

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
FINANCIAL STATEMENTS AND SCHEDULES  
WITH INDEPENDENT AUDITORS'  
REPORT THEREON  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
OFFICIAL ROSTER  
JUNE 30, 2014**

**GENERAL FUND ATTORNEYS**

Mark D'Antonio	District Attorney
Paul Rubino	Chief Deputy District Attorney
Jacinto Palomino	Chief Deputy District Attorney
Roxeanne Esquibel	Deputy District Attorney
Daniel Sewell	Deputy District Attorney
Heather Chavez	Deputy District Attorney
Cynthia Clark	Senior Trial Attorney
Steve Armstrong	Senior Trial Attorney
Gerald Byers	Senior Trial Attorney
Lisa Beairsto	Senior Trial Attorney
Shoshanah Epstein	Assistant Trial Attorney
Thomas Erickson	Assistant Trial Attorney
Jamal Saleh	Assistant Trial Attorney
Bradley Douglas	Associate Trial Attorney
Jessica Sweeney	Associate Trial Attorney
Justin Bateman	Associate Trial Attorney
Myron May	Associate Trial Attorney

**GRANT ATTORNEYS**

Daniel Dougherty	Deputy District Attorney
Rebecca Duffin	Senior Trial Attorney
Keythan Park	Senior Trial Attorney
Clara Nevarez	Assistant Trial Attorney
Raymundo Rojas	Assistant Trial Attorney
Sarah Van Cott	Associate Trial Attorney
Timothy Nuccio	Associate Trial Attorney

**ADMINISTRATIVE STAFF**

Juliet Lucero	Chief Financial Officer
Marylou Bonacci	District Office Manager



## **Independent Auditors' Report**

Honorable Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico  
and

Mark D'Antonio, District Attorney  
Third Judicial District Attorney  
Las Cruces, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the General Fund and the major special revenue funds of the Third Judicial District Attorney (the Attorney), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprises the Attorney's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Attorney's nonmajor governmental funds and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Attorney'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 on the Attorney'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Attorney as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons of the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Attorney as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 4 through 9 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 Attorney's financial statements, the combining and individual fund financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2014 on our consideration of the Attorney's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Attorney's internal control over financial reporting and compliance.

*Kubiak Melton & Associates, LLC*

Kubiak Melton & Associates, LLC  
Auditors – Business Consultants – CPAs

Albuquerque, New Mexico  
November 6, 2014

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
JUNE 30, 2014**

The following is an overview of the financial condition for the Office of the Third Judicial District Attorney (the Attorney) for the fiscal year ended June 30, 2014. This narrative highlights the major aspects of the Attorney's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

**Financial Highlights**

The following items are the Attorney's financial highlights for the fiscal year ended June 30, 2014:

The assets of the Attorney exceeded its liabilities as of June 30, 2014 by \$177,135 (net position).

**Overview of the Financial Statements**

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

Basic Financial Statements

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

The *Statement of Net Position* presents information on all of the Attorney's assets and liabilities, with the difference between the two 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 Attorney is improving or deteriorating.

The *Statement of Activities* presents information showing how the government'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 revenue and earned but unused vacation leave).

The balance sheets presents information on all of the Attorney's assets and liabilities, with the difference between the two reported as fund balance. Over time, increases or decreases in fund balance may serve as a useful indicator of whether the financial position of the Attorney is improving or deteriorating. Fund balances increase when



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
JUNE 30, 2014**

revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased fund balance, which indicate an improved financial position. The government-wide financial statements can be found at page 10 and page 11 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Attorney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*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 funds financial statements focus on near-term inflows, outflows and outflows balances of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining near-term requirements.

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

In addition to the general fund, the Attorney maintains four other individual governmental funds that are classified as special revenue funds. Information for the general fund and the SWBPI grants fund, both of which are considered to be major funds, is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances. Individual fund data for the non-major governmental fund Victim Assistance Fund is provided following the notes to the financial statements.

The New Mexico Legislature makes annual appropriations for the Attorney's general fund. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the fiscal year, the Attorney revised the budget of the special revenue funds several times. Budgetary comparison statements for the general and special revenue major fund are presented on page 16 through 19.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
JUNE 30, 2014**

The basic governmental funds financial statements are presented on page 12 through page 15.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental funds financial statements. The notes to the financial statements can be found on pages 20 through 37 of this report.

**Analysis of Net Position**

Assets may serve over time as a useful indicator of the Third Judicial District Attorney's financial position. Assets exceeded liabilities by \$177,135 at the close of the current fiscal year.

**Condensed Statements of Net Position**

	<b>June 30,</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>ASSETS</b>			
Current and Other Assets	\$ 613,214	\$ 813,733	\$ (200,519)
Capital Assets, Net	-	11,863	(11,863)
<b>Total Assets</b>	<b>\$ 613,214</b>	<b>\$ 825,596</b>	<b>\$ (212,382)</b>
 <b>LIABILITIES</b>			
Current Liabilities	\$ 270,163	\$ 276,642	\$ (6,479)
Long-Term Liabilities	165,916	121,704	44,212
<b>Total Liabilities</b>	<b>\$ 436,079</b>	<b>\$ 398,346</b>	<b>\$ 37,733</b>
 <b>NET POSITION</b>			
Net Investment in Capital Assets	\$ -	\$ 11,863	\$ (11,863)
Unrestricted	177,135	415,386	(238,251)
<b>Total Net Position</b>	<b>\$ 177,135</b>	<b>\$ 427,249</b>	<b>\$ (250,114)</b>

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
JUNE 30, 2014**

The Attorney's activities during the fiscal year decreased the Attorney's net position by \$250,114. The increase is attributed to the increase in total expenses which is greater than the increase in revenues. Total revenues increased by \$60,267 and the expenses increased by \$218,054 when compared to the previous year.

**Condensed Statements of Activities  
For the Year Ended June 30,**

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
<b>REVENUES</b>			
Program Revenues	\$ 823,545	\$ 925,008	\$ (101,463)
General Appropriation, Net of Reversion	<u>4,417,766</u>	<u>4,256,036</u>	<u>161,730</u>
<b>Total Revenues</b>	<u>5,241,311</u>	<u>5,181,044</u>	<u>60,267</u>
<b>EXPENSES</b>			
Public Safety	<u>5,491,425</u>	<u>5,273,371</u>	<u>218,054</u>
<b>Total Expenses</b>	<u>5,491,425</u>	<u>5,273,371</u>	<u>218,054</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ (250,114)</u>	<u>\$ (92,327)</u>	<u>\$ (157,787)</u>

**Governmental Activities**

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

The focus of the 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 Attorney's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues for governmental functions overall totaled \$5,241,345 in the fiscal year-ended June 30, 2014, which represents an increase of \$60,267 from the fiscal year-ended June 30, 2013. General Appropriation increased in fiscal year June 30, 2014 by \$161,730 from the prior year. Expenditures for governmental functions totaled \$5,491,425. This was an increase of approximately \$218,054 from the fiscal year ended June 30, 2013. In the fiscal year-ended June 30, 2014, expenditures for governmental functions exceeded revenues by \$250,114. The increase in revenues and expenses was due to increased case loads.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
JUNE 30, 2014**

The General Fund is the chief operating fund of the Attorney. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$0 due to a reversion of funds to the State General Fund of \$34. The General Fund revenue and transfers increased \$60,267 due to the increase in state appropriation funds. The expenditures increased \$47,051.

The HIDTA Fund revenue decreased \$14,004. The grant expenditures decreased by the same amount. The grant was on reimbursement basis and the awarded fund in current year was fully expensed.

The Victim Assistance Fund revenue decreased \$41,331, and the grant expenditures decreased by the same amount. The grant was on reimbursement basis and the awarded fund in current was fully expensed.

**Capital Assets**

The Attorney's Capital Assets as of June 30, 2014 and 2013 amounted to \$0 and \$11,863 (net of accumulated depreciation). These capital assets, net includes furniture, fixtures, equipment and vehicles. The following chart shows the breakdown of assets by classification:

<b>Capital Assets, Net</b>		
<b>June 30,</b>		
	<u>2014</u>	<u>2013</u>
Furniture and Fixtures	\$ -	\$ 1,821
Equipment	-	3,058
Vehicles	-	6,984
<b>Capital Assets, Net</b>	<u>\$ -</u>	<u>\$ 11,863</u>

**Economic Conditions**

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

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)  
JUNE 30, 2014**

**Requests for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Investment with State Treasurer	\$ 258,833
Due From Other Governments	218,425
Due From State Funds	135,956
<b>Total Current Assets</b>	<b>613,214</b>
<b>Total Assets</b>	<b>\$ 613,214</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 22,721
Accrued Payroll	133,258
Other Liabilities	1,927
Due To State General Fund	56,951
Compensated Absences (due within one year)	55,306
<b>Total Current Liabilities</b>	<b>270,163</b>
Non-Current Liabilities	
Compensated Absences	165,916
<b>Total Liabilities</b>	<b>436,079</b>
<b>NET POSITION</b>	
Unrestricted	177,135
<b>Total Net Position</b>	<b>177,135</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 613,214</b>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Governmental Activities</b>
<b>Program Expenses</b>	
General Government	
Public Safety	\$ 5,491,425
<b>Program Revenues</b>	
Federal Grants	641,038
State & Local Grants	182,507
Total Program Revenues	823,545
<b>Net Program Expense</b>	(4,667,880)
<b>General Revenues and Transfers</b>	
State General Fund Appropriations	4,417,800
Reversion to State General Fund	(34)
<b>Total Revenues and Transfers</b>	4,417,766
Change in Net Position	(250,114)
<b>Net Position - Beginning of Year</b>	427,249
<b>Net Position - End of Year</b>	\$ 177,135

See Independent Auditors' Report and Notes to Financial Statements



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General Fund</u>	<u>SWBPI Fund</u>	<u>HIDTA Fund</u>	<u>Other Grant Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Current Assets						
Investment With State Treasurer	\$ 169,791	\$ 250,015	\$ -	\$ -	\$ -	\$ 419,806
Due From Federal Government	-	109,068	109,357	-	-	218,425
Due From State Funds	-	64,675	-	39,806	31,475	135,956
<b>Total Assets</b>	<u>\$ 169,791</u>	<u>\$ 423,758</u>	<u>\$ 109,357</u>	<u>\$ 39,806</u>	<u>\$ 31,475</u>	<u>\$ 774,187</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Current Liabilities						
Overdraft of the Investment in State						
General Fund Investment Pool	\$ -	\$ -	\$ 98,464	\$ 38,597	\$ 23,912	\$ 160,973
Accounts Payable	720	21,999	-	-	-	22,719
Accrued Payroll	46,836	1,977	5,150	1,733	1,626	57,322
Payroll Tax And Benefits Payable	65,284	1,743	5,642	1,425	1,844	75,938
Other Liabilities	-	-	-	-	1,927	1,927
Due To State General Fund	56,951	-	-	-	-	56,951
<b>Total Liabilities</b>	<u>169,791</u>	<u>25,719</u>	<u>109,256</u>	<u>41,755</u>	<u>29,309</u>	<u>375,830</u>
<b>FUND BALANCES</b>						
Assigned	-	398,039	101	-	2,166	400,306
Unassigned	-	-	-	(1,949)	-	(1,949)
<b>Total Fund Balances</b>	<u>-</u>	<u>398,039</u>	<u>101</u>	<u>(1,949)</u>	<u>2,166</u>	<u>398,357</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 169,791</u>	<u>\$ 423,758</u>	<u>\$ 109,357</u>	<u>\$ 39,806</u>	<u>\$ 31,475</u>	<u>\$ 774,187</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Reconciliation of the balance sheet to the statement of net position**

Total Fund Balances for Governmental Funds \$ 398,357

Amounts reported for governmental activities in the statement of net position  
are different as follows:

Some liabilities are not due and payable in the current period and  
therefore are not reported as liabilities in governmental funds:

Compensated Absences (221,222)

**Net Position of Governmental Activities** \$ 177,135

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>SWBPI Fund</u>	<u>HIDTA Fund</u>	<u>Other Grant Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Intergovernmental Revenue - Federal	\$ -	\$ 64,675	\$ 467,620	\$ -	\$ 108,743	\$ 641,038
Intergovernmental Revenue - State & Local	30,100	1,581	-	150,826	-	182,507
<b>Total Revenues</b>	<u>30,100</u>	<u>66,256</u>	<u>467,620</u>	<u>150,826</u>	<u>108,743</u>	<u>823,545</u>
<b>EXPENDITURES</b>						
General Government						
Personal Services & Benefits	4,140,513	117,717	467,620	153,832	107,096	4,986,778
Contract Services	19,187	12,297	-	-	-	31,484
Other Costs	288,166	114,184	-	-	-	402,350
<b>Total Expenditures</b>	<u>4,447,866</u>	<u>244,198</u>	<u>467,620</u>	<u>153,832</u>	<u>107,096</u>	<u>5,420,612</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,417,766)</u>	<u>(177,942)</u>	<u>-</u>	<u>(3,006)</u>	<u>1,647</u>	<u>(4,597,067)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
State General Fund Appropriation	4,417,800	-	-	-	-	4,417,800
Reversion To State General Fund	(34)	-	-	-	-	(34)
<b>Total Other Financing Sources (Uses)</b>	<u>4,417,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,417,766</u>
<b>Net Change In Fund Balances</b>	-	(177,942)	-	(3,006)	1,647	(179,301)
Fund Balances, Beginning	<u>-</u>	<u>575,981</u>	<u>101</u>	<u>1,057</u>	<u>519</u>	<u>577,658</u>
<b>Fund Balances, Ending</b>	<u>\$ -</u>	<u>\$ 398,039</u>	<u>\$ 101</u>	<u>\$ (1,949)</u>	<u>\$ 2,166</u>	<u>\$ 398,357</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
 THIRD JUDICIAL DISTRICT ATTORNEY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT  
 OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ (179,301)

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

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

Depreciation Expenses	<u>(11,863)</u>	
Expense Not Reported in Governmental Funds		(11,863)

Expenses reported in the Statement of Activities that do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in Compensated Absences		<u>(58,950)</u>
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**Change In Net Position - Governmental Activities** \$ (250,114)

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP  
BUDGETARY BASIS) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -
Other	30,100	30,100	30,100	-
Total Revenues	<u>30,100</u>	<u>30,100</u>	<u>30,100</u>	<u>-</u>
Add: Budgeted Fund Balances	-	-		
	<u>30,100</u>	<u>30,100</u>		
<b>Expenditures</b>				
Current				
General Government				
Personal Services & Benefits	4,177,400	4,140,513	4,140,513	-
Contract Services	13,300	19,187	19,187	-
Other Costs	257,200	288,200	288,166	34
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>4,447,900</u>	<u>4,447,900</u>	<u>4,447,866</u>	<u>34</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			<u>(4,417,766)</u>	
<b>Other Financing Sources (Uses)</b>				
State General Fund Appropriation	4,417,800	4,417,800	4,417,800	-
Reversion To State General Fund	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>(34)</u>
Total Other Financing Sources (Uses)	<u>\$ 4,417,800</u>	<u>\$ 4,417,800</u>	<u>\$ 4,417,766</u>	<u>\$ (34)</u>
Net Change In Fund Balances			-	
Fund Balance -Beginning of Year			<u>-</u>	
<b>Fund Balance - End of Year</b>			<u>\$ -</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP  
BUDGETARY BASIS) - SWBPI FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>				
Intergovernmental Revenue - Federal	\$ -	\$ 64,675	\$ 64,675	\$ -
Other	-	-	1,581	1,581
Total Revenues	-	64,675	66,256	1,581
Add: Budgeted Fund Balances	-	-		
	<u>-</u>	<u>64,675</u>		
<b>Expenditures</b>				
Current				
General Government				
Personal Services & Benefits	307,100	307,100	117,717	189,383
Contract Services	-	10,000	12,297	(2,297)
Other Costs	-	54,675	114,184	(59,509)
Capital Outlay	-	-	-	-
Total Expenditures	<u>307,100</u>	<u>371,775</u>	<u>244,198</u>	<u>127,577</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			<u>(177,942)</u>	
<b>Other Financing Sources (Uses)</b>				
State General Fund Appropriation	-	-	-	-
Reversion To State General Fund	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change In Fund Balances			(177,942)	
Fund Balance -Beginning of Year			<u>575,981</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 398,039</u>	

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**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP  
BUDGETARY BASIS) – HIDTA FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Intergovernmental Revenue - Federal	\$ 491,400	\$ 467,620	\$ 467,620	\$ -
Other	-	-	-	-
Total Revenues	<u>491,400</u>	<u>467,620</u>	<u>467,620</u>	<u>-</u>
Add: Budgeted Fund Balances	-	-		
	<u>491,400</u>	<u>467,620</u>		
<b>Expenditures</b>				
Current				
General Government				
Personal Services & Benefits	491,400	467,620	467,620	-
Contract Services	-	-	-	-
Other Costs	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>491,400</u>	<u>467,620</u>	<u>467,620</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			<u>-</u>	
<b>Other Financing Sources (Uses)</b>				
State General Fund Appropriation	-	-	-	-
Reversion To State General Fund	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change In Fund Balances			-	
Fund Balance -Beginning of Year			<u>101</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 101</u>	

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**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP  
BUDGETARY BASIS) – OTHER GRANT FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variances Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Other	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue - Local	199,200	191,100	150,826	(40,274)
Total Revenues	199,200	191,100	150,826	(40,274)
Add: Budgeted Fund Balances	-	-		
	199,200	191,100		
 <b>Expenditures</b>				
Current				
General Government				
Personal Services & Benefits	199,200	191,100	153,832	37,268
Contract Services	-	-	-	-
Other Costs	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	199,200	191,100	153,832	37,268
 <b>Excess (Deficiency) of Revenues Over Expenditures</b>			(3,006)	
 <b>Other Financing Sources (Uses)</b>				
State General Fund Appropriation	-	-	-	-
Reversion To State General Fund	-	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
 Net Change In Fund Balances			(3,006)	
 Fund Balance -Beginning of Year			1,057	
 <b>Fund Balance - End of Year</b>			\$ (1,949)	

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**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Financial Reporting Entity**

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

The Attorney's basic financial statements include all activities and accounts of the Attorney.

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

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

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

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The Attorney has no component units.

**A. Government-Wide and Fund Financial Statements**

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

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

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

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State appropriations are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Neither fiduciary funds nor component units that are fiduciary in nature are included. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

Governmental funds 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 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

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under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is made.

**Governmental Funds** – Governmental funds are those through which most governmental functions are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they are paid. The difference between governmental funds assets and liabilities is reported as fund balance. The Attorney reports the following major governmental funds:

**General Fund** – The general fund is the general operating fund of the Attorney. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the general fund at the end of the fiscal year reverts to the general fund of the State of New Mexico. The Share account number and description for the general fund of the Attorney is 15700 – Third Judicial District Attorney Regular.

**SWBPI Grants Fund** – This fund is used to account for proceeds from the Southwest Border Prosecution Initiative (SWBPI) and the expenditures there from. The SWBPI reimbursements are from the United States Department of Justice. The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico's general fund as the source of revenues is the federal government. The Attorney has determined that the SWBPI grants fund is a major fund whose SHARE fund number is 93400.

**High Intensity Drug Trafficking Area (HIDTA) Fund** – The HIDTA fund is used to account for proceeds from the Office of National Drug Control Policy – High Intensity Drug Trafficking Area Grant, and the expenditures there from. The authority for the creation and maintenance of the fund is the requirement of the federal government to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico's general fund as the source of revenues is the federal government. The Attorney has determined that the HIDTA fund is a major fund whose Share fund number is 93600.

**Other Grants Fund** – The Other Grants fund is used to account for grant proceeds from the County of Doña Ana, New Mexico to prevent fraud and exploitation of older adults in Doña Ana County. The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico's general fund as the source of revenues is the County of Doña Ana. The Attorney has determined that the Other Grants fund is a major fund whose SHARE account fund is 48500.

