

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

**Financial Statements
For The Year Ended June 30, 2017**

(With Independent Auditor's Report Thereon)

**ROBERT J. RIVERA, CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS
SANTA FE, NEW MEXICO 87505-4761**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
June 30, 2017**

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STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
June 30, 2017

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STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
June 30, 2017

Official Roster

| <u>Name</u> | <u>Title</u> |
|------------------------|--------------------------|
| Richard D. Flores..... | District Attorney |
| Thomas Clayton..... | Deputy District Attorney |
| Mary Lou Umbarger..... | Office Manager |
| Karla Martinez..... | Chief Financial Officer |

FINANCIAL SECTION

Robert J. Rivera, CPA, PC

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INDEPENDENT AUDITORS' REPORT

Richard D. Flores, District Attorney
Fourth District Attorney
Las Vegas, New Mexico
and
Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison statement of the State of New Mexico Fourth Judicial District Attorney (District Attorney), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District Attorney's basic financial statements as listed in the table of contents. We have also audited the financial statements of the District Attorney's fiduciary fund in the accompanying fund financial statements as of and for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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, respective financial position of the governmental activities and major fund of the District Attorney as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the District Attorney as of June 30, 2017, for the year then ended in accordance with accounting principles generally accepted in the United State 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 viii through xii 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 District Attorney's financial statements that collectively comprise the District Attorney's 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 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 schedules presented in the "Supplementary Information" section of the table of contents, required by 2.2.2 NMAC are 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 19, 2017 on our consideration of the District Attorney's internal control over financial reporting and 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 District Attorney's internal control over financial reporting and compliance.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 19, 2017

**STATE OF NEW MEXICO
FOURTH DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2017**

The Fourth Judicial District Attorney's (District Attorney) Management's Discussion and Analysis (MD&A) is designed to provide an overview of the District Attorney's activities and programs for the fiscal year ended June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four part - Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information that presents schedules, and other reports. The basic financial statements include two kinds of statements that present different views of the District Attorney.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District Attorney's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District Attorney. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with supporting schedules. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The two government-wide statements report information about the District Attorney as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District Attorney's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District Attorney's net position and how it has changed. Net position - the difference between the District Attorney's assets and liabilities - is one way to measure the District's financial health or position. Over time, increases or decreases in the District Attorney's net position is an indicator of whether its financial health is improving or deteriorating respectively.

The District Attorney has only one activity - Judicial Services - which is a governmental activity. The District Attorney does not have any business-type activities or any component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the District Attorney's significant governmental funds - not the District as a whole. Funds are accounting devices that the District Attorney uses to keep track of specific sources of spending for particular purposes.

This District Attorney has two types of funds:

- General Fund - All of the District Attorney's services are reflected in the general fund and

**STATE OF NEW MEXICO
FOURTH DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2017**

provide information to help the user determine whether there are more or fewer financial resources that can be used to finance the District Attorney's program. This fund is a reverting fund. All money remaining at the end of the fiscal year, except for other revenue sources which are designated for subsequent years' expenditures, will be reverted to the state's general fund.

- **Worthless Check and Pre-Prosecution Diversion Agency Fund** - This fund is for fees collected for worthless check and pre-prosecution diversion fees and distributed to victims and the Administrative Office of the District Attorney. This is an agency fund and all monies received are paid out to the parties mentioned. Agency funds are not presented in the government-wide financial statements, in accordance with Governmental Accounting Standards Board (GASB) standards.

GOVERNMENT-WIDE HIGHLIGHTS - FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed Financial Comparison for the current and prior fiscal year:

| <u>Statement of Net Position</u> | <u>Current Year- June 30, 2017</u> | <u>Prior Year- June 30, 2016</u> | <u>Increase or (Decrease)</u> |
|------------------------------------|--|--------------------------------------|-----------------------------------|
| Assets | | | |
| Current assets | \$ 295,819 | \$ 406,398 | \$ (110,579) |
| Capital assets, net | <u>247,902</u> | <u>319,614</u> | <u>(71,712)</u> |
| Total assets | <u>\$ 543,721</u> | <u>\$ 726,012</u> | <u>\$ (182,291)</u> |
| Liabilities | | | |
| Current liabilities | \$ 270,108 | \$ 363,683 | \$ (93,575) |
| Long-term liabilities | <u>30,687</u> | <u>29,616</u> | <u>1,071</u> |
| Total liabilities | <u>300,795</u> | <u>393,299</u> | <u>(92,504)</u> |
| Net Position | | | |
| Investment in capital assets | 247,902 | 319,614 | (71,712) |
| Unrestricted (deficit) | <u>(4,976)</u> | <u>13,099</u> | <u>(18,075)</u> |
| Total net position | <u>242,926</u> | <u>332,713</u> | <u>(89,787)</u> |
| Total liabilities and net position | <u>\$ 543,721</u> | <u>\$ 726,012</u> | <u>\$ (182,291)</u> |

