the Federal Deposit Insurance Corporation (FDIC) and pledged collateral is not required. The DA’s credit risk is zero for these bank accounts.

C. RECEIVABLES

Federal receivables of \$6,488 are related to various grant programs. An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

D. REVERSIONS

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report. The amount due to the State General Fund is \$20,132 from the FY 2008 appropriation.

E. RECONCILIATION BETWEEN BUDGETARY BASIS AND GAAP BASIS

All actual expenditures in fiscal year 2008 were applied against fiscal year 2008 funds. The DA maintains its actual and budget funds on the modified GAAP basis and there is no need to reconcile the budget financial statements to the fund financial statements.

F. CHANGES IN LONG-TERM DEBT

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

	<u>Balance</u> <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated absences payable	\$ 70,383	98,374	(81,908)	86,849	(85,698)

Prior year compensated absences have been liquidated by the general fund

G. INTER-AGENCY TRANSFERS

The agency received appropriations from DFA and reverted unspent funds. There were no operating transfers in the current year.

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

	<u>SHARE Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
DA Fund				
General Fund	16100	2,380,300	(45,746)	2,334,554
DFA Fund				
State General Fund	34101	45,746	(2,380,300)	(2,334,554)
	\$	<u>2,426,046</u>	<u>(2,426,046)</u>	<u>-</u>

H. CAPITAL ASSETS

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

	<u>Balance</u>			<u>Balance</u>
	<u>2007</u>			<u>Additions</u>
Governmental Activities				
Vehicles	257,533	65,283	(30,063)	292,753
Furniture and equipment	192,741	-	(2,188)	190,553
	450,274	65,283	(32,251)	483,306
Less accumulated depreciation for:				
Vehicles	(203,574)	(16,351)	30,063	(189,862)
Furniture and equipment	(194,184)	(9,870)	2,188	(201,866)
	<u>(397,758)</u>	<u>(26,221)</u>	<u>32,251</u>	<u>(391,728)</u>
Capital assets, net	\$ <u>52,516</u>	<u>39,062</u>	<u>-</u>	<u>91,578</u>

The DA is a single function organization and all depreciation is recorded to its only activity, general government, in the amount of \$26,221.

The DA has idle data processing equipment of \$62,520. All idle amounts have been fully depreciated.

I. PERA PENSION PLAN

Plan Description. Substantially all of the DA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that included financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy—Plan members are required to contribute 7.42% of their gross salary. The DA is required to contribute 16.59%. The contribution requirements of plan members and the DA are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The DA's employer contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$249,347, \$213,170, and \$196,972 equal to the amount of the required contribution.

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

J. POST-EMPLOYMENT BENEFITS

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

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

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

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

The Retiree Health care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the require contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

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

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

The DA's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$17,962, \$16,423 and \$15,090, respectively, which equal the required contributions for each year.

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

K. CONTINGENCIES

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

1. Risk of loss

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

L. LEASES

The DA has operating lease commitments for four copiers, telephone systems and a postage meter. The future minimum rental payments as of June 30, 2008 are as follows:

<u>Year</u> <u>Ended</u>	<u>Lease</u> <u>Payments</u>
2009 \$	18,247
2010	11,905
2011	2,733
2012	1,651

Lease expenditures for the year ended June 30, 2008 were \$17,862.

M. VAWA SUBGRANT EXPENDITURES EXCEEDED BUDGETED EXPENDITURES

The DA had a deficit balance in the personal services category of its VAWA subgrant (Fund 939) of \$1,264 due to the grant being extended from March 31, 2008 to June 30, 2008. This is a reimbursement grant and the DA's budget adjustment request was an estimate. The DA's office did not know the actual expenditures until after the deadline for budget adjustment requests to be submitted to the Department of Finance. The DA's program budget as a whole did not exceed budgeted expenditures and actual expenditures for fund 939 never exceeded the grant revenue for this fund.

**STATE OF NEW MEXICO
SEVENTH JUDICIAL DISTRICT ATTORNEY
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
As of June 30, 2008**

	<u>Worthless Check Fund</u>	<u>Pre-Prosecution Diversion Program</u>	<u>Drug Testing Program</u>	<u>Total</u>
ASSETS				
Cash in bank	\$ 224	1,055	1,181	2,460
Due from participants	-	15,794	-	15,794
	<u>\$ 224</u>	<u>16,849</u>	<u>1,181</u>	<u>18,254</u>
LIABILITIES				
Held for participants	\$ -	1,055	1,181	2,236
Due to the Administrative Office of the District Attorney	224	15,794	-	16,018
	<u>\$ 224</u>	<u>16,849</u>	<u>1,181</u>	<u>18,254</u>

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

**State of New Mexico
Seventh Judicial District Attorney
Fiduciary Funds
Combining Schedule of Changes in Assets and Liabilities-Agency Funds
For the Fiscal Year Ended June 30, 2008**

	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2008</u>
Worthless Check Charges:				
ASSETS				
Cash in bank	\$ 280	1,609	1,665	224
LIABILITIES				
Due the Administrative Office of the District Attorney	\$ 280	1,609	1,665	224
Pre-prosecution Diversion Fees:				
ASSETS				
Cash in bank	\$ 1,185	13,274	13,404	1,055
Due from participants	18,463	18,720	21,389	15,794
	\$ 19,648	31,994	34,793	16,849
LIABILITIES				
Held for participants	\$ 1,185	13,274	13,404	1,055
Due the Administrative Office of the District Attorney	18,463	18,720	21,389	15,794
	\$ 19,648	31,994	34,793	16,849
Drug Testing Trust Account				
ASSETS				
Cash in bank	\$ 1,172	853	844	1,181
LIABILITIES				
Held for participants	\$ 1,172	853	844	1,181
Totals:				
ASSETS				
Cash in bank	\$ 2,637	15,736	15,913	2,460
Due from participants	18,463	18,720	21,389	15,794
	\$ 21,100	34,456	37,302	18,254
LIABILITIES				
Held for participants	\$ 2,357	14,127	14,248	2,236
Due to the Administrative Office of the District Attorney	18,743	20,329	23,054	16,018
	\$ 21,100	34,456	37,302	18,254

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

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

Description	Agency Transferred From	From Fund	To Fund	Reference	Original Appropriation	Appropriation Period	Expenditures To Date	Amount Transferred In
General Fund Appropriation	DFA - 34101		16100	Laws 2007, Chapter 28	2,254,000.00	7/1/07-6/30/08		2,254,000
Compensation Allocation	DFA - 34101		16100	Laws 2007, Chapter 28	126,300.00	7/1/07-6/30/08		126,300
Other Financing Sources								-
Total							2,334,554.00	2,380,300
Description	Agency Transferred To	From Fund	To Fund	Reference				Amount Transferred Out
General Fund Reversion	DFA - 34101	16100	85300	Reversion of Appropriations				45,746

STATE OF NEW MEXICO
 SEVENTH JUDICIAL DISTRICT ATTORNEY'S OFFICE
 SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
 For The Year Ended June 30, 2008

Description	SHARE Identifier #	Original Appropriation	Appropriation Period	Expend- itures To Date	Out- standing Encumb- rances	Unencumb- ered Balances
Special, Deficiency, Specific and Capital Outlay Appropriations						
Capital Outlay - Laws 2007 - SB 827/Chapter 42/Section 44	07-3909	\$ 40,000	7/01/07-6/30/2009	36,500	-	3,500
		<u>40,000</u>				<u>3,500</u>
Total Special, Deficiency, Specific and Capital Outlay Appropriations		<u><u>40,000</u></u>				

Hinkle & Landers, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

2500 9th Street NW
Albuquerque, New Mexico 87102
Tel (505) 883-8788
Fax (505) 883-8797
FVener@HL-CPAs.com

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

Mr. Clint H. Wellborn District Attorney,
State of New Mexico, Office of the District Attorney
Seventh Judicial District
and
Mr. Hector H. Balderas, New Mexico State Auditor
Office of the State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of the District Attorney, Seventh Judicial District of the State of New Mexico (DA) as of and for the year ended June 30, 2008, which collectively comprise the DA's basic financial statements and have issued our report thereon dated December 8, 2008. We have also audited the financial statements of each of the fiduciary funds presented in the accompanying and individual financial statements as of June 30, 2008 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

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

Hinkle & Landers, P.C.

Hinkle & Landers, PC

December 8, 2008

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

SUMMARY OF FINDINGS

There were no current year audit findings.

Prior year findings are as follows:

Finding	Status of Current and Prior Year Finding
07-01 CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY	Resolved
07-02 CONTROLS OVER MAINTAINING THE GENERAL LEDGER	Resolved
08-01 ACTUAL EXPENDITURES EXCEED BUDGETED EXPENDITURE:	Current

Current year findings are as follows:

08-01 ACTUAL EXPENDITURES EXCEED BUDGET EXPENDITURES

Statement of Condition:

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

Special Revenue Fund-Violence Against Women Act Fund (VAWA) in the expenditure category:
General government: Personal services/employee benefits (\$1,264).

Criteria:

In accordance with the State Auditor Rule 2.2.2.10 "Appropriations to Agencies," the budgetary comparison presented in the financial statements must be at least at the same appropriation level as the approved budget to demonstrate compliance with legal requirements. If actual expenditures exceed budgeted expenditures at the legal level of budgetary compliance, that fact must be reported as a finding. If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables required to balance the budget), that fact must also be reported in a finding. If the agency budgeted cash or fund balance that did not exist at the beginning of the fiscal year, a finding should be reported.

Effect:

Budgetary controls are circumvented and Department of Finance Administration regulations are not complied with.

Cause:

It appears to be a lack of monitoring by the District Attorney for possible budget overruns.

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

Recommendation:

Management should review the financial statements periodically for possible overruns and request appropriate budgetary increases before expenditures exceed budget.

Management Response:

This is a reimbursement grant and the DA's budget adjustment request was an estimate. The DA's office did not know the actual expenditures until after the deadline for budget adjustment requests to be submitted to the Department of Finance. The DA's program budget as a whole did not exceed budgeted expenditures and actual expenditures for fund 939 never exceeded the grant revenue for this fund.

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

An exit conference was held in a closed session on December 8, 2008, at the DA's Offices in Socorro, New Mexico. In attendance were the following:

Clint H. Wellborn
J.B. Mauldin

District Attorney
Fiscal Officer

Farley Vener, CPA, CFE
Steve Nolan, CPA

Independent Auditor, Hinkle & Landers, PC
Independent Auditor, Hinkle & Landers, PC

FINANCIAL STATEMENTS

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