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The Attorney reports the following non-major governmental funds:

**Victim Assistance Fund** – The Victim Assistance fund is used to account for the grant proceeds from the Victims of Crime Act (VOCA), and the Rural Domestic Violence & Child Victimization Enforcement grants, and the expenditures there from. The authority for the creation of the VOCA grant comes from Congress and is administered at the federal level through the U.S. Department of Justice Office for Victims of Crime. The state agencies sub-grant to the organizations that provide direct services to the Victims of crime. It is administered by the U. S. Department of Justice’s Office on Violence Against Women. The authority for the creation of the Rural Domestic Violence and Child Victimization Enforcement Grant comes from Congress and is administered by the U.S. Department of Justice’s Office on Violence Against Women. The authority for the creation and maintenance of the fund is the requirement of the funding sources to maintain a separate fund. The fund balance is non-reverting to the state of New Mexico’s general fund as the source of revenues is the federal government. The Attorney has determined that the Victim Assistance fund is a non-major fund whose Share fund number is 93300.

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

Amounts reported as program revenues include operating grants, when applicable, capital grants, internally dedicated resources are reported rather than as program revenues.

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

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received.

Expenditures are recorded as liabilities when they are incurred, except for unmatured interest on general long term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. When both restricted and

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unrestricted resources are available for use, it is the government's policy to use unrestricted resources first, and then restricted resources as they are recorded.

**C. Budgets and Budgetary Accounting**

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

Prior to September 15<sup>th</sup>, the Attorney submits to the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1<sup>st</sup>. The appropriation request includes proposed expenditures and the means of financing them.

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.

The Governor of the State of New Mexico within the legally prescribed time limit signs the Act into law.

The Attorney submits, no later than May 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriation made by the Legislature. The DFA – Budget Division review and approves the operating budget, which becomes effective on July 1<sup>st</sup>. The Legislative Finance Committee and the State Budget Division must approve all subsequent budget adjustments. The budget for the current year was amended in a legal manner.

1. Legal budget control for expenditures is by expenditure category.
2. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
3. The budget for this State Agency is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline that must be paid out of the next year's budget.
4. For reverting funds, the unreserved fund balance must revert to the state general fund at the end of appropriation period.

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**D. Assets, Liabilities, Deferred Outflows / Inflows of resources and Net Position / Fund Balance**

**Cash and Investments:** The Attorney does not control any cash accounts. The State Treasurer has final authority on all cash disbursements and receives all cash receipts. Therefore, the Attorney had an investment with the State Treasurer for their share of the cash pool. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

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

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

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets including computer software are defined by the government as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets life are not capitalized. Costs other than personnel expenses for computer software developed internally are capitalized and depreciated over its useful life. Purchased software is recorded at historical cost.

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

<u>Assets</u>	<u>Years</u>
Furniture and Fixtures	7
Equipment and Machinery	5
Automotive	5
Data Processing (Including Computer Software)	3

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

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

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

**Deferred Outflows / Inflows of Resources:** GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net position by the government which is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net position by the government which is applicable to a future reporting period. The Attorney has no deferred outflow or inflow of resources at June 30, 2014.

**Net Position:** The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

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

*Restricted Net Position* – This category reflects the portion of net position that have third party limitations on their use.

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

**Fund Balance:** During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance amount has spending limitations that are constrained by the government’s highest level of decision-making authority.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds and permanent funds.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



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**(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

	<b>2014</b>
Compensated Absences Payable	<u>\$ (221,222)</u>
<b>Net Adjustments to Reduce Fund Balances- Total Governmental Funds to Arrive at Net Position Governmental Activities</b>	<b><u>\$ (221,222)</u></b>

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

One element of that reconciliation explains that, “Governmental funds report capital outlay as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

	<b>2014</b>
Depreciation Expense	\$ (11,863)
Increase (Decrease) In Compensated Absences	<u>(58,950)</u>
<b>Net Adjustments to Reduce Net Changes In Fund Balances -Total Governmental Funds to Arrive at Changes In Net Position of Governmental Activities</b>	<b><u>\$ (70,813)</u></b>

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**(3) RECONCILIATION BETWEEN MODIFIED ACCRUAL AND BUDGET**

The Attorney did not request that any prior year bills be paid out of the FY14 budget; therefore, there are no differences between modified accrual basis expenditures in the fund financial statements and the budget basis expenditures shown in the budget comparison.

**(4) INVESTMENT IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL**

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Section 6-5-21 (J) NMSA 1978 requires the Department of Finance to complete, on a monthly basis, reconciliation with the balances kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

At June 30, 2014, the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool is \$258,833.

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 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, 2014.

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**(5) GRANTS RECEIVABLE**

Amounts due from governmental grants as of June 30, 2014, consisted of the following:

	<b>2014</b>
SWBPI	\$ 173,743
HIDTA Grant Fund	109,357
Other Grant Fund	39,806
Victim Assistance Grant Fund	31,475
<b>Total</b>	<b>\$ 354,381</b>

**(6) CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets being Depreciated:</b>				
Furniture and Fixtures	\$ 16,771	\$ -	\$ (4,558)	\$ 12,213
Equipment	175,424	-	(74,771)	100,653
Vehicles	366,456	-	-	366,456
<b>Total</b>	<b>558,651</b>	<b>-</b>	<b>(79,329)</b>	<b>479,322</b>
<b>Less Accumulated Depreciation for:</b>				
Furniture and Fixtures	(14,950)	(1,821)	4,558	(12,213)
Equipment	(172,366)	(3,058)	74,771	(100,653)
Vehicles	(359,472)	(6,984)	-	(366,456)
<b>Total</b>	<b>(546,788)</b>	<b>(11,863)</b>	<b>79,329</b>	<b>(479,322)</b>
<b>Capital Assets, Net</b>	<b>\$ 11,863</b>	<b>\$ 11,863</b>	<b>\$ -</b>	<b>\$ -</b>

Depreciation expense for June 30, 2014 was \$11,863. All of the depreciation was charged to assets in the Governmental Activities.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(7) COMPENSATED ABSENCES**

Qualified employees accumulate annual leave at a rate of:

<u>Years of Service</u>	<u>Hours Earned per Month</u>	<u>Days Earned per Month</u>	<u>Days Maximum Actual</u>
Less than 4 year	10	1.25	30
4-8 years	11	1.375	30
8-12 years	12	1.5	30
12-16 years	13	1.625	30
Beyond 16 years	14	1.75	30

A maximum of 240 hours of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums.

<u>Description</u>	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>	<u>Due within One Year</u>
Compensated Absences	\$ 162,272	\$ 91,953	\$ 33,003	\$ 221,222	\$ 55,306

The compensated absences are to be paid in 2014 as 89.5% by the General fund; 10.8% by the HIDTA fund; 3.9% by the SWBPI fund and Victim Assistance fund and 3.9% by the other grant fund.

**(8) DUE TO STATE GENERAL FUND**

In accordance with NMAC 2.2.2.12A(6), as of June 30, 2014, the amount reverted to the New Mexico General Fund is as follows:

	<u>Appropriation</u>	<u>Reversion</u>
Reversion to State General Fund FY 2014	\$ 4,417,800	\$ (34)

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(9) FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned and unassigned based primarily on the extent the Attorney is bound to observe constraints imposed upon the use of resources in the government funds and all other governmental funds as follows:

<b>Fund Balances</b>	<b>Special Revenues</b>
<b>Committed for</b>	
Grants	
SWBPI Grants	\$ 398,039
HITDA Fund	101
Other Grants	(1,949)
Victim's Assistance Program	2,166
<b>Total Committed</b>	<b>398,357</b>
<b>Total Fund Balance</b>	<b>\$ 398,357</b>

**(10) OPERATING LEASES**

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

A lease for a postage meter was entered into on October 16, 2013, which requires 16 quarterly payments of \$765.

A lease for telephone equipment was entered into August 14, 2011, which requires 60 monthly payments of \$806.

A lease for printers was entered into March 20, 2013, which requires 48 monthly payments of \$1,859.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

The lease expense for the year ended June 30, 2014 was \$66,956. The annual future lease commitments are as follows:

<u>Year</u>	<u>Lease Payment</u>
2015	\$ 35,042
2016	25,368
2017	23,838
2018	-
2019	-
	<u>\$ 84,248</u>

**(11) PERA RETIREMENT PLAN**

Plan Description:

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

Funding Policy:

Plan members are required to contribute 9% of their gross salary. The District is required to contribute 16.59% of the gross covered salary. The contribution requirements of the plan members and the Third Judicial District Attorney are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Attorney's contributions to PERA for the years ended June 30, 2014, 2013 and 2012 were \$571,868, \$505,169 and \$572,761 respectively, which equal to the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(12) POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE**

Plan Description

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

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

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

Funding Policy

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

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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 employees 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 plans 3, 4 or 5; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statutes 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 employers that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% 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 Attorney's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012, respectively, were \$69,054, \$66,999 and \$62,775, respectively, which equal the required contributions for the year.

**(13) RISK OF LOSS**

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

See Independent Auditors' Report



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(14) DISCLOSURE OF FINANCIAL INTEREST**

There were no related party transactions during the fiscal year ended June 30, 2014.

**(15) STATEWIDE CASH RECONCILIATION**

In June 2012 an independent diagnostic report revealed that the State's cash balances have not been reconciled since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all New Mexico state agencies for financial statements issued for the fiscal year ended June 30, 2014.

In conjunction with this directive, the Office has provided copies of the required reports to the Independent Auditors. In addition, the Office has explained to the Independent Auditors the policies and procedures the Office has in place to ensure that the Office's cash balances in SHARE are correct.

The Department of Finance and Administration (DFA) has commissioned two reports that address state wide cash reconciliation issues. They are (1) *Current State Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. These reports are available on the DFA website ([http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx)).

The Office monitors cash receipts and cash deposits regularly. The Office verifies and reconciles to the Trial Balance on a monthly basis with SHARE generated reports.

The Independent Auditors confirm that the Office has performed these procedures with respect to cash reconciliations. Therefore, it is determined that there is little risk of misstatement of the Office's cash accounts due to the issue raised here regarding statewide cash reconciliations to the SHARE system.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(16) SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Attorney recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Attorney's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Attorney has evaluated subsequent event through November 6, 2014, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
COMBINING BALANCE SHEET - SPECIAL REVENUES FUNDS  
JUNE 30, 2014**

	<b>Victim Assistance Funds</b>
<b>ASSETS</b>	
Current Assets	
Investment with State Treasurer	\$ -
Due From State Funds	31,475
<b>Total Assets</b>	<b><u>31,475</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Overdraft in the Investment in State	
General Fund Investment Pool	\$ 23,912
Accrued Payroll	1,626
Payroll Tax And Benefits Payable	1,844
Other Liabilities	1,927
<b>Total Liabilities</b>	<b><u>29,309</u></b>
 <b>FUND BALANCES</b>	
Assigned	<u>2,166</u>
<b>Total Fund Balances</b>	<b><u>2,166</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 31,475</u></b>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
 THIRD JUDICIAL DISTRICT ATTORNEY  
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES - SPECIAL REVENUES FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Victim Assistance Funds</u>
<b>Revenues</b>	
Intergovernmental Revenue - Federal	\$ 108,743
Intergovernmental Revenue - State & Local	<u>-</u>
<b>Total Revenues</b>	<u>108,743</u>
<b>EXPENDITURES</b>	
Current	
General Government	
Personal Services & Benefits	107,096
Contract Services	-
Other Costs	-
<b>Total Expenditures</b>	<u>107,096</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,647</u>
<b>Net Change In Fund Balances</b>	1,647
Fund Balances, Beginning	<u>519</u>
<b>Fund Balances, Ending</b>	<u><u>\$ 2,166</u></u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
 THIRD JUDICIAL DISTRICT ATTORNEY  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP  
 BUDGETARY BASIS) - VICTIM ASSISTANCE FUND  
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>				
Intergovernmental Revenue - Federal	\$ 121,400	\$ 108,743	\$ 108,743	\$ -
Other	-	-	-	-
Total Revenues	<u>121,400</u>	<u>108,743</u>	<u>108,743</u>	<u>-</u>
Add: Budgeted Fund Balances	-	-		
	<u>121,400</u>	<u>108,743</u>		
<b>Expenditures</b>				
Current				
General Government				
Personal Services & Benefits	121,400	108,742	107,096	1,646
Contract Services	-	-	-	-
Other Costs	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>121,400</u>	<u>108,742</u>	<u>107,096</u>	<u>1,646</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			<u>1,647</u>	
<b>Other Financing Sources (Uses)</b>				
State General Fund Appropriation	-	-	-	-
Reversion To State General Fund	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change In Fund Balances			1,647	
Fund Balance -Beginning of Year			<u>519</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 2,166</u>	

See Independent Auditors' Report

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF JOINT POWERS AGREEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**DWI and Domestic Violence Prosecutions**

Participants: City of Las Cruces, New Mexico and Third Judicial District Attorney's Office

Responsible Party: Third Judicial District Attorney's Office

Description: To establish two prosecutor positions to assist with DWI and Domestic Violence prosecutions.

Period: 7/1/2013 through 6/30/2014, renewable annually

Project Costs: \$147,000 in salaries

Third Judicial Distributions: The District Attorney agrees to create two prosecutor positions within the District Attorney's Office for DWI and Domestic Violence prosecutions funded by the City of Las Cruces for \$147,000 in salaries.

Audit Responsibility: Third Judicial District Attorney's Office

**Communities Against Senior Exploitation**

Participants: County of Dona Ana, New Mexico and Third Judicial District Attorney

Responsible Party: Third Judicial District Attorney's Office

Description: To prevent fraud and exploitation of older adults in Dona Ana County

Period: 7/1/2013 through 6/30/2014, renewable annually

Project Costs: \$44,100 in salaries

Third Judicial Distributions: The District Attorney agrees to create and fund, within the District Attorney's Office for C.A.S.E. program, a prosecutor position at an annual rate of \$72,000 and a secretary position at an annual rate of \$32,000. The County agrees to fund a Crime Prevention Specialist position within the District Attorney's Office for C.A.S.E. program at an annual rate of \$44,100.

Audit Responsibility: Third Judicial District Attorney's Office



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor Pass-Through Agency Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Grant Award Expended</b>
U.S. Department of Justice, passed through New Mexico Department of Public Safety, Southwest Border Prosecution Initiative (SWBPI)	16.755	N/A	\$ 244,198
U.S. Department of Justice, passed through New Mexico Crime Victims Reparation Commission Victims of Crime Act Victim Assistance (VOCA)	16.575	2013-VA-GX-0000 2012-VA-GX-0011	35,618 7,124
U.S. Department of Justice, passed through New Mexico Crime Victims Reparation Commission STOP Violence Against Women (VAWA)	16.588	2012-WF-AX-0023	<u>66,000</u>
Total U.S. Department of Justice			352,940
Executive Office of the President, passed through the Office of National Drug Control Policy, High Intensity Drug Trafficking Area (HIDTA) Operation up the ladder Cooperative Agreement	95.001	G12SN0002A	<u>467,620</u>
<b>Total Federal Awards Expended</b>			<u>\$ 820,560</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**(1) Basis of Presentation**

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Third Judicial District Attorney and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**(2) Non-Cash Federal Assistance**

Except as noted above, the Attorney did not receive any non-cash federal assistance, federal loan, loan guarantees or federal insurance benefits during the fiscal year ended June 30, 2014.

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total Federal Awards Expended	
Per Schedule of Expenditures of Federal Award:	\$ 820,560
Total expenditures funded by other sources:	<u>4,600,052</u>
<b>Total Expenditures</b>	<b><u>\$ 5,420,612</u></b>

## **COMPLIANCE SECTION**



**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**

**Independent Auditors' Report**

Honorable Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
Mark D'Antonio, District Attorney  
Third Judicial District Attorney  
Las Cruces, 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, the budgetary comparisons of the general fund and the major special revenue funds of the Third Judicial District Attorney (Attorney) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Attorney's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Attorney, presented as supplemental information, and have issued our report thereon dated November 6, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Attorney's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: [2013-001]

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Attorney's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

#### The Attorney's Response to Findings

The Attorney's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Attorney's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### 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 Attorney's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kubiak Melton & Associates, LLC*

Kubiak Melton & Associates, LLC  
Auditors – Business Consultants – CPAs

Albuquerque, New Mexico  
November 6, 2014



**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**

**Independent Auditors' Report**

Honorable Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico  
and  
Mark D'Antonio, District Attorney  
Third Judicial District Attorney  
Las Cruces, New Mexico

Report on Compliance for Each Major Program

We have audited Third Judicial District Attorney's (Attorney) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Attorney's major federal programs for the year ended June 30, 2014. The Attorney's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Attorney's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Attorney's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of the Attorney's compliance.

#### Opinion on Each Major Program

In our opinion, the Attorney complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### Report on Internal Control Over Compliance

Management of the Attorney is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Attorney's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Attorney's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kubiak Melton & Associates, LLC*

Kubiak Melton & Associates, LLC  
Auditors – Consultants – CPAs

Albuquerque, New Mexico  
November 6, 2014



**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**Section I - Summary of Audit Results**

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of Report:                                       | Unmodified |
| 2. Internal Control Over Financial Reporting:            |            |
| a. Material weaknesses identified?                       | Yes        |
| b. Significant deficiencies identified?                  | No         |
| c. Noncompliance material to financial statements noted? | No         |

Federal Awards:

- |   |            |
|---|------------|
| 1. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | No         |
| 2. Type of report issued on compliance for major programs   | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No         |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
95.001	High Intensity Drug Trafficking Area (HIDTA)

- |   |     |
|---|-----|
| 5. Dollar threshold used to distinguish between Type A and Type B programs<br>\$300,000 |     |
| 6. Auditee qualified as low-risk auditee?   | Yes |

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**Section II – Financial Statement Findings**

**2013-001 [FS-2013-01] – Lack of Internal Controls over Expenditures – Material Weakness**

**Condition:**

During our test work of cash disbursements out of 25 disbursements tested, we noted seven instances where there was no evidence of invoice approval. These seven instances totaled \$1,299.

**Criteria:**

Section 13-1-28 to 13-1-199, NMSA 1978 states that expenditures should be properly authorized, processed and recorded and should have adequate supporting documentation for the disbursement.

**Cause:**

The Third Judicial District Attorney does not have sufficient approval and authorization policies over cash disbursements.

**Effect:**

Payments can be made for goods or services that were never received.

**Auditors' Recommendation:**

We recommend that the Third Judicial District Attorney adopt adequate policies and procedures in which payments are properly authorized and receipt of goods or services is evidenced prior to payment.

**Management's Response:**

The Third Judicial District Attorney is currently implementing policies and procedures to address the financial internal controls.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**Section III – Federal Award Findings**

There were no federal award findings for the year ended June 30, 2014.

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2014**

2007-001 [FS-2007-01] – Investment Reconciliation and Summary Report – Resolved  
2013-001 [FS-2013-01] – Lack of Internal Controls over Expenditures – Repeated

**STATE OF NEW MEXICO  
THIRD JUDICIAL DISTRICT ATTORNEY  
EXIT CONFERENCE  
JUNE 30, 2014**

An exit conference was held on November 5, 2014. In attendance were the following:

Representing the Third Judicial District Attorney:

Mark D'Antonio, District Attorney  
Juliet Lucero, Chief Financial Officer

Representing Kubiak & Melton, LLC:

Daniel O. Trujillo, CPA, CFE  
Robert Peixotto, CPA

**Preparation of Financial Statements**

The audited financial statements of the Third Judicial District Attorney were prepared by the independent certified public accountants performing the audit. Management is responsible for ensuring the books and records to adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the information is current and in balance. Management has reviewed and approved the financial statements as presented.