**STATE OF NEW MEXICO
FOURTH DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2017**

GOVERNMENT-WIDE HIGHLIGHTS- FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE
(cont'd)

Condensed Financial Comparison for current and prior fiscal year (cont'd)

| <u>Statement of Activities</u> | <u>Current Year- June 30, 2017</u> | <u>Prior Year- June 30, 2016</u> | <u>Increase or (Decrease)</u> |
|-----------------------------------|--|--------------------------------------|-----------------------------------|
| Program revenue and expenses: | | | |
| Program revenue | \$ - | \$ - | \$ - |
| Program expenses | <u>(3,108,038)</u> | <u>(3,090,363)</u> | <u>(17,675)</u> |
| Net revenue (expense) | <u>(3,108,038)</u> | <u>(3,090,363)</u> | <u>(17,675)</u> |
| General revenues (expenses): | | | |
| State General fund appropriations | <u>3,032,000</u> | <u>3,151,700</u> | <u>(119,700)</u> |
| Total general revenue (expenses) | <u>3,032,000</u> | <u>3,151,700</u> | <u>(119,700)</u> |
| Loss on disposition of assets | (8,960) | - | (8,960) |
| Reversion to State General Fund | <u>(4,789)</u> | <u>(7,725)</u> | <u>2,936</u> |
| Change in net position | (89,787) | 53,612 | (143,399) |
| Beginning net position | <u>332,713</u> | <u>279,101</u> | <u>53,612</u> |
| Ending net position | <u>\$ 242,926</u> | <u>\$ 332,713</u> | <u>\$ (89,787)</u> |

Overall Financial Position and Results of Operations

The overall financial position of the District Attorney's office has decreased by (\$89,787). The decrease is not significant.

The decrease in government-wide assets of (\$182,291) is attributable to a decrease in cash of (\$105,819), a decrease of (\$71,712) in net capital assets, and a decrease in supply inventory of (\$4,760). Current liabilities decreased by (\$93,575). This is attributable to a decrease in accounts payable of (\$115,860), an increase in the accrued payroll, payroll taxes payable, and payroll benefits payable of \$17,668 a decrease of \$(7,627) in the amount due to the State General Fund, and an increase in current compensated absences payable of \$12,244.

Long-term liabilities increased by \$1,071.

The change in net position was a decrease of (\$143,399). Program revenues and general revenues decreased by (\$119,700), expenses increased by \$17,675, the reversion to the State General Fund decreased by (\$2,936) and there was a loss on disposition of assets of (\$8,960).

The decrease in revenues of (\$119,700) was attributable to a decrease in State General Fund appropriations.

**STATE OF NEW MEXICO
FOURTH DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2017**

The increase of \$17,675 in expenses was insignificant.

Individual Fund Highlights

The fund balance of the General Fund decreased by (\$4,760) during the current year. This change was the result of a decrease in supply inventory of (\$4,760).

State General Fund appropriations lapse at year end. State General fund appropriations totaled \$3,032,000. All of the appropriations were not expended during the year; therefore there is a reversion to the State General Fund for FY 2017 of \$4,789.

Budgetary Analysis

Differences between the original and final amended budgets for expenditure in the General Fund resulted in a 3% decrease. The change was not significant and was the result of a legislative reduction in State General Fund appropriations subsequent to the original appropriation.

The operating budget for the General Fund from fiscal year 2016 to fiscal year 2017 decreased by (\$226,031), a 6.9% decrease. The decrease was mainly attributed to a decrease of (\$119,700) in State General Fund appropriations a decrease of (\$106,331) in fund balances budgeted from the Southwest Border Prosecution Program.

Capital Assets and Long-Term Debt

The District Attorney's capital assets consist of furniture, fixtures, and equipment, data processing equipment, and vehicles. Capital assets, net of accumulated depreciation, were \$247,902 at June 30, 2017, a decrease of (\$71,712) from fiscal year 2016. This is attributable to current year additions of capital assets of \$28,104, current year depreciation expense of \$90,856, and \$8,960 of current year deletions of capital assets. The District Attorney does not own any real property or infrastructure assets.

The long-term debt consists of compensated absences payable that are due to employees for annual and sick leave accrued. In fiscal year 2017, the ending long-term debt accumulated portion was \$30,687. That is an increase of \$1,071 from fiscal year 2016.

Other Financial Highlights

Pursuant to state statute, the District Attorney maintains one bank checking account in an agent capacity. Cost reimbursements or processing fees are received from clients/offenders and disbursed to injured parties. Fees associated with the worthless checks and pre-prosecution diversion programs are also collected. All monies in the accounts are held in trust.

The District Attorney will continue to operate under the same financial procedures and policies as it has in the past. No federal or state grants are expected.

Currently Known Facts, Decisions, or Conditions

There are no known facts, decisions or conclusions that are expected to have a significant effect on the financial position, results of operations or other changes at June 30, 2017. For FY 2018, the State is projecting slight increases in general fund revenues, therefor, the District Attorney is not expecting any increase in general fund appropriations.

**STATE OF NEW MEXICO
FOURTH DISTRICT ATTORNEY
Management's Discussion and Analysis
June 30, 2017**

AGENCY HIGHLIGHTS

The Fourth Judicial District Attorney's Office is comprised of San Miguel, Mora, and Guadalupe counties. The District Attorney oversees all functions of each county and the administrative office is located in Las Vegas, New Mexico.

The Fourth Judicial District Attorney's Office had 42 full-time equivalent positions budgeted at June 30, 2017; however, there were 36 actual full time employees at June 30, 2017. Again, our agency receives its revenues mainly from the state general fund appropriations.

In addition to prosecuting felony and misdemeanor cases, the District Attorney also handles civil, and mental cases, violations of the New Mexico Subdivision Acts and violations of the Acequia laws.

Training for law enforcement has been a priority for this office. A series of training ranging from basic report writing to advanced investigations has been offered and well received by law enforcement agencies.

This administration has made a commitment to technological advances and to applying these advances in investigations and prosecution. Resources will continue to be sought and budgeted to keep up with technological trends. We are always seeking ways to improve our community to reduce crime and seek justice in our district.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of the District Attorney's finances and to demonstrate the District Attorney's accountability for the funds it receives. If you have any questions about this report, or need additional information, contact:

Richard D. Flores, District Attorney
Fourth Judicial District
P.O. Box 2025
1800 New Mexico Avenue
Las Vegas, New Mexico 88435
(505) 475-6746

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Statement of Net Position
June 30, 2017**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| <u>Assets</u> | |
| Current assets: | |
| Interest in the State Treasurer General Fund Investment Pool | \$ 267,279 |
| Travel advance | 2,674 |
| Supply inventory | <u>25,866</u> |
| Total current assets | <u>295,819</u> |
| Capital assets | 722,840 |
| Less accumulated depreciation | <u>(474,938)</u> |
| Total capital assets, net of depreciation | <u>247,902</u> |
| Total assets | <u>\$ 543,721</u> |
| <u>Liabilities and Net Position</u> | |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | \$ 57,454 |
| Accrued salaries payable | 106,021 |
| Due to State General Fund (note 4) | 147 |
| Accrued compensated absences payable - current | <u>106,486</u> |
| Total current liabilities | 270,108 |
| Noncurrent liabilities: | |
| Accrued compensated absences payable - long term | <u>30,687</u> |
| Total liabilities | <u>300,795</u> |
| Net Position: | |
| Investment in capital assets | 247,902 |
| Unrestricted (deficit) (note 14) | <u>(4,976)</u> |
| Total net position | <u>242,926</u> |
| Total liabilities and net position | <u>\$ 543,721</u> |

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

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Statement of Activities
For the Year Ended June 30, 2017**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Program Expenses: | |
| Judicial: | |
| Administrative services | \$ 3,017,182 |
| Depreciation expense | <u>90,856</u> |
| Total program expenses | <u>3,108,038</u> |
| Program revenue: | |
| Net program expense | <u>-</u> |
| Net program expense | <u>3,108,038</u> |
| General revenues, transfers and special items: | |
| State General Fund appropriations - transfers in | 3,032,000 |
| Reversion to State General fund - transfers out | (4,789) |
| Gain (loss) on disposition of assets | <u>(8,960)</u> |
| Total general revenues, transfers and special items | <u>3,018,251</u> |
| Change in net position | (89,787) |
| Net position, beginning | <u>332,713</u> |
| Net position, ending | <u>\$ 242,926</u> |

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

STATE OF NEW MEXICO
 FOURTH JUDICIAL DISTRICT ATTORNEY
 Balance Sheet
 Governmental Funds
 June 30, 2017

| | General Fund - 15800 |
|--|---------------------------------|
| <u>Assets</u> | |
| Current assets: | |
| Interest in the State Treasurer General Fund Investment Pool | \$ 267,279 |
| Travel Advance | 2,674 |
| Supplies inventory | 25,866 |
| Total assets | \$ 295,819 |
| <u>Liabilities and Fund Balance</u> | |
| Liabilities: | |
| Current Liabilities: | |
| Accounts payable | \$ 57,454 |
| Accrued salaries payable | 106,021 |
| Due to State General Fund (note 5) | 147 |
| Total liabilities | 163,622 |
| Fund Balance: | |
| Non-spendable - supplies inventory | 25,866 |
| Restricted | - |
| Committed | - |
| Assigned to subsequent years expenditures | 106,331 |
| Unassigned | - |
| Total fund balance | 132,197 |
| Total liabilities and fund balance | \$ 295,819 |

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

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2017

| | |
|--|--------------------------|
| Total fund balance for the governmental funds (Balance Sheet - Exhibit C) | \$ 132,197 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and, therefore, are not reported in the funds. | 247,902 |
| Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(137,173)</u> |
| Net position of governmental activities (Statement of Net Position - Exhibit A) | \$ <u>242,926</u> |

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

STATE OF NEW MEXICO
 FOURTH JUDICIAL DISTRICT ATTORNEY
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2017

| | <u>General Fund - 15800</u> |
|--|---------------------------------|
| Revenues: | \$ <u>-</u> |
| Expenditures: | |
| Judicial: | |
| Current: | |
| Personal services and employee benefits | 2,711,463 |
| Contractual services | 29,280 |
| Other costs | 258,364 |
| Capital outlay | <u>28,104</u> |
| Total expenditures | <u>3,027,211</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,027,211)</u> |
| Other financing sources (uses): | |
| State General Fund appropriations - transfers in | 3,032,000 |
| Reversion to State General Fund - transfers (out) | <u>(4,789)</u> |
| Total other financing sources (uses) | <u>3,027,211</u> |
| Net change in fund balance | - |
| Fund balance, beginning of year | 136,957 |
| Decrease in reserve for supplies inventory | <u>(4,760)</u> |
| Fund balance, end of year | <u>\$ <u>132,197</u></u> |

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

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2017

Net change in fund balance - Governmental Funds

(Statement of Revenues, Expenditures and Changes in Fund Balance - Exhibit E)

\$ -

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 as depreciation expense. In the current period, these amounts are:

| | | | |
|---|----|----------|----------|
| Capital outlay additions | \$ | 28,104 | |
| Depreciation expense | | (90,856) | |
| Loss on disposition of assets | | (8,960) | |
| Excess of depreceiation expense and loss on disposition of assets over capital outlay additions | | (71,712) | (71,712) |

Change in Supplies Inventory:

| | |
|--|---------|
| Expenses recognized on Statement of Activities not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances | (4,760) |
|--|---------|

| | |
|---|----------|
| Net change in long-term and current portion of compensated absences | (13,315) |
|---|----------|

Change in net position of governmental activities (Statement of Activities-Exhibit B)

\$ (89,787)

The accompanying notes are an integra; part of these financial statements.

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Statement of Revenues and Expenditures Budget and Actual (Budget Basis)
Major Governmental Funds
General Fund (Fund 15800)
For the Year Ended June 30, 2017

| | Original Budget | Final Budget | Actual Budget Basis | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------------|--|
| Revenues: | | | | |
| State General Fund appropriations | \$ 3,125,800 | \$ 3,032,000 | \$ 3,032,000 | \$ - |
| Total revenues | 3,125,800 | 3,032,000 | <u>\$ 3,032,000</u> | <u>\$ -</u> |
| Cash balance budgeted | - | - | | |
| Total budgeted revenue | <u>\$ 3,125,800</u> | <u>\$ 3,032,000</u> | | |
| Expenditures: | | | | |
| Current: | | | | |
| Judicial: | | | | |
| Personal services and employee benefits | \$ 2,938,100 | \$ 2,715,700 | \$ 2,711,463 | \$ 4,237 |
| Contractual services | 29,300 | 29,300 | 29,280 | 20 |
| Other costs (includes capital outlay) | <u>158,400</u> | <u>287,000</u> | <u>286,468</u> | <u>532</u> |
| Total expenditures | <u>\$ 3,125,800</u> | <u>\$ 3,032,000</u> | <u>\$ 3,027,211</u> | <u>\$ 4,789</u> |
| Reconciliation of Budgetary Basis to GAAP Basis: | | | | |
| Budgetary Basis | | | <u>\$ 3,032,000</u> | <u>\$ 3,027,211</u> |
| None | | | - | - |
| GAAP Basis | | | <u>\$ 3,032,000</u> | <u>\$ 3,027,211</u> |

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

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

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017**

Assets

| | |
|--|-----------------|
| Cash in banks (note 3) | |
| Pre-prosecution Diversion Program AND Worthless Checks | \$ <u>2,903</u> |
| Total assets | <u>2,903</u> |

Liabilities

| | |
|---|--------------------|
| Due to other State agencies - Administrative office of the District Attorneys | 1,590 |
| Assets held for others | <u>1,313</u> |
| Total liabilities | <u>2,903</u> |
| Net position | \$ <u><u>-</u></u> |

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

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Office of the District Attorney, Fourth Judicial District (District Attorney) 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 District Attorney serves San Miguel, Mora and Guadalupe counties. Financing of the District Attorney is by state appropriation.

The District Attorney is a part of the judicial branch and these financial statements include all funds and activities over which the District Attorney 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 District Attorney 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. New Mexico does currently issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The District Attorney 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 District Attorney'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 (within the basic financial statements) categorize primary activities as either governmental or business type activities.

B. Basis of Presentation

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The governmental funds of the District Attorney follow Governmental Accounting Standards Board (GASB) statements and interpretations.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District Attorney, 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 District Attorney 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.

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

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

1. Summary of Significant Accounting Policies (cont'd)

B. Basis of Presentation (cont'd)

Government-Wide Financial Statements (cont'd)

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 District Attorney'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 District Attorney'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 District Attorney first uses restricted resources then unrestricted resources.

The accounts of the District Attorney 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 District Attorney:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District Attorney and accounts for all revenues and expenditures of the District Attorney not encompassed within other funds. Any

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies (cont'd)

B. Basis of Presentation (cont'd)

Governmental Fund Types (cont'd)

unexpended balance remaining in this fund at the end of the fiscal year reverts to the State General Fund of the State of New Mexico. The SHARE number and description of the General Fund of the District Attorney is #15800 - Fourth Judicial District Attorney.

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the District Attorney 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.

C. Assets, Liabilities, and Equity

Cash, cash equivalents, and investments

The District Attorneys' 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 District Attorney are held on deposit with the State Treasurer and invested in the State Treasurer General Fund Investment Pool. Note 2 describe the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

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 District Attorney 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

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

1. Summary of Significant Accounting Policies (cont'd)

C. Assets, Liabilities, and Equity (cont'd)

Capital Assets (cont'd)

of asset is as follows:

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

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.

Long-Term Liabilities

The District Attorney'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:

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

1. Summary of Significant Accounting Policies (cont'd)

C. Assets, Liabilities, and Equity (cont'd)

Compensated Absences (cont'd)

| Years of Service | Hours Earned Per Month |
|---------------------|---------------------------|
| 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.

In addition, the District Attorney 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 District Attorney 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.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

1. Summary of Significant Accounting Policies (cont'd)

C. Assets, Liabilities, and Equity (cont'd)

Fund Financial Statements (cont'd)

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.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Attorney'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 District Attorney's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District Attorney's administrative authority or through the District Attorney's delegating this responsibility to the District Attorney'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 District Attorney 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.

D. Budgets and Budgetary Accounting

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

No later than September 1, the District Attorney 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.

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.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

1. Summary of Significant Accounting Policies (cont'd)

D. Budgets and Budgetary Accounting (cont'd)

The District Attorney submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective 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.

E. Use of Estimates

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

2. Cash and Cash Equivalents

At June 30, 2017, cash consisted of the following:

| | <u>Bank Balance</u> | <u>Fair Market Value</u> |
|--|-------------------------|------------------------------|
| Governmental Funds: | | |
| Interest in the State General Fund Investment Pool, SHARE 15800 | \$ <u>267,279</u> | \$ <u>267,279</u> |
| Agency Funds: | | |
| Cash in Bank: Wells Fargo Checking | \$ <u>2,903</u> | \$ <u>2,903</u> |

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, 2017.

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

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

3. Interest in State General Fund Investment Pool

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

At June 30, 2017 the District Attorney had the following interest in the General Fund Investment Pool:

| | Bank Balance | Fair Market Value |
|--|-------------------|----------------------|
| Governmental Funds: | | |
| Interest in the State General Fund Investment Pool, SHARE 15800 | \$ <u>267,279</u> | \$ <u>267,279</u> |

Interest Rate Risk - The New Mexico State Treasurer's District Attorney 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, 2017.

State General Fund Investment Pool- Statewide Cash Reconciliation

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

As communicated by the DFA in prior letters and memoranda, recorded agency claims against the State General Fund Investment Pool and fiduciary resources held at the State Treasurer's Office to fulfill those claims were not reconciled from the inception of SHARE, July 2006, through January 2013. A late 2014 effort to reconcile transactions which occurred during this period, also referred to as the Historical Cash Reconciliation Project, was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive and therefore not meriting additional energy.

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress has been made in the overall reconciliation process and the Financial Control Division (FCD) now has an operational model that effectively compares statewide claims against the SGFIP and resources held at the State Treasurer's Office. This process has been operational since March 2015.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance and Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

3. Interest in State General Fund Investment Pool (cont'd)

State General Fund Investment Pool- Statewide-Cash Reconciliation (cont'd)

partnership with the STO, the NM Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project 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. As of June 30, 2016, the FCD in collaboration with the STO implemented a comprehensive reconciliation model that compared aggregated agency claims on the Pool and to the associated resources held by the STO. This process now has been reviewed by the independent public accountants performing audits of the State General Fund, the DFA, and the State of New Mexico's Comprehensive Annual Financial Report for the fiscal year 2016. Each review of the process deemed it to be adequate and the findings related to cash reconciliations were significantly reduced or eliminated.

Since SHARE was implemented, the District Attorney 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 District Attorney. 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 Attorney'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 Attorney reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Attorney's share in the State General Fund Investment Pool account are accurate.

4. Due to State General Fund

The Due to State General Fund in the Statement of Net Position includes \$147 in fiscal year 2017 reversion. This is comprised of stale-dated warrants of \$170 and an overpayment to the State General Fund from the prior year of (\$22) which are being reverted to the State General Fund.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

5. Capital Assets

Capital Asset activity for the year ended June, 30, 2017 was as follows:

| | Balance <u>June 30, 2016</u> | Additions | Adjustments/ Deletions | Balance <u>June 30, 2017</u> |
|--------------------------------|---------------------------------|--------------------|---------------------------|---------------------------------|
| Capital Assets: | | | | |
| Machinery & Equipment | \$ 176,616 | \$ 12,343 | \$ (8,960) | \$ 179,999 |
| Data Processing Equipment | 66,513 | 15,761 | - | 82,274 |
| Furniture & Fixtures | 73,168 | - | - | 73,168 |
| Vehicles | 387,399 | - | - | 387,399 |
| | <u>703,696</u> | <u>28,104</u> | <u>(8,960)</u> | <u>722,840</u> |
| Total Capital Assets | | | | |
| Accumulated Depreciation: | | | | |
| Machinery & Equipment | 156,592 | 8,594 | - | 165,186 |
| Data Processing Equipment | 55,362 | 8,342 | - | 63,704 |
| Furniture & