

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

**Financial Statements and Schedules
With Independent Auditors Report Thereon**

For the Fiscal Year Ended June 30, 2014

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

June 30, 2014

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

June 30, 2014

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

June 30, 2014

Official Roster

Attorney

Richard D. Flores

Administrative Officials

Mary Lou Umbarger, Office Manager

Karla Martinez, Chief Financial Officer

Independent Auditor's Report

Hector H. Balderas
New Mexico State Auditor
and
Richard D. Flores, District Attorney
Office of the District Attorney, Fourth Judicial District
Las Vegas, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico Office of the District Attorney Fourth Judicial District (Office), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Office's basic financial statements as listed in the table of contents. We also have audited the financial statements of the Office's fiduciary fund in the accompanying 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

Opinions

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

Other Matters

Required Supplementary Information

The Office has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

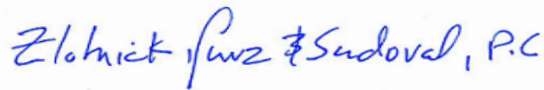
Our audit was conducted for the purpose of forming opinions on the Office's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 08, 2014 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office's internal control over financial reporting and compliance.



Zlotnick, Laws & Sandoval, PC

October 08, 2014

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

June 30, 2014

Statement of Net Position

| | <u>Governmental Activities</u> |
|--|---|
| ASSETS | |
| Current assets: | |
| Investment in State General Fund Investment Pool | \$ 223,317 |
| Supplies inventory | 20,123 |
| Total current assets | <u>243,440</u> |
| Noncurrent assets: | |
| Capital assets, net | <u>208,302</u> |
| TOTAL ASSETS | <u><u>\$ 451,742</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 58,422 |
| Accrued payroll | 56,481 |
| Due to State General Fund | 2,084 |
| Accrued compensated absences | 84,927 |
| Total current liabilities | <u>201,914</u> |
| Noncurrent liabilities: | |
| Accrued compensated absences | <u>27,036</u> |
| Total liabilities | <u>228,950</u> |
| NET POSITION | |
| Invested in capital assets, net | 208,302 |
| Unrestricted (deficit) | 14,490 |
| Total net Position | <u>222,792</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 451,742</u></u> |

See Notes to the Financial Statements.

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

For the Year Ended June 30, 2014

Statement of Activities

| | Governmental Activities |
|---|------------------------------------|
| Program Expenses: | |
| Judicial: | |
| Administrative services | \$ 2,907,412 |
| Depreciation expense | 34,731 |
| Total Expenses | 2,942,143 |
| Program Revenues | - |
| Net program expenses | 2,942,143 |
| General Revenues and Transfers: | |
| State General Fund appropriations | 3,071,200 |
| Reversion to State General Fund - current | (2,072) |
| | 3,069,128 |
| Change in net position | 126,985 |
| Net position, beginning of year | 95,807 |
| Net position, end of year | \$ 222,792 |

See Notes to the Financial Statements.

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

June 30, 2014

Balance Sheet – Governmental Fund

| | <u>General Fund</u> |
|--|--------------------------|
| ASSETS | |
| Current Assets: | |
| Investment in State General Fund Investment Pool | \$ 223,317 |
| Supplies inventory | <u>20,123</u> |
| TOTAL ASSETS | <u><u>\$ 243,440</u></u> |
| LIABILITIES AND FUND BALANCES | |
| Current Liabilities: | |
| Accounts payable | \$ 58,422 |
| Accrued payroll | 56,481 |
| Due to State General Fund | <u>2,084</u> |
| Total liabilities | <u>116,987</u> |
| FUND BALANCES | |
| Nonspendable: Supplies inventory | 20,123 |
| Unassigned | <u>106,330</u> |
| Total fund balances | <u><u>126,453</u></u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u><u>\$ 243,440</u></u> |

See Notes to the Financial Statements.

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

June 30, 2014

**Reconciliation of Balance Sheet
To The Statement of Net Position - Governmental Fund**

| | |
|--|------------|
| Total fund balance - total governmental funds | \$ 126,453 |
|--|------------|

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported on the balance sheet

| | |
|---------------------|---------|
| Capital assets, net | 208,302 |
|---------------------|---------|

Some liabilities are not due and payable in the current period, and therefore are not reported on the balance sheet.

| | |
|----------------------|------------------|
| Compensated absences | <u>(111,963)</u> |
|----------------------|------------------|

| | |
|--|---------------------------------|
| Net Position of governmental activities | <u><u>\$ 222,792</u></u> |
|--|---------------------------------|

See Notes to the Financial Statements.

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

For the Year Ended June 30, 2014

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Fund**

| | <u>General Fund</u> |
|--|--------------------------|
| REVENUES | <u>\$ -</u> |
| EXPENDITURES | |
| Current: | |
| Personal services & benefits | 2,681,605 |
| Contract services | 29,726 |
| Other costs | 215,150 |
| Capital Outlay | <u>143,652</u> |
| Total Expenditures | <u>3,070,133</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,070,133)</u> |
| OTHER FINANCING SOURCES/(USES) | |
| Transfers In: | |
| State appropriation | 3,048,400 |
| Other Financing Sources | 22,800 |
| Transfers Out: | |
| Reversion to State General Fund - FY14 | <u>(2,072)</u> |
| Total other financing sources (uses) | <u>3,069,128</u> |
| Net change in fund balances | (1,005) |
| Fund balances, beginning of year | 126,274 |
| Increase in reserve for supplies inventory | <u>1,184</u> |
| Fund balances, end of year | <u><u>\$ 126,453</u></u> |

See Notes to the Financial Statements.

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

For the Year Ended June 30, 2014

**Reconciliation of the Change in Fund Balance
of the Governmental Fund to the Statement Of Activities**

Net change in fund balances - total governmental funds \$ (1,005)

Amounts reported for governmental activities on the Statement of Revenues, Expenditures, and Changes in Fund Balances are different because:

Certain outlays are reported as expenditures in governmental funds; however, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives. During the year ended June 30, 2013 these amounts were as follows:

| | | |
|---|-----------------|---------|
| Capital outlay | 143,652 | |
| Depreciation expense | <u>(34,731)</u> | |
| Excess of capital outlay and gain on disposition over depreciation expense | | 108,921 |
| Change in Supplies Inventory | | 1,184 |

Expenses recognized on Statement of Activities not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances:

| | |
|---|---------------|
| Change in compensated absences (increase) | <u>17,885</u> |
|---|---------------|

Change in net position of governmental activities \$ 126,985

See Notes to the Financial Statements.

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

For the Year Ended June 30, 2014

**Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis) Governmental Funds - General Fund**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|---------------------|------------------|--|---|
| | Original | Final | | |
| REVENUES | | | | |
| State General Fund appropriations | \$ 3,048,400 | 3,048,400 | 3,048,400 | \$ - |
| Other financing sources | 22,800 | 22,800 | 22,800 | - |
| Program Revenue | - | - | - | - |
| Total Revenues | <u>3,071,200</u> | <u>3,071,200</u> | <u>3,071,200</u> | <u>\$ -</u> |
| Fund Balance | <u>105,335</u> | <u>105,335</u> | | |
| | <u>\$ 3,176,535</u> | <u>3,176,535</u> | | |
| EXPENDITURES | | | | |
| Personnel services & employee benefits | \$ 2,868,600 | 2,682,100 | 2,681,605 | \$ 495 |
| Contractual services | 30,000 | 30,000 | 29,726 | 274 |
| Other costs | <u>277,935</u> | <u>464,435</u> | <u>358,802</u> | <u>105,633</u> |
| Total Expenditures | <u>\$ 3,176,535</u> | <u>3,176,535</u> | <u>3,070,133</u> | <u>\$ 106,402</u> |

See Notes to the Financial Statements.

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

June 30, 2014

Statement of Fiduciary Assets and Liabilities – Agency Fund

| | <u>Agency Fund</u> |
|-----------------------------|------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 2,930</u> |
| TOTAL ASSETS | <u><u>\$ 2,930</u></u> |
| LIABILITIES | |
| Due to other State agencies | \$ 685 |
| Assets held for others | <u>2,245</u> |
| TOTAL LIABILITIES | <u><u>\$ 2,930</u></u> |

See Notes to the Financial Statements.

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Office of the District Attorney, Fourth Judicial District (Office) operates under Article 6 Section 24, NMSA 1978 Compilation. The District Attorney is elected to a four-year term. The Office provides law enforcement as its primary service as defined in Section 36-1-1 through 36-1-26 NMSA, 1978, as amended. The Office serves San Miguel, Mora and Guadalupe counties. Financing of the Office is by state appropriation.

The Office is a component unit of the Judicial branch and these financial statements include all funds and activities over which the Office has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the state. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Office has no component units that are required to be reported in its financial statements.

The accounting policies of the Fourth Judicial District Attorney conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Office's significant accounting policies follows:

A. Basis of Accounting

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

Government-Wide Financial Statements

The statement of Net Position and the statement of activities display information about the Office, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Office has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting – Fund Accounting

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The governmental fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the Office’s actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations are presented on the page following each statement, which briefly explain the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The Office’s fiduciary fund (agency funds) is presented in the fund financial statements. The agency fund is presented on the accrual basis of accounting. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the Office first uses restricted resources then unrestricted resources.

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting – Fund Accounting (Continued)

Fund Financial Statements (continued)

The accounts of the Office are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Office:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Office and accounts for all revenues and expenditures of the Office not encompassed within other funds. Any unexpended balance remaining in this fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The SHARE number and description of the General Fund of the Office is #15800 - Fourth Judicial District Attorney.

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the Office in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

This fund is used to account for proceeds received from reimbursement of costs, processing fees, worthless check collection and restitution.

B. Assets, Liabilities and Equity

Cash, cash equivalents, and investments

The Office's cash and cash equivalents are demand deposits. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note 2. All governmental funds allotted to the Office are held on deposit with the State Treasurer and invested in the State Treasurer General Fund Investment Pool. Note 2 describes the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting – Fund Accounting (Continued)

Supplies Inventory

Supplies inventory consists of non-resale paper, postage, and office supplies. Supplies inventory is stated on the consumption method in the government-wide statements to be consistent with the accrual basis of accounting. The purchases method is used on the fund financial statements and inventory balances are reported as assets in the governmental fund balance sheet. The supplies inventory is offset by the nonspendable fund balance classification on the fund financial statements, which indicates they are unavailable for appropriation even though they are a component of reported assets. The inventory is valued at historical cost.

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and is depreciated. The Office has no internally developed software.

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

| | |
|--------------------------------------|---------|
| Machinery & equipment | 6 years |
| Furniture & fixtures | 7 years |
| Data processing equipment & software | 3 years |
| Vehicles | 5 years |

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated.

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

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting – Fund Accounting (Continued)

Long-Term Liabilities

The Office's policies regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Compensated Absences

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 120 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an expenditure on the Government-Wide financial statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Qualified employees accumulate annual leave as follows:

| <u>Years of Service</u> | <u>Hours Earned Per Month</u> |
|-----------------------------|-----------------------------------|
| Less than 4 years | 10 |
| 4 – 7 years | 11 |
| 8 – 11 years | 12 |
| 12 – 15 years | 13 |
| 16 years or more | 14 |

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost.

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting – Fund Accounting (Continued)

Compensated Absences

In addition, the Office allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

Equity

Government-wide Statements

Equity is classified as Net Position and displayed in three components:

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Office has no outstanding debt relating to capital assets.
2. Restricted Net Position, consists of resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position are all other resources that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balances are further classified as:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting – Fund Accounting (Continued)

Fund Financial Statements (continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Office’s administrative authority (or the District Attorney). These amounts cannot be used for any other purpose unless the District Attorney removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Office’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Office’s administrative authority or through the Office delegating this responsibility to the Office’s management through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Office would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

C. Budgets and Budgetary Accounting

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

No later than September 1, the Office submits to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.

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

June 30, 2014

Notes to the Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets and Budgetary Accounting (continued)

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 Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

The Office submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the Director of the DFA - Budget Division. The current year budget was revised in a legal manner.

Legal budget control for expenditures and encumbrances is by category.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

The budget for this State Agency is adopted on the modified accrual basis of accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), and must be paid out of the next year's budget.

Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the legislature. Unexpended amounts within the General Fund revert to the State General Fund.

D. Use of Estimates

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

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

June 30, 2014

Notes to the Financial Statements

(2) CASH AND CASH EQUIVALENTS

At June 30, 2014, cash consisted of the following:

| | Bank Balance | Book Balance |
|--------------------------------------|-----------------|-----------------|
| Governmental Funds: | | |
| Investment in the State General Fund | | |
| Investment Pool, fund 15800 | \$ 223,317 | \$ 223,317 |
| Agency Funds: | | |
| Cash in Bank: Wells Fargo Checking | \$ 4,920 | \$ 2,930 |

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. All deposits with financial institutions were covered by FDIC insurance at June 30, 2014.

Custodial credit risk is the risk that in the event of a bank failure the Office's deposits may not be returned. The Office does not have any Custodial Credit Risk.

(3) INTEREST IN STATE 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.

At June 30, 2013 the Department had the following invested in the General Fund Investment Pool:

| | Bank Balance | Fair Market Value |
|--------------------------------------|-----------------|----------------------|
| Governmental Funds: | | |
| Investment in the State General Fund | | |
| Investment Pool, fund 15800 | \$ 223,317 | \$ 223,317 |

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
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June 30, 2014

Notes to the Financial Statements

(3) INTEREST IN STATE GENERAL FUND INVESTMENT POOL (Continued)

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, 2013.

General Fund Investment Pool Not Reconciled

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

In June 2012 an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit/fund" level since the inception of the Statewide Human resources, Accounting, and Management Reporting system (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control", also described differences between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

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

June 30, 2014

Notes to the Financial Statements

(3) INTEREST IN STATE GENERAL FUND INVESTMENT POOL (Continued)

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE System configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA Management in FY 2012 recorded a lost contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

Since SHARE was implemented, the Court recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Court. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Court's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Court reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Court's share in the State General Fund Investment Pool account are accurate.

**STATE OF NEW MEXICO
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June 30, 2014

Notes to the Financial Statements

(4) DUE TO STATE GENERAL FUND

The Due to State General Fund in the Statement of Net Position includes \$2,072 in fiscal year 2014 reversions and \$12 for stale dated warrants that will be remitted to the State General Fund.

(5) COMPENSATED ABSENCES PAYABLE

The following is a summary of changes in compensated absences:

| June 30, 2013 | Increase | Decrease | June 30, 2014 | Due in one year |
|---------------|----------|----------|---------------|-----------------|
| \$ 129,848 | 100,002 | 117,887 | \$ 111,963 | \$ 84,927 |

Office General Fund resources have been used to liquidate accrued compensated absences in the past. The Office had no other debt activity during the year.

(6) CAPITAL ASSETS

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

| | Beg Balance | Additions | Deletions | End Balance |
|---------------------------|-------------|-----------|-----------|-------------|
| Capital Assets: | | | | |
| Machinery & Equipment | \$ 155,463 | 15,920 | - | \$ 171,383 |
| Data Processing Equipment | 49,013 | 24,202 | 6,701 | 66,514 |
| Furniture & Fixtures | 32,967 | 40,200 | - | 73,167 |
| Vehicles | 286,625 | 63,330 | 58,190 | 291,765 |
| Total | 524,068 | 143,652 | 64,891 | 602,829 |
| Accumulated Depreciation: | | | | |
| Machinery & Equipment | 152,296 | 1,367 | - | 153,663 |
| Data Processing Equipment | 36,069 | 4,977 | 6,701 | 34,345 |
| Furniture & Fixtures | 32,967 | 1,111 | - | 34,078 |
| Vehicles | 203,355 | 27,276 | 58,190 | 172,441 |
| Total | 424,687 | 34,731 | 64,891 | 394,527 |
| Capital Assets, net | \$ 99,381 | 108,921 | - | \$ 208,302 |

Depreciation expense for the fiscal year ended June 30, 2014 was \$34,731.

**STATE OF NEW MEXICO
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Notes to the Financial Statements

(7) UNASSIGNED FUND BALANCE

The unassigned fund balance shown in the governmental fund balance sheet is the amount of carry forward from a prior year Federal Grant. The Office applied to the Department of Public Safety for Southwest Border Prosecution Initiative (SBPI) funds and was awarded grants in prior years. The State of New Mexico has determined that District Attorney Offices throughout the State may retain these monies to be expended as needed.

The Attorney accounts for the expenditure of SBPI funds and charges the fund balance accordingly. All other monies in the General Fund revert to the State of New Mexico.

(8) PERA RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Fourth Judicial District Attorney is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Fourth Judicial District Attorney are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 2014, 2013 and 2012 were \$296,143, \$273,863, and \$238,517, respectively, equal to the amount of the required contributions for each year.

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

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Notes to the Financial Statements

(9) DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Fourth Judicial District Attorney nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Fourth Judicial District have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan.

(10) POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

**STATE OF NEW MEXICO
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June 30, 2014

Notes to the Financial Statements

(10) RETIREE HEALTH CARE ACT CONTRIBUTION (continued)

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

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 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.

**STATE OF NEW MEXICO
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June 30, 2014

Notes to the Financial Statements

(10) RETIREE HEALTH CARE ACT CONTRIBUTION (continued)

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 distribution 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 Fourth Judicial District Attorney's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$36,319, \$32,621 and \$30,263, respectively, which equal the required contributions for each year.

(11) RISKS OF LOSS

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment, and is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Office are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2012 through June 30, 2013. The office paid \$24,322 for this coverage.

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

June 30, 2013

Schedule of Operating Transfers

| | SHARE FUND | TITLE | TRANSFER | |
|-----|-----------------------|--|---------------------|-------------------|
| | | | In | Out |
| (1) | 85300 | Department of Finance & Administration | \$ 3,048,400 | \$ - |
| (2) | 85300 | Other Financing Sources | 22,800 | - |
| (3) | 85300 | Department of Finance & Administration | - | (2,072) |
| | Total | | <u>\$ 3,071,200</u> | <u>\$ (2,072)</u> |

(1) General Appropriation Act of 2013

(2) General Fund Compensation Distribution, Laws of 2013, Chapter 227, Section 4

(3) Reversion to the General Fund

See Independent Auditor's Report

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

June 30, 2013

Schedule of Changes in Assets and Liabilities – Agency Fund

| | Beginning Balance | Additions | Deletions | Ending Balance |
|-----------------------------|----------------------|---------------|---------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 11,812 | 56,406 | 65,288 | \$ 2,930 |
| TOTAL ASSETS | <u>\$ 11,812</u> | <u>56,406</u> | <u>65,288</u> | <u>\$ 2,930</u> |
| LIABILITIES | | | | |
| Due to other State agencies | \$ 551 | 8,279 | 8,145 | \$ 685 |
| Assets held for others | 11,261 | 48,127 | 57,143 | 2,245 |
| TOTAL LIABILITIES | <u>\$ 11,812</u> | <u>56,406</u> | <u>65,288</u> | <u>\$ 2,930</u> |

See Independent Auditor's Report

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Hector H. Balderas

New Mexico State Auditor

And

Richard D. Flores, District Attorney

Office of the District Attorney, Fourth Judicial District

Las Vegas, 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, the major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico, Office of the District Attorney, Fourth Judicial District (Office), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of New Mexico, Office of the District Attorney, Fourth Judicial District's basic financial statements and have issued our report thereon dated October 08, 2014.

Internal Control over Financial Reporting

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

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

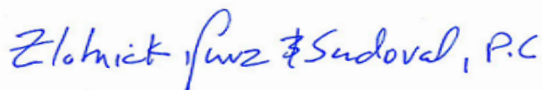
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

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



Zlotnick, Laws & Sandoval, P.C.

October 08, 2014

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

June 30, 2014

Schedule of Findings and Responses

Status of Prior Year's Findings:

None

Current Year's Findings:

None

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

June 30, 2014

Exit Conference

The contents of this report were discussed at an exit conference held on October 2, 2014. The following were in attendance:

Office of the Fourth Judicial District Attorney

Richard Flores, District Attorney
Mary Lou Umbarger, District Office Manager
Karla Martinez, Chief Financial Officer

Zlotnick, Laws & Sandoval, P.C.

Asa Laws, CPA
Brian Laws, CPA

The financial statements were prepared by the auditor: Zlotnick, Laws & Sandoval, P.C. However, the financial statements are the responsibility of management.