

STATE OF NEW MEXICO

OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY

Financial Statements

For the Year Ended June 30, 2017

(With Independent Auditors' Report Thereon)

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

INTRODUCTORY SECTION

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

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

**OFFICIAL ROSTER
JUNE 30, 2017**

Raúl Torrez	District Attorney
Charles Barth	Chief Deputy District Attorney
Carla Martinez	Chief Deputy District Attorney
Adolfo Mendez	Chief Deputy District Attorney

Division Directors

Michael Patrick	Communications
Rachel Eagle	Community Crimes
Jacob Payne	Community Crimes
John Litchford	Crimes Against Children
Guinevere Ice	Felony DWI
Les Romaine	Gang Violence
Greer Rose	Gang Violence
Penny Gilbert	Grand Jury
Melissa Spangler	Financial/Chief Financial Officer
Carla Smith	Human Resources
Michael Tulino	Information Technology
Mary Gueldenzoph	Juvenile Crimes
Jason Greenlee	Metropolitan
Michelle Padilla	Pre-Prosecution Probation
Leticia Aguilar	Priors
Daniel King	Process/Locate
Rose Baca	Records and Intake
Joseph Montano	Special Proceedings
Leslie Ulibarri	Victim Impact
David Waymire	Violent Crimes
D'Ann Rasmussen	Violent Crimes
Bianca Hernandez	Warehouse Project
Michael Fricke	White Collar Crimes

FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Raúl Torrez, Second Judicial District Attorney
Office of the Second Judicial District Attorney
and
Mr. Timothy Keller, State Auditor
Office of the State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the respective budgetary comparison for the General Fund and the Grants Special Revenue Fund of the Office of the Second Judicial District Attorney as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Office of the Second Judicial 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 misstatement, whether due to fraud or error.

Auditors' 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, and each major fund of the Office of the Second Judicial District Attorney as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparisons of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note B1, the financial statements of the Office of the Second Judicial District Attorney are intended to present the financial position and 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 Office of the Second 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, 2017, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

As discussed in Note P, the State of New Mexico, as a single employer, follows GASB 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2017, Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Agency's governmental funds. All other required footnotes and other disclosures required by Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2017. 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 information on pages 7 through 13 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.

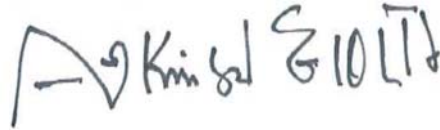
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the Office of the Second Judicial District Attorney's basic financial statements. The schedule statement of assets and liabilities - agency funds is presented for purposes of additional analysis and is not a required part of the financial statements.

The basic statement of changes in assets and liabilities - agency funds is the responsibility of management and was 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 the 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 State of America. In our opinion, the statement of changes in assets and liabilities - agency funds is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Second Judicial District Attorney'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 Office of the Second Judicial District Attorney's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2017

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

As management of the Office of the Second Judicial District Attorney (District Attorney), we offer readers of the District Attorney's financial statements this narrative overview and analysis of the financial activities of the District Attorney for the fiscal year ended June 30, 2017. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

FINANCIAL HIGHLIGHTS

- The District Attorney's total net position of governmental activities decreased \$63,490.
- State General Fund Appropriation transfers accounted for \$17.8 million in revenue, or 95 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$870,029 or 5 percent of total governmental activities revenues.
- The District Attorney had \$18.8 million in expenses related to governmental activities, a decrease of 3 percent from the prior fiscal year due to a 3% reduction in the 2017 state general fund appropriation during the fiscal year.
- The General Fund had \$18.1 million in revenues, which primarily consisted of state general fund appropriation revenue. The total expenditures of the General Fund were \$18.2 million. The General Fund's fund balance decreased \$180,002 to \$375,889 primarily due to the utilization of fund balance to maintain salaries and benefits for employees after the 3% reduction of the state general fund appropriation during the fiscal year.
- The Grants Fund had \$647,602 in revenues, which primarily consisted of federal and local monies to fund salaries for victim advocates and attorneys. The total expenditures of the Grants Fund were \$678,595. The Grants Fund fund balance decreased \$30,993 to \$22,584 at current fiscal year end.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the District Attorney's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time,

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

increases or decreases in net position may serve as a useful indicator of whether the financial position of the District Attorney is improving or deteriorating.

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

The government-wide financial statements outline functions of the District Attorney that are principally supported by state general fund appropriations and operating grants. The District Attorney's governmental activities consist of general government.

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General and Grants Funds, both of which are considered to be the District Attorney's major governmental funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District Attorney. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

OVERVIEW OF FINANCIAL STATEMENTS (Concluded)

Attorney's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District Attorney, liabilities exceeded assets by \$172,939 at the current fiscal year end.

The largest component of the District Attorney's net deficit is the deficit unrestricted net assets. This is a result of the statutory requirement for state agencies to revert appropriations not utilized at the end of the fiscal year; however, the compensated absence liability that will be liquidated in future fiscal years is recorded in the Statement of Position, resulting in a deficit unrestricted net position. In addition, a portion of the District Attorney's net position reflects its investment in capital assets (e.g., vehicles, furniture and equipment) less any related outstanding debt used to acquire those assets. The District Attorney uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the District Attorney's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District Attorney does not have any outstanding debt.

The following table presents a summary of the District Attorney's net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	As of June 30, 2017	As of June 30, 2016
Current assets	\$ 1,134,567	\$ 1,689,645
Capital assets, net	123,737	172,397
Total assets	<u>1,258,304</u>	<u>1,862,042</u>
Current liabilities	<u>1,431,243</u>	<u>1,971,491</u>
Total liabilities	<u>1,431,243</u>	<u>1,971,491</u>
Net investment in capital assets	123,737	172,397
Restricted	22,584	53,577
Unrestricted (deficit)	<u>(319,260)</u>	<u>(335,423)</u>
Total net position (deficit)	<u>\$ (172,939)</u>	<u>\$ (109,449)</u>

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District Attorney's financial position is the product of several financial transactions including the net result of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The elimination of a \$93,709 contingent liability.
- The increase in compensated absences of \$102,456.
- Current depreciation expense of \$48,660.

Changes in net position. The District Attorney's total revenues for the current fiscal year were \$18.7 million. The total cost of all programs and services was \$18.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
	<u> </u>	<u> </u>
Revenues:		
Program revenues:		
Charges for services	\$ 72,427	\$ 104,274
Operating grants and contributions	793,969	799,171
Capital grants and contributions	3,633	-
General revenues:		
State general fund appropriation	17,830,800	18,411,800
Total revenues	<u>18,700,829</u>	<u>19,315,245</u>
Expenses:		
Personal services and employee benefits	\$ 17,648,111	\$ 17,640,203
Contractual services	157,180	114,800
Other costs	959,028	1,570,671
Capital outlay	-	80,024
Total expenses	<u>18,764,319</u>	<u>19,405,698</u>
Changes in net position	(63,490)	(90,453)
Net position, beginning of year	<u>(109,449)</u>	<u>(18,996)</u>
Net position, end of year	<u>\$ (172,939)</u>	<u>\$ (109,449)</u>

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concluded)

The following are significant current year transactions that had an impact on the change in net position.

- State General Fund Appropriations decreased \$551,500 due to legislation that reduced the current fiscal year appropriation by 3%. The appropriation had been consistent with the prior year amount prior to the reduction.
- Other costs decreased \$611,643 due to efforts by management to reduce non-critical other expenditures in order to maintain employee salaries and benefits with the mid-year reduction in funding.

FINANCIAL ANALYSIS OF THE DISTRICT ATTORNEY'S FUNDS

As noted earlier, the District Attorney uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

The financial performance of the District Attorney as a whole is reflected in its governmental funds. As the District Attorney completed the year, its governmental funds reported a combined fund balance of \$398,473, a decrease of \$210,995, or 35 percent. The decrease was due to the utilization of fund balance to cover salary and benefit expenditures to maintain staff and compensate for the mid-year 3% appropriation reduction by the New Mexico Legislature.

The General Fund is the principal operating fund of the District Attorney. The decrease in fund balance of \$180,002 to \$375,889 as of fiscal year end was a result of the utilization of fund balance to maintain employee salaries and benefits.

General Fund revenues decreased \$610,245 and expenditures decreased \$551,540 primarily as a result of the 3% reduction of the state general fund appropriation.

