

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY

Financial Statements
For the Year Ended June 30, 2019

(With Independent Auditor's Report Thereon)



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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, 2019**

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

Division Directors

Michael Patrick	Communications
Melissa Spangler	Financial/Chief Financial Officer
Rachel Eagle	General Crimes
Joseph Montano	General Crimes
Jacob Payne	General Crimes
Sean Sullivan	General Crimes
Carla Smith	Human Resources
Paul Crickard	Information Technology
Glenn Hasler	Intake
Diana Garcia	Juvenile Crimes
Graciana Valles	Litigation Support
Roderick Duran	Major Crimes
Michael Fricke	Major Crimes
Greer Rose	Major Crimes
Natalie Strub	Major Crimes
Lee Hood	Major Crimes - SVU
Joshua Boone	Metropolitan
Jason Greenlee	Metropolitan
Claire McDaniel	Metropolitan
Timothy Williams	Operation Cease Fire
Michelle Padilla	Pre-Prosecution Probation
Leticia Aguilar	Priors
Daniel King	Process/Locate
Hosho McCreesh	Records
Penny Gilbert	Special Proceedings
Kyle Hartsock	Special Investigations and Crime Strategies
Leslie Ulibarri	Victim Impact

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Mr. Raúl Torrez, Second Judicial District Attorney
Second Judicial District Attorney
and Mr. Brian Colón, New Mexico State Auditor
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the respective budgetary comparisons for the General Fund and the Grants Special Revenue Fund of the Second Judicial District Attorney, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the entity'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 auditors' 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.

Mr. Raúl Torrez, Second Judicial District Attorney
Second Judicial District Attorney
and Mr. Brian Colón, New Mexico State Auditor

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, and the aggregate remaining fund information of the Second Judicial District Attorney as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Grants Special Revenue Fund 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 2A, 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, 2019, 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.

Prior Period Adjustment

As discussed in Note 12, the District Attorney recorded a restatement related to activity with severance tax bond proceeds, based on a re-evaluation of eligibility requirements under GASB 33.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-14 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 Second Judicial District Attorney's basic financial statements. The schedule of special and capital appropriations, budgetary comparison for the STB Capital Outlay Fund, and the schedule of changes in assets and liabilities – agency funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of special and capital appropriations (except for the prior years' information), budgetary comparison for the STB Capital Outlay Fund (except for the prior years' information), and the schedule of changes in assets and liabilities – agency funds are the responsibility of management and was derived from and relates 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

Mr. Raúl Torrez, Second Judicial District Attorney
Second Judicial District Attorney
and Mr. Brian Colón, New Mexico State Auditor

the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Special and Capital Appropriations (prior years' information only) and the Budgetary Comparison for the STB Capital Outlay Fund (prior years' information only) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 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 solely 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 effectiveness of Second Judicial District Attorney's 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 Second Judicial District Attorney's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 25, 2019

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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, 2019. 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 \$8,051 from the prior fiscal year.
- State General Fund Appropriation transfers accounted for \$22.8 million in revenue, or 96 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$986,678 or 4 percent of total governmental activities revenues.
- The District Attorney had \$23.9 million in expenses related to governmental activities, an increase of 23 percent from the prior fiscal year due to the hiring of eleven additional personnel to work on the case backlog and the crime strategies unit. In addition, the New Mexico Legislature appropriated a 6.5% salary increase for all district attorney personnel. The District Attorney also entered into several contracts with retired prosecutors and support staff to process rape kit backlog cases, backlog cases and officer involved shooting cases.
- The General Fund had \$22.8 million in revenues, which primarily consisted of state general fund appropriation revenue. The total expenditures of the General Fund were \$23.1 million. The General Fund's fund balance decreased \$265,474 to \$2.0 million primarily due to the expenditure of prior year special appropriation funds for the specified purposes.
- The Grants Fund had \$965,275 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 \$965,446.

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.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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, 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, Grants and STB Capital Outlay Funds, all of which are considered to be the District Attorney's major governmental funds.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF FINANCIAL STATEMENTS (Concluded)

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 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, assets exceeded liabilities by \$1.6 million at the current fiscal year end.

The largest component of the District Attorney's net position is the restricted net assets of approximately \$1.7 million as a result of unspent funds received for special appropriations from the New Mexico Legislature. A deficit unrestricted net assets of \$706,468 is reported as 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, 2019 and June 30, 2018.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	As of June 30, 2019	As of June 30, 2018 (as restated)
Current assets	\$ 3,559,386	\$ 3,139,282
Capital assets, net	540,633	133,720
Total assets	<u>4,100,019</u>	<u>3,273,002</u>
Current liabilities	2,525,363	1,993,142
Total liabilities	<u>2,525,363</u>	<u>1,993,142</u>
Net investment in capital assets	540,633	133,720
Restricted	1,740,491	2,022,584
Unrestricted	(706,468)	(573,597)
Total net position	<u>\$ 1,574,656</u>	<u>\$ 1,582,707</u>

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 \$406,913 increase in capital assets due to the purchase of security equipment, technology equipment and several vehicles for the office's investigators.
- The increase in accounts payable at year-end of \$341,923 and increase in compensated absences of \$149,319.
- Current depreciation expense of \$78,811.

Changes in net position. The District Attorney's total revenues for the current fiscal year were \$23.9 million. The total cost of all programs and services was \$23.9 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concluded)

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018 (as restated)
Revenues:		
Program revenues:		
Charges for services	\$ 21,403	\$ 40,156
Operating grants and contributions	965,275	606,728
Capital grants and contributions		18,541
General revenues:		
State general fund appropriation	22,798,300	20,495,247
Severance tax bond appropriations	150,260	
Total revenues	23,935,237	21,160,672
Expenses:		
Personal services and employee benefits	\$ 20,688,875	\$ 17,383,450
Contractual services	943,416	415,121
Other costs	2,310,998	1,606,455
Total expenses	23,943,289	19,405,026
Changes in net position	(8,051)	1,755,646
Net position, beginning of year	1,582,707	(172,939)
Net position, end of year	\$ 1,574,656	\$ 1,582,707

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

- State General Fund Appropriations increased \$2.3 due to a legislative increase to the District Attorney's base budget for salaries and other costs.
- Personal services and employee benefits costs increased \$3.3 million due to the hiring of several positions to assist with the case backlog and to launch the pilot program for the crime strategies unit. In addition, the New Mexico Legislature appropriated a 6.5% salary increase for all District Attorney employees.
- Contractual services increased \$528,295 due to expenses to contract with retired prosecutors and support staff to process backlog cases, including backlog rape kit cases and officer involved shootings.
- Other costs increased \$704,543 primarily due to the purchase of security cameras and installing badge access throughout the building. In addition, laptops and related licenses and technology were purchased.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 \$2.1 million, a decrease of \$265,645. The decrease was due to the hiring of employees and entering into contracts to expend the special appropriation funds received at the end of the prior fiscal year.

The General Fund is the principal operating fund of the District Attorney. The decrease in fund balance of \$265,474 to \$2.0 million as of fiscal year end was primarily a result of the utilization of special appropriation fund balance to hire employees and enter into contracts for the crime strategies unit and case backlog processing.

General Fund revenues increased \$2.7 million due to a legislative increase in the base budget and expenditures increased \$4.9 million primarily due to a 6.5% salary increase legislated for employees and the hiring of additional personnel.

The Grants Fund's fund balance was \$27,368 as of fiscal year end. Grants Fund revenues increased \$215,006 and expenditures increased \$220,132 primarily due to the receipt and expenditure of federal grants for the Sexual Assault Kit Initiative (SAKI) and Minimum Penalties for Repeat Offenders for Driving While Intoxicated.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2019**

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 \$145,000 in expenditures budgeted for contractual services was primarily due to a budget adjustment request to contract with retired prosecutors to handle mental health cases and attorneys external to the district attorney's office to handle conflict cases.
- The increase of \$575,000 in expenditures budgeted for other costs was primarily due to a budget adjustment request to purchase furniture to accommodate more efficient use of office space and accommodate the increase in employees as well as to purchase laptops and provide out-of-state training opportunities to employees.
- The increase of \$500,000 in expenditures budgeted for the Data-Driven Prosecution special appropriation for monies received from the Department of Transportation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District Attorney had invested \$540,633 in capital assets, data processing equipment, furniture and equipment, an animal and vehicles. This amount represents a net increase prior to depreciation of \$381,255. Total depreciation expense for the current fiscal year was \$78,811.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2019 and June 30, 2018.

Governmental Activities:	As of <u>June 30, 2019</u>	As of <u>June 30, 2018</u>
Furniture and equipment	\$ 62,500	\$ 13,000
Animal	6,125	6,125
Data processing equipment	221,612	41,598
Vehicles	540,566	388,825
Less: Accumulated depreciation	290,170	315,828
Total	<u>\$ 540,633</u>	<u>\$ 133,750</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, 2019**

NEXT YEAR'S BUDGET AND CURRENTLY KNOWN FACTS

Budgeted expenditures provided for by the State General Fund Appropriation increased 8.4% to \$23.4 million. The increase was primarily a result of a 4% pay increase for employees and funding to hire prosecutors and staff to focus on diversion and specialty courts.

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>.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activites</u>
<u>ASSETS</u>	
Current assets:	
Investment in state general fund investment pool	\$ 3,060,784
Due from other state agencies	80,727
Due from local entities	323,539
Due from federal government	94,336
Total current assets	<u>3,559,386</u>
Noncurrent assets:	
Capital assets	830,803
Less accumulated depreciation	<u>(290,170)</u>
Total noncurrent assets	<u>540,633</u>
Total assets	<u><u>4,100,019</u></u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	634,741
Accrued payroll	871,003
Other liabilities	869
Compensated absences payable	<u>1,018,750</u>
Total current liabilities	<u><u>2,525,363</u></u>
NET POSITION	
Net investement in capital assets	540,633
Restricted	1,740,491
Unrestricted	<u>(706,468)</u>
Total net position	<u><u>\$ 1,574,656</u></u>

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Governmental Activities
EXPENSES	
General government	\$ 23,943,289
REVENUES	
Program revenues:	
Charges for services	21,403
Operating grants and contributions	965,275
Total program revenues	986,678
Net program expense	(22,956,611)
GENERAL REVENUES AND TRANSFERS	
State general fund appropriation	22,801,900
Reversion - fiscal year 2019	(3,600)
Severance tax bond appropriations	150,260
Total general revenues and transfers	22,948,560
Changes in net position	(8,051)
Net position, beginning of year	1,279,860
Restatement (Note 12)	302,847
Net position, beginning of year, as restated	1,582,707
Net position, end of year	\$ 1,574,656

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	15600 <u>General</u>	26000 <u>Grants</u>	89200 <u>STB Capital Outlay</u>	Total Governmental <u>Funds</u>
Assets				
Investment in state general fund investment pool	\$ 3,488,124	\$	\$	\$ 3,488,124
Due from other state agencies		80,727		80,727
Due from local entities		323,539		323,539
Due from federal government		94,336		94,336
Total assets	<u>3,488,124</u>	<u>498,602</u>	<u></u>	<u>3,986,726</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Overdraft in the investment of the state investment pool		427,340		427,340
Accounts payable	634,741			634,741
Accrued payroll	827,109	43,894		871,003
Other liabilities	869			869
Total liabilities	<u>1,462,719</u>	<u>471,234</u>	<u></u>	<u>1,933,953</u>
Fund balances (deficits):				
Restricted	1,713,123	27,368		1,740,491
Unassigned	312,282			312,282
Total fund balances	<u>2,025,405</u>	<u>27,368</u>	<u></u>	<u>2,052,773</u>
 Total liabilities and funds balances	 <u>\$ 3,488,124</u>	 <u>\$ 498,602</u>	 <u>\$</u>	 <u>\$ 3,986,726</u>

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total governmental fund balances \$ 2,052,773

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	\$ 830,803	
Less accumulated depreciation	<u>(290,170)</u>	540,633

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,018,750)</u>
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Net position of governmental activities \$ 1,574,656

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, 2019

	15600 General	26000 Grants	89200 STB Capital Outlay	Total Governmental Funds
Revenues:				
Local intergovernmental operating grants	\$	\$ 497,598	\$	\$ 497,598
Charges for services	21,403			21,403
Federal grants and contributions		467,677		467,677
Total revenues	<u>21,403</u>	<u>965,275</u>		<u>986,678</u>
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	19,758,587	780,970		20,539,557
Contractual services	807,249	136,167		943,416
Other costs	2,083,117	48,309	100,760	2,232,186
Capital outlay	436,224		49,500	485,724
Total expenditures	<u>23,085,177</u>	<u>965,446</u>	<u>150,260</u>	<u>24,200,883</u>
Excess (deficiency) of revenues over expenditures	<u>(23,063,774)</u>	<u>(171)</u>	<u>(150,260)</u>	<u>(23,214,205)</u>
Other financing sources (uses):				
State general fund appropriation	22,801,900			22,801,900
Reversion - fiscal year 2019	(3,600)			(3,600)
Severance tax bond appropriations			150,260	150,260
Total other financing sources (uses)	<u>22,798,300</u>		<u>150,260</u>	<u>22,948,560</u>
Changes in fund balances	<u>(265,474)</u>	<u>(171)</u>		<u>(265,645)</u>
Fund balance (deficits), beginning of year	2,290,879	27,539	(302,847)	2,015,571
Restatement (Note 12)			302,847	302,847
Fund balance (deficits), beginning of year, as restated	<u>2,290,879</u>	<u>27,539</u>		<u>2,318,418</u>
Fund balance (deficits), end of year	<u>\$ 2,025,405</u>	<u>\$ 27,368</u>	<u>\$</u>	<u>\$ 2,052,773</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, 2019

Net changes in fund balance - total governmental funds \$ (265,645)

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	\$ 485,724	
Less accumulated depreciation	<u>(78,811)</u>	406,913

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.

Compensated absences payable		<u>(149,319)</u>
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Change in net position in governmental activities \$ (8,051)

**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, 2019**

<u>Operating Fund</u>	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Local intergovernmental operating grants	\$	\$	\$	\$
Charges for services	70,000	70,000	21,403	(48,597)
Federal grants and contributions				
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>21,403</u>	<u>(48,597)</u>
Cash balance budgeted				
Total budgeted revenue	<u>70,000</u>	<u>70,000</u>		
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	19,345,300	19,528,700	19,482,379	46,321
Contractual services	251,200	396,200	394,936	1,264
Other costs	1,872,000	2,447,000	2,420,985	26,015
Total expenditures	<u>21,468,500</u>	<u>22,371,900</u>	<u>22,298,300</u>	<u>73,600</u>
Excess (deficiency) of revenues over expenditures	<u>(21,398,500)</u>	<u>(22,301,900)</u>	<u>(22,276,897)</u>	
Other financing sources (uses):				
State general fund appropriation	21,398,500	22,301,900	22,301,900	
Reversion - fiscal year 2019 (non-budgeted item)			(3,600)	(3,600)
Total other financing sources (uses)	<u>21,398,500</u>	<u>22,301,900</u>	<u>22,298,300</u>	<u>(3,600)</u>
Changes in fund balance			<u>21,403</u>	
Fund balance (deficits), beginning of year			290,879	
Fund balance (deficits), end of year			<u>\$ 312,282</u>	

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, 2019
(Continued)

Fund 15600 Special Appropriations
Data-Driven Prosecution ZC5513

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Local intergovernmental operating grants	\$	\$	\$	\$
Charges for services				
Federal grants and contributions				
Total revenues				
Cash balance budgeted	600,000	600,000		
Total budgeted revenue	600,000	600,000		
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	400,000	738,000	156,961	581,039
Contractual services	160,000	322,000	129,914	192,086
Other costs	40,000	40,000	10,685	29,315
Total expenditures	600,000	1,100,000	297,560	802,440
Excess (deficiency) of revenues over expenditures		(500,000)	(297,560)	
Other financing sources (uses):				
State general fund appropriation		500,000	500,000	
Reversion - fiscal year 2019 (non-budgeted item)				
Total other financing sources (uses)		500,000	500,000	
Changes in fund balance			202,440	
Fund balance (deficits), beginning of year			600,000	
Fund balance (deficits), end of year			\$ 802,440	

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, 2019
(Continued)

Fund 15600 Special Appropriations

Case Prosecution ZC5514

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Local intergovernmental operating grants	\$	\$	\$	\$
Charges for services				
Federal grants and contributions				
Total revenues				
Cash balance budgeted	600,000	600,000		
Total budgeted revenue	600,000	600,000		
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	100,000	100,000		100,000
Contractual services		130,000	20,957	109,043
Other costs	500,000	370,000	87,671	282,329
Total expenditures	600,000	600,000	108,628	491,372
Excess (deficiency) of revenues over expenditures			(108,628)	
Other financing sources (uses):				
State general fund appropriation				
Reversion - fiscal year 2019 (non-budgeted item)				
Total other financing sources (uses)				
Changes in fund balance			(108,628)	
Fund balance (deficits), beginning of year			600,000	
Fund balance (deficits), end of year			\$ 491,372	

**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, 2019
(Continued)**

Fund 15600 Special Appropriations

Case Backlog ZC5515

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Local intergovernmental operating grants	\$	\$	\$	\$
Charges for services				
Federal grants and contributions				
Total revenues				
Cash balance budgeted	800,000	800,000		
Total budgeted revenue	800,000	800,000		
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	400,000	400,000	119,247	280,753
Contractual services	400,000	400,000	261,442	138,558
Other costs				
Total expenditures	800,000	800,000	380,689	419,311
Excess (deficiency) of revenues over expenditures			(380,689)	
Other financing sources (uses):				
State general fund appropriation				
Reversion - fiscal year 2019 (non-budgeted item)				
Total other financing sources (uses)				
Changes in fund balance			(380,689)	
Fund balance (deficits), beginning of year			800,000	
Fund balance (deficits), end of year			\$ 419,311	

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, 2019
(Concluded)

<u>Total General Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Local intergovernmental operating grants	\$	\$	\$	\$
Charges for services	70,000	70,000	21,403	(48,597)
Federal grants and contributions				
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>21,403</u>	<u>(48,597)</u>
Cash balance budgeted	2,000,000	2,000,000		
Total budgeted revenue	<u>2,070,000</u>	<u>2,070,000</u>		
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	20,245,300	20,766,700	19,758,587	1,008,113
Contractual services	811,200	1,248,200	807,249	440,951
Other costs	2,412,000	2,857,000	2,519,341	337,659
Total expenditures	<u>23,468,500</u>	<u>24,871,900</u>	<u>23,085,177</u>	<u>1,786,723</u>
Excess (deficiency) of revenues over expenditures	<u>(21,398,500)</u>	<u>(22,801,900)</u>	<u>(23,063,774)</u>	
Other financing sources (uses):				
State general fund appropriation	21,398,500	22,801,900	22,801,900	
Reversion - fiscal year 2019 (non-budgeted item)			(3,600)	(3,600)
Total other financing sources (uses)	<u>21,398,500</u>	<u>22,801,900</u>	<u>22,798,300</u>	<u>(3,600)</u>
Changes in fund balance			<u>(265,474)</u>	
Fund balance (deficits), beginning of year			2,290,879	
Fund balance (deficits), end of year			<u>\$ 2,025,405</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Revenues:				
Local intergovernmental operating grants	\$ 492,500	\$ 625,367	\$ 497,598	\$ (127,769)
Charges for services				
Federal grants and contributions	974,100	1,905,162	467,677	(1,437,485)
Other				
Total revenues	<u>1,466,600</u>	<u>2,530,529</u>	<u>965,275</u>	<u>(1,565,254)</u>
Cash balance budgeted				
Total budgeted revenue	<u>1,466,600</u>	<u>2,530,529</u>		
Expenditures:				
Current -				
General government:				
Personal services and employee benefits	1,435,200	1,986,347	780,970	1,205,377
Contractual services		421,938	136,167	285,771
Other costs	31,400	122,244	48,309	73,935
Total expenditures	<u>1,466,600</u>	<u>2,530,529</u>	<u>965,446</u>	<u>1,565,083</u>
Excess (deficiency) of revenues over expenditur			<u>(171)</u>	
Other financing sources (uses):				
State general fund appropriation				
Total other financing sources (uses)				
Changes in fund balance			<u>(171)</u>	
Fund balance (deficits), beginning of year			27,539	
Fund balance (deficits), end of year			<u>\$ 27,368</u>	

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2019

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

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 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 (GASBS) No. 14, *The Financial Reporting Entity*, and GASBS No. 39 and 61 (amend 14), *Determining Whether Certain Organizations are Component Units*, establishes standards for defining and reporting on the financial reporting entity. GASBS 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, 2019

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 instead

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019

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.

STB Capital Outlay Fund (SHARE Fund 89200) - The STB Capital Outlay Fund is used to account for the activities of the capital projects appropriated to the Office of the District Attorney by the New Mexico State Legislature. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur; therefore, only budgetary reversions are made when applicable.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019.

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 1st, the District Attorney prepares a budget appropriation request by category to be presented to the next legislative session.
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.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Multi-Year Budgets

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

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 reported a deficit cash balance in funds 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 acquisition costs 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.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Equipment – security	10 years
Vehicles	5 years
Animals	5 years
Data Processing Equipment, Including Software	3 years

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.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$312,282 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 General Fund reported restricted fund balance of \$1,713,123 which is restricted to specific purposes by legislation.

The Grants Fund (26000) reported restricted fund balance of \$27,368 for use in future years for the purposes of the grant.

The STB Capital Outlay Fund (89200) reported a fund balance of \$0 at year end.

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 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 portion of the debt is included in restricted for capital projects. The District Attorney did not have any related debt at June 30, 2019.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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.

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. Reversions to the 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. DFA requires state agency reversions to the state general fund to be accounted for as both a reversion 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.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, the District Attorney had \$3,060,784 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, 2019.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital Assets				
Furniture and equipment	\$ 13,000	\$ 49,500	\$	\$ 62,500
Animal	6,125			6,125
Data processing equipment	41,598	180,014		221,612
Vehicles	388,825	256,210	104,469	540,566
Total capital assets	<u>449,548</u>	<u>485,724</u>	<u>104,469</u>	<u>830,803</u>
Less accumulated depreciation				
Furniture and equipment	(3,869)	(3,920)		(7,789)
Animal	(102)	(1,225)		(1,327)
Data processing equipment	(23,306)	(17,403)		(40,709)
Vehicles	(288,551)	(56,263)	(104,469)	(240,345)
Total accumulated depreciation	<u>(315,828)</u>	<u>(78,811)</u>	<u>(104,469)</u>	<u>(290,170)</u>
Total capital assets, net	<u>\$ 133,720</u>	<u>\$ 406,913</u>	<u>\$</u>	<u>\$ 540,633</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 \$78,811. 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, 2019 is as follows.

Beginning Balance	Additions	Decreases	Ending Balance
\$ 869,431	\$ 1,115,431	\$ 966,112	\$ 1,018,750

Of the \$1,018,750, 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, 2019**

NOTE 6 – INTRAFUND ACTIVITY AND TRANSFERS

Due from Other State Agencies and Due to Component

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. The due from other state agencies balance for grant receivables and due to component payable at year-end were the following.

District Attorney Fund	Agency	Other Agency Fund	Amount
26000	Crime Victims Reparation Commission	91602	\$ 80,727
15600	University of New Mexico	n/a	300

Interagency Transfers

The District Attorney received transfers during the fiscal year as required by the New Mexico State Legislature.

Agency	Agency Fund	Purpose	District Attorney Fund	Amount
34100 – Department of Finance and Administration	85300	General Fund Appropriation	15600	\$21,398,500
34100 – Department of Finance and Administration	62000	Compensation increase	15600	903,400
80500 – Department of Transportation	82600	Special Appropriation Capital Outlay	15600	500,000
34103 – Board of Finance	11720	Appropriation Capital Outlay	89200	5,802
34103 – Board of Finance	20650	Appropriation Capital Outlay	89200	144,406
34103 – Board of Finance	35110	Appropriation	89200	52
34100 – Department of Finance and Administration	85300	General Fund Reversion	15600	(3,600)

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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>.

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 year ended June 30, 2019 were \$2,466,544, equal to the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

Plan Description

The District Attorney as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico (RHCA). 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 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.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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, 2019, 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, 2019, 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 year ended June 30, 2019 were \$290,375, which equaled the required contributions for each year.

Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the 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 liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 for this lease were \$120,333. Future minimum payments as of June 30, 2019 under these operating leases with a term greater than one year were as follows:

Year Ended June 30	
2020	\$ 118,846
2021	74,354
2022	52,869
	<u>\$ 246,069</u>

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 – PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the District Attorney received a two-year capital appropriation for communications equipment and information technology. Of the \$308,701 amount awarded, \$302,847 was expended in fiscal year 2018; however, the revenue draw from Board of Finance was completed and recorded in fiscal year 2019. In accordance with Governmental Accounting Standards Board Statement No. 33, the eligibility requirement was met and a receivable from Board of Finance was created when the costs were incurred in fiscal year 2018. The adjustment to beginning fund balance and beginning net position are as follows.

	STB Capital Outlay Fund	Total Governmental Funds	Total Governmental Activities
Fund balance/net position at June 30, 2018	\$ (302,847)	\$ 2,015,571	\$ 1,279,860
Correction of receivable	<u>302,847</u>	<u>302,847</u>	<u>302,847</u>
Fund balance/net position at July 1, 2018, as restated	<u>\$</u>	<u>\$ 2,318,418</u>	<u>\$ 1,582,707</u>

NOTE 13 – SUBSEQUENT EVENT

During the 2018 Legislative Session, the New Mexico Legislature appropriated three special appropriations that expired June 30, 2019; however, the funds were identified as non-reverting. During the fiscal year 2020 budget process, the District Attorney was notified that the funds were inaccessible due to a budgetary technicality requiring legislative action. The funds were intended to be expended in fiscal year 2020 for the continuation of the Crime Strategies Unit operations, processing of the case backlog and case prosecutions. As the inability to access the funds would be catastrophic to operations, employees, victims and the community, the District Attorney requested an emergency loan of \$450,000 from the State Board of Finance to continue operations until the language could be added in the 2020 Legislative Session to access the funds. The loan was approved on September 17, 2019 and will be repaid with the special appropriation funds once they are accessible following the 2020 legislative session.

SUPPLEMENTARY SECTION

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF SPECIAL AND CAPITAL APPROPRIATIONS
JUNE 30, 2019**

Appropriation	Amount Appropriated/ Appropriation Period Ends	Amount Received FY2018	Amount Received FY2019	Expenditures FY2018	Expenditures FY2019	Balance	Amount Reverted
Special Appropriations:							
Data-driven prosecution Laws 2018, Ch 73, Sec 5, Item 13	\$ 1,100,000 6/30/2019	\$ 600,000	\$ 500,000	\$	\$ 297,560	\$ 802,440	non-reverting
Case prosecution Laws 2018, Ch 73, Sec 5, Item 14	\$ 600,000 6/30/2019	\$ 600,000	\$	\$	\$ 108,628	\$ 491,372	non-reverting
To address case backlog Laws 2018, Ch 73, Sec 5, Item 15	\$ 800,000 6/30/2019	\$ 800,000	\$	\$	\$ 380,689	\$ 419,311	non-reverting
Capital appropriations:							
Communications equipment & information technology Laws of 2017, Ch 133, Sec 8-12	\$ 308,701 6/30/2019 reverting	\$	\$ 308,701	* \$ 302,847	\$ 5,854	\$	\$
Security equipment and related technology Laws 2018, Ch 280, Sec 11	\$ 600,000 6/30/2020 reverting	\$	\$ 144,406	\$	\$ 144,406	\$ 455,594	\$
Reappropriated 2019 with change in purpose: Including planning, designing, constructing and renovating	\$ 455,594 6/30/2020 reverting	\$	\$	\$	\$	\$ 455,594	\$

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF CHANGES IN AGENCY FUND ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2019**

	<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	\$	\$ 18,339	\$ 18,339	\$
Total assets	<u>\$</u>	<u>\$ 18,339</u>	<u>\$ 18,339</u>	<u>\$</u>
Liabilities				
Assets held for others	\$	\$ 18,339	\$ 18,339	\$
Total liabilities	<u>\$</u>	<u>\$ 18,339</u>	<u>\$ 18,339</u>	<u>\$</u>
<u>Worthless Check Program</u>				
Assets				
Investment in state general fund investment pool	\$	\$ 2,301	\$ 2,301	\$
Total assets	<u>\$</u>	<u>\$ 2,301</u>	<u>\$ 2,301</u>	<u>\$</u>
Liabilities				
Assets held for others	\$	\$ 2,301	\$ 2,301	\$
Total liabilities	<u>\$</u>	<u>\$ 2,301</u>	<u>\$ 2,301</u>	<u>\$</u>
<u>Total Agency Funds (Fund 10370)</u>				
Assets				
Investment in state general fund investment pool	\$	\$ 20,640	\$ 20,640	\$
Total assets	<u>\$</u>	<u>\$ 20,640</u>	<u>\$ 20,640</u>	<u>\$</u>
Liabilities				
Assets held for others	\$	\$ 20,640	\$ 20,640	\$
Total liabilities	<u>\$</u>	<u>\$ 20,640</u>	<u>\$ 20,640</u>	<u>\$</u>

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE



INDEPENDENT AUDITORS' 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. Raúl Torrez, Second Judicial District Attorney
Second Judicial District Attorney
and Mr. Brian Colón, New Mexico State Auditor
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparisons for the General Fund and the Grants Special Revenue Fund of Second Judicial District Attorney, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Second Judicial District Attorney's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Second Judicial District Attorney's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Judicial District Attorney's internal control.

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

Mr. Raúl Torrez, Second Judicial District Attorney
Second Judicial District Attorney
and Mr. Brian Colón, New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, listed as finding 2019-001 in the schedule of findings and responses.

Second Judicial District Attorney's Response to Findings

Second Judicial District Attorney's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Second Judicial District Attorney's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 25, 2019

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | | |
|--|------------|---|--|
| 1. Type of auditors’ report issued: | Unmodified | | |
| 2. Internal control over financial reporting: | | | |
| • Material weakness(es) identified? | _____ yes | _____ <input checked="" type="checkbox"/> no | |
| • Significant deficiency(ies) identified? | _____ yes | _____ <input checked="" type="checkbox"/> none reported | |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <input checked="" type="checkbox"/> no | |

Section II – Financial Statement Findings

2019 – 001 Untimely Deposit of Cash Receipt – Instance of Non-compliance

Condition: During our internal control and compliance testwork, we identified 1 out of 22 cash receipt packets tested that was not deposited by the following business day.

Criteria or specific requirement: According to the Public Money Act, Section 6-10-3 deposits are required to be made by the next business day

Context: Matter identified during sample internal control testing.

Effect: Noncompliance with this section of the Public Money Act.

Cause: Oversight by employees.

Recommendation: We recommend the Agency remind all employees to follow this section of the Public Money Act.

Views of responsible officials and planned corrective actions: The financial specialist discussed with the employees responsible for cash handling the importance of depositing cash receipts within 24 hours. In addition, management will be more aware to ensure back-up personnel are available to make the deposit during holidays and times of the year where many employees take leave.

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Summary of Prior Year Findings

There were no financial statement findings in the prior year

**STATE OF NEW MEXICO
OFFICE OF THE SECOND JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2019**

An exit conference was conducted on October 24, 2019, 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
Carla Smith, Human Resources Director
Rick Houston, Financial Specialist

CliftonLarsonAllen, LLP

Matthew Bone, CPA, CGMA, CGFM, Principal
Laura Beltran-Schmitz, CPA, CFE, CGFM, CICA, Director