The Grants Fund's fund balance decreased \$30,993 to \$22,584 as of fiscal year end.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

BUDGETARY HIGHLIGHTS

A statement reporting the original and final budget amounts compared to the District Attorney's actual financial activity for the General Fund is provided in this report as a basic financial statement. The significant variances are summarized below.

- The increase of \$64,388 in expenditures budgeted for contractual services was due to a budget adjustment transfer to reallocate appropriations in order to contract with attorneys to provide training and serve as special prosecutors for officer involved shootings handled by the Office.
- The favorable variance of \$307,900 between the final budget and actuals in personal services and employee benefits expenditures as a result of efforts by management to minimize the utilization of fund balance budget for salaries in order maintain employees.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District Attorney had invested \$123,737 in capital assets, data processing equipment, furniture and equipment, and vehicles. This amount represents a net decrease prior to depreciation of \$30,644. Total depreciation expense for the current fiscal year was \$48,660.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2017 and June 30, 2016.

	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>
Governmental Activities		
Furniture and equipment	\$ 13,000	\$ 13,000
Data processing equipment	22,930	22,930
Vehicles	382,244	412,888
Less: accumulated depreciation	<u>(294,437)</u>	<u>(276,421)</u>
Total	<u><u>\$ 123,737</u></u>	<u><u>\$ 172,397</u></u>

Debt Administration. The District Attorney has no general obligation debt outstanding.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2017**

NEXT YEAR'S BUDGET AND CURRENTLY KNOWN FACTS

Budgeted expenditures provided for by the State General Fund Appropriation increased 2% to \$18.2 million. In addition, the District Attorney was authorized five capital outlay appropriations totaling \$308,701 by Laws of 2017, Chapter 133. The appropriations will be used to purchase and install communications equipment and information technology, including related equipment, furniture and infrastructure. The appropriations expire June 30, 2019. Further, the City of Albuquerque budgeted \$200,000 for the District Attorney to hire individuals to prosecute sexual assault cases.

CONTACTING THE DISTRICT ATTORNEY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District Attorney's finances and to demonstrate the District Attorney's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Chief Financial Officer, Office of the Second Judicial District Attorney at 520 Lomas Blvd NW, Albuquerque, New Mexico 87102 or visit our website at <http://www.berncoda.com>.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activites</u>
<u>ASSETS</u>	
Current assets:	
Investment in state general fund investment pool	\$ 838,946
Due from local entities	241,126
Due from state government	42,288
Due from federal government	11,337
Other receivables	870
Total current assets	<u>1,134,567</u>
Noncurrent assets:	
Capital assets	418,174
Less accumulated depreciation	<u>(294,437)</u>
Total noncurrent assets	<u>123,737</u>
Total assets	<u><u>1,258,304</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	102,459
Accrued payroll	633,067
Other liabilities	568
Compensated absences payable	<u>695,149</u>
Total current liabilities	<u><u>1,431,243</u></u>
<u>NET POSITION</u>	
Net investement in capital assets	123,737
Restricted	22,584
Unrestricted (deficit)	<u>(319,260)</u>
Total net deficit	<u><u>\$ (172,939)</u></u>

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Governmental Activities
EXPENSES	
General government	\$ 18,764,319
 REVENUES	
Program revenues:	
Charges for services	72,427
Operating grants and contributions	793,969
Capital grants and contributions	3,633
Total program revenues	870,029
 Net program expense	 (17,894,290)
 Transfers: State general fund appropriation	 17,830,800
 Changes in net position	 (63,490)
 Net position, beginning of year	 (109,449)
 Net position, end of year	 \$ (172,939)

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	15600 General	26000 Grants	Total Governmental Funds
Assets			
Investment in state general fund investment pool	\$ 960,302	\$ -	\$ 960,302
Due from local entities	125,000	116,126	241,126
Due from state government	-	42,288	42,288
Due from federal government	-	11,337	11,337
Other receivables	870	-	870
Total assets	<u>\$ 1,086,172</u>	<u>\$ 169,751</u>	<u>\$ 1,255,923</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdraft of the investment in the state general fund investment pool	\$ -	\$ 121,356	\$ 121,356
Accounts payable	102,459	-	102,459
Accrued payroll	607,256	25,811	633,067
Other liabilities	568	-	568
Total liabilities	<u>710,283</u>	<u>147,167</u>	<u>857,450</u>
 Fund balances (deficits):			
Restricted	-	22,584	22,584
Unassigned	375,889	-	375,889
Total fund balances	<u>375,889</u>	<u>22,584</u>	<u>398,473</u>
Total liabilities and funds balances	<u>\$ 1,086,172</u>	<u>\$ 169,751</u>	<u>\$ 1,255,923</u>

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total governmental fund balances \$ 398,473

Amounts reported for governmental activities in the *Statement of Net Position* are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 418,174	
Less accumulated depreciation	<u>(294,437)</u>	123,737

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(695,149)</u>
---	------------------

Net position of governmental activities \$ (172,939)

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	15600 General	26000 Grants	Total Governmental Funds
Revenues:			
Local intergovernmental operating grants	\$ -	\$ 304,673	\$ 304,673
Charges for services	150,000	-	150,000
Federal grants and contributions	-	342,929	342,929
Other	72,427	-	72,427
Total revenues	<u>\$ 222,427</u>	<u>\$ 647,602</u>	<u>\$ 870,029</u>
Expenditures:			
Current -			
General government:			
Personal services and employee benefits	\$ 17,081,600	\$ 668,967	\$ 17,750,567
Contractual services	157,180	-	157,180
Other costs	994,449	9,628	1,004,077
Total expenditures	<u>18,233,229</u>	<u>678,595</u>	<u>18,911,824</u>
Deficiency of revenues over expenditures	<u>(18,010,802)</u>	<u>(30,993)</u>	<u>(18,041,795)</u>
Other financing sources (uses):			
State general fund appropriation	17,830,800	-	17,830,800
Total other financing sources (uses)	<u>17,830,800</u>	<u>-</u>	<u>17,830,800</u>
Changes in fund balances	<u>(180,002)</u>	<u>(30,993)</u>	<u>(210,995)</u>
Fund balance, beginning of year	555,891	53,577	609,468
Fund balance, end of year	<u>\$ 375,889</u>	<u>\$ 22,584</u>	<u>\$ 398,473</u>

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net changes in fund balance - total governmental funds \$ (210,995)

Amounts reported for governmental activities in the *Statement of Activities* because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditure for capital assets	\$ -	
Less accumulated depreciation	<u>(48,660)</u>	(48,660)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable	102,456	
Change in contingent liability	<u>93,709</u>	<u>196,165</u>

Change in net position in governmental activities \$ (63,490)

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Local intergovernmental operating grants	\$ -	\$ -	\$ -	\$ -
Charges for services	150,000	150,000	150,000	-
Federal grants and contributions	-	-	-	-
Other	69,000	69,000	72,427	3,427
Total revenues	<u>219,000</u>	<u>219,000</u>	<u>222,427</u>	<u>3,427</u>
Cash balance budgeted	<u>74,000</u>	<u>555,888</u>		
Total budgeted revenue	<u>\$ 293,000</u>	<u>\$ 774,888</u>		
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	\$ 17,449,500	\$ 17,389,500	\$ 17,081,600	\$ 307,900
Contractual services	127,600	191,988	157,180	34,808
Other costs	1,098,200	1,098,200	994,449	103,751
Total expenditures	<u>18,675,300</u>	<u>18,679,688</u>	<u>18,233,229</u>	<u>446,459</u>
Excess (deficiency) of revenues over expenditures	<u>(18,382,300)</u>	<u>(17,904,800)</u>	<u>(18,010,802)</u>	
Other financing sources (uses):				
State general fund appropriation	<u>18,382,300</u>	<u>17,830,800</u>	<u>17,830,800</u>	<u>-</u>
Total other financing sources (uses)	<u>18,382,300</u>	<u>17,830,800</u>	<u>17,830,800</u>	<u>-</u>
Changes in fund balance	<u>\$ -</u>	<u>\$ (74,000)</u>	<u>(180,002)</u>	
Fund balance, beginning of year			555,891	
Fund balance, end of year			<u>\$ 375,889</u>	

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Revenues:				
Local intergovernmental operating grants	\$ 264,100	\$ 342,516	\$ 304,673	\$ (37,843)
Charges for services	-	-	-	-
Federal grants and contributions	303,700	346,331	342,929	(3,402)
Other	-	-	-	-
Total revenues	<u>567,800</u>	<u>688,847</u>	<u>\$ 647,602</u>	<u>\$ (41,245)</u>
 Cash balance budgeted				
Total budgeted revenue	<u>\$ 567,800</u>	<u>\$ 688,847</u>		
 Expenditures:				
Current -				
General government:				
Personal services and employee benefits	\$ 567,800	\$ 679,213	\$ 668,967	\$ 10,246
Contractual services	-	-	-	-
Other costs	-	9,634	9,628	6
Total expenditures	<u>567,800</u>	<u>688,847</u>	<u>678,595</u>	<u>10,252</u>
Excess (deficiency) of revenues over expenditure	<u>-</u>	<u>-</u>	<u>(30,993)</u>	
 Other financing sources (uses):				
State general fund appropriation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Changes in fund balance	<u>-</u>	<u>-</u>	<u>(30,993)</u>	
 Fund balance, beginning of year			53,577	
 Fund balance, end of year			<u>\$ 22,584</u>	

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2017

	<u>Agency</u>
Assets	
Investment in state general fund investment pool	<u>\$ -</u>
Total assets	<u><u>\$ -</u></u>
Liabilities	
Assets held for others	
Total liabilities	<u>\$ -</u>
	<u><u>\$ -</u></u>

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

The District Attorney is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24. The State of New Mexico Second Judicial District Attorney (the District Attorney) operates under Section 36-1-1 through 36-1-28 NMSA 1978 as amended. The District Attorney is elected to a four-year term. The Second Judicial District Attorney serves Bernalillo County.

It is the duty of the District Attorney to prosecute and defend the State of New Mexico, 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 District Attorney must represent any county in the district, at the request of the Board of County Commissioners. The District Attorney may also appear before the Board, without being requested to do so, when the Board is sitting as a Board of Equalization. The District Attorney must advise all county and state officers, whenever requested. The District Attorney 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 36-1A-15 NMSA 1978, cited as the "District Attorney Personnel and Compensation" Act, established for all district attorneys for a uniform, equitable and binding system of personnel administration.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Office of the Second Judicial District Attorney is part of the judicial branch of the State of New Mexico and these financial statements include all funds and activities over which the District Attorney has oversight responsibility. Oversight responsibility includes such aspects as designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The financial reporting entity consists of a primary government and its component units.

Governmental Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, and GASB No. 39 and 61 (amend 14), *Determining Whether Certain Organizations are Component Units*, establishes standards for defining and reporting on the financial reporting entity. GASB No. 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and 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. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government." A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

offices that are not legally separate are, for financial reporting purposes, part of the primary government. The District Attorney, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. The District Attorney does not have any component units.

The summary of significant accounting policies of the District Attorney is presented to assist in the understanding of the District Attorney's financial statements. The financial statements for the District Attorney have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. 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 District Attorney's accounting policies are described below.

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the District Attorney has prepared and issued its own audited, agency Annual Financial Report.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities of the District Attorney. For the most part, the effect of inter-fund activity has been removed from these statements. These statements distinguish between governmental and business-type activities of the District Attorney. The District Attorney does not have any business-type activities. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by related program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other items not included among program revenues, but are reported

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

instead as general revenues. Charges for services in the General Fund relate to charges for copies for discovery. The District Attorney includes only one function (general government).

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. In addition, proprietary fund financial statements and fiduciary fund financial statements are reported on the accrual basis of accounting. The District Attorney does not have any proprietary activity. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements. The District Attorney does not allocate indirect expenses to functions in the statement of activities.

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

Charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received.

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenue also arise when resources are received by the District Attorney before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type. 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/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the District Attorney, the General Fund and the Grant Special Revenue Fund have been classified as major funds after considering the relevant criteria. Only individual governmental or individual enterprise funds can be considered for major fund status.

The District Attorney reports the following major governmental funds:

General Fund (SHARE Fund 15600) - The General Fund is the general operating fund of the District Attorney and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily by an appropriation from the State General Fund, and any unused funds from the appropriations at the end of the fiscal year revert back to the State General Fund. The General Fund is also used to account for the activities of various programs of the District Attorney. The Southwest Border Prosecution Initiative Program (SWBPI) funds received from the US Department of Justice, Bureau of Justice Assistance (BJA), pursuant to Public Law 106-246, as amended by Public Law 106-554, support the prosecution and detention of federally referred cases in four states, including Arizona, California, New Mexico and Texas. In accordance with the BJA guidelines, funds awarded may be used by jurisdictions for any lawful purpose. The source of these funds is federal, and the funds are non-reverting to the State General Fund. These funds are reimbursement for specific categories of expenses associated with the handling and processing of federally initiated controlled substances cases along the Southwest Border with the prosecution of criminal cases declined by local U.S. Attorneys' offices. The General Fund is also used to account for activities related to Chapter 36-1-18 NMSA 1978 to contract with an Indian nation, tribe or pueblo within the boundaries of the District Attorney's judicial district. The funds related to these programs are non-reverting.

Grants Special Revenue Fund (SHARE Fund 26000) - The Grants Special Revenue Fund is used to account for the activities of the various federal and local grants of the District Attorney. This includes grant funding through the Office of National Drug Control Policy for the High Intensity Drug Trafficking Area (HIDTA) grant and the Victims of Crime Act (VOCA) monies received from the Office of Justice Programs. In addition, the fund accounts for monies received from the City of Albuquerque and Bernalillo County for victim advocate and prosecutor positions. These funds are non-reverting.

The District Attorney also has one fiduciary fund (agency fund), which accounts for assets held by the District Attorney in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The following is the one fiduciary fund at June 30, 2017:

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pre-Prosecution Diversion Program and Worthless Checks Program (SHARE Fund 10370) – The fund accounts for fees charged to individuals in the Pre-Prosecution Program, in accordance with agreements between the program participant and the District Attorney. As authorized in the Pre-Prosecution Diversion Act (31-16A-1 through 31-16A-8 NMSA 1978) and the Worthless Check Act (Section 30-36-1 through 30-36-10 NMSA 1978). Fees are remitted to the State Treasurer payable to the account of the Administrative Office of the District Attorneys.

D. Budgetary Accounting

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

1. No later than September 1, the District Attorney prepares a budget appropriation request by category to be presented to the next Legislature.
2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which then becomes the Governor's proposal to the Legislature.
4. The 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 outcome of these hearings is incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The District Attorney submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the District Attorney 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 program.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. The budget is adopted on the modified accrual basis of accounting except for payables accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10- 4 NMSA 1978. Those payables must be paid out of the next year's budget.
13. With the exception of those amounts encumbered, appropriations lapse at the end of the fiscal year.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, and Equity

At fiscal year end, the District Attorney had negative cash balance in fund 26000. Fund 26000 tracks the activities of the various federal and local grants of the District Attorney which are reimbursable to the District Attorney. The negative cash balance is caused by the timing of the grants being reimbursed to the District Attorney.

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, is \$5,000. However, all capital outlay purchases may not necessarily be capitalized. The District Attorney does not capitalize any interest in regards to its capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The District Attorney utilizes Internal Revenue Service guidelines to estimate the useful lives on capital assets as follows:

Furniture and equipment	7 years
Vehicles	5 years
Data Processing Equipment, Including Software	3 years

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements.

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours may be carried forward after the pay period beginning in December and ending in January. Employees are entitled to accrue sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

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

Restricted - Amounts that can be spent only for specific purposes when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. The committed amounts cannot be used for any other purpose unless the Legislature or Executive branches remove or change the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - Amounts that are reported in the General Fund that are constrained by the District Attorney's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the District Attorney.

Unassigned – The remaining fund balances, after all other classification, within the General Fund is reported as unassigned fund balance. In governmental funds other than the General Fund, deficit fund balances will also be reported as unassigned fund balance.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District Attorney applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The General Fund (15600) had an unassigned fund balance of \$375,889 related to Southwest Border and Pueblo MOU funds that is for use in future years to cover budget shortfalls and is not subject to reversion. These funds have been classified as unassigned. In addition, the Grants Fund (26000) reported restricted fund balance of \$22,584 for use in future years for the purposes of the grant.

Net Position

The government-wide financial statements utilize a net position presentation. Net Positions are categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. The District Attorney did not have any related debt at June 30, 2017.

Restricted Net Position – This component is reported as restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of “net investment in capital assets” or “restricted”.

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

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

G. Encumbrance Accounting

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded during the fiscal year in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and the Special Revenue Funds. All encumbrances not utilized lapse at year end. Therefore, there is no difference between the modified accrual basis of accounting and the budgetary basis.

H. Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

I. Change in Accounting Principle for Amounts Reverted to State General Fund

Section 6-5-10 NMSA 1978 requires that all unreserved undesignated fund balances in reverting funds and accounts as of June 30 shall revert by September 30 to the general fund. Historically, the Department of Finance and Administration's (DFA) Year-End Deadlines policy (commonly referred to as 'closing instructions') required state agencies to record reversions to the state general fund not settled by June 30 to the "Due to State General Fund" (liability account 234900) as of June 30 of each fiscal year end. The historical policy required state agencies to execute a transfer in the subsequent fiscal year to relieve the amount "Due to State General Fund" and reduce the agency's "Investment in State General Fund Investment Pool".

Pursuant to DFA's Addenda to Accounting Policy Statement Four – Custodial Funds dated July 14, 2017, DFA adopted a change of accounting policy applicable to all state agencies in fiscal year 2017 for amounts reverted to the state general fund. Under the new policy, DFA requires state agency reversions to the state general fund to be accounted for as both a reversion expenditure and a reduction in the reverting agency's "Investment in State General Fund Investment Pool" as of June 30, using the State's adjustment period, if the entry was processed by September 30, 2017.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL

Compliant with statute Section 6-10-3 NMSA 1978, and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. STO acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

At June 30, 2017, the District Attorney had \$838,946 invested in the State 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 a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk

The New Mexico State Treasurer pools are not rated. For additional GASB 40 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, 2017.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital Assets				
Furniture and equipment	\$ 13,000	\$ -	\$ -	\$ 13,000
Data processing equipment	22,930	-	-	22,930
Vehicles	412,888	-	30,644	382,244
Total capital assets	<u>448,818</u>	<u>-</u>	<u>30,644</u>	<u>418,174</u>
Less accumulated depreciation for:				
Furniture and equipment	(1,621)	(760)	-	(2,381)
Data processing equipment	(19,787)	(1,546)	-	(21,333)
Vehicles	(255,013)	(46,354)	(30,644)	(270,723)
Total accumulated depreciation	<u>(276,421)</u>	<u>(48,660)</u>	<u>(30,644)</u>	<u>(294,437)</u>
Total capital assets, net	<u>\$ 172,397</u>	<u>\$ (48,660)</u>	<u>\$ -</u>	<u>\$ 123,737</u>

The District Attorney is a single function entity, and all depreciation has been allocated to its only activity, General Government in the amount of \$48,660. All capital assets owned are depreciable.

NOTE 5 – COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2017 is as follows.

Beginning Balance	Additions	Decreases	Ending Balance
<u>\$ 797,605</u>	<u>\$ 729,456</u>	<u>\$ 831,912</u>	<u>\$ 695,149</u>

Of the \$695,149, all has been classified as a current liability in the Statement of Net Position. In prior years, the General Fund has been used to liquidate compensated absences, and is expected to continue to do so in the future.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – DUE TO AND FROM OTHER STATE AGENCIES

Transactions that occur among state agencies under legislative mandate, exchange transactions and other situations are accounted for in the financial statements as due from and due to other state agencies. As of June 30, 2017, the District Attorney had no amounts classified as due to other state agencies. The due from other state agencies balances at June 30, 2017 consisted of the following:

2nd DA Fund No.	Agency	Agency Fund No.	Ending Balance
26000	Crime Victims Reparation Commission	91602	\$ 42,288

NOTE 7 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The State of New Mexico Office of the Second Judicial 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). Overall, Total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required-disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net 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.

Plan Description

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

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 7 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

Funding Policy

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 ended June 30, 2017, 2016, and 2015, were \$2,101,235, \$2,064,003, and \$2,109,698, respectively, equal to the amount of the required contributions for each fiscal year.

NOTE 8 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment 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

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(Continued)

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 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 Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage 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, 2017, the statute required each participating employer to contribute 2.5% 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, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% 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, 2017, 2016, and 2015 were \$247,351, \$242,972, and \$248,486, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 – CONTINGENT LIABILITIES

The District Attorney is a party to various claims and other legal matters which arise in the normal course of business. The District Attorney 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 position.

NOTE 10 – RISK MANAGEMENT

The District Attorney is exposed to various risks of losses related to torts; theft of or damage to, or destruction of assets, errors and omissions; injuries to employees or others; or acts of God. The Second Judicial District Attorney is insurance through the Risk Management Division of the General Services Division, which is accounted for as an internal service fund of the State of New Mexico. The District Attorney has coverage for workers' compensation, auto liability, general liability, civil rights, property and contents, and fidelity bonds. Management believes that any potential loss would be adequately covered by insurance and would not result in any material adverse effect on the financial condition of the District Attorney.

NOTE 11 – OPERATING LEASES

The District Attorney leased certain equipment under operating leases with various terms. Total rental expenditures for the year ended June 30, 2017, for these leases were \$132,346. Future minimum payments as of June 30, 2017, under these operating leases with a term greater than one year were as follows:

Year Ended June 30	
2018	\$ 123,430
2019	121,906
2020	120,382
2021	52,869
2022	52,869
	<u>\$ 471,456</u>

NOTE 12 – SUBSEQUENT EVENTS

The District Attorney received five capital outlay appropriations totaling \$308,701 authorized by Laws of 2017, Chapter 133. The appropriations will be used to purchase and install communications equipment and information technology, including related equipment, furniture and infrastructure. The appropriations expire June 30, 2019.

SUPPLEMENTARY SECTION

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF CHANGES IN AGENCY FUND ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Pre-prosecution Diversion</u>				
Assets				
Investment in state general fund investment pool	\$ -	\$ 14,426	\$ 14,426	\$ -
Total assets	<u>\$ -</u>	<u>\$ 14,426</u>	<u>\$ 14,426</u>	<u>\$ -</u>
Liabilities				
Assets held for others	\$ -	\$ 14,426	\$ 14,426	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 14,426</u>	<u>\$ 14,426</u>	<u>\$ -</u>
<u>Worthless Check Program</u>				
Assets				
Investment in state general fund investment pool	\$ -	\$ 6,693	\$ 6,693	\$ -
Total assets	<u>\$ -</u>	<u>\$ 6,693</u>	<u>\$ 6,693</u>	<u>\$ -</u>
Liabilities				
Assets held for others	\$ -	\$ 6,693	\$ 6,693	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 6,693</u>	<u>\$ 6,693</u>	<u>\$ -</u>
<u>Total Agency Funds (Fund 10370)</u>				
Assets				
Investment in state general fund investment pool	\$ -	\$ 21,119	\$ 21,119	\$ -
Total assets	<u>\$ -</u>	<u>\$ 21,119</u>	<u>\$ 21,119</u>	<u>\$ -</u>
Liabilities				
Assets held for others	\$ -	\$ 21,119	\$ 21,119	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 21,119</u>	<u>\$ 21,119</u>	<u>\$ -</u>

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

**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***

Raúl Torrez, Second Judicial District Attorney
Office of the Second Judicial District Attorney
and
Mr. Timothy Keller, State Auditor
Office of the State Auditor

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 for the major funds of Office of the Second Judicial District Attorney (the Office), as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the Office of the Second Judicial District Attorney's basic financial statements. as of and for the year ended June 30, 2017, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office of the Second Judicial 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 Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office'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* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

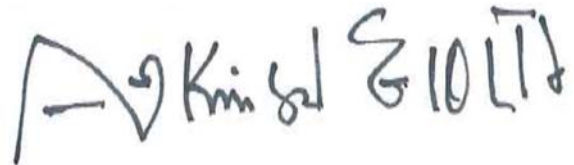
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office of the Second Judicial District Attorney's financial statements are free from 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 and 2.2.2 NMAC*.

Purpose of this Report

The 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 an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2017

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

Finding 2016-001: Failure to Revert Unexpended General Fund Appropriation to the State General Fund (Compliance and Other Matters)

Status: Corrected.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2017**

An exit conference was conducted on October 26, 2017, in a closed meeting, in which the contents of this report were discussed with the following.

Office of the Second Judicial District Attorney

Raúl Torrez, Esq., District Attorney
Carla Martinez, Esq., CPA, CFE, Chief Deputy District Attorney
Melissa Spangler, CPA, CGFM, CFE, Chief Financial Officer

Atkinson & Co., Ltd.

Martin Mathisen, CPA, CGFM, Audit Director
Jeremy Ginnett, CPA, Audit Manager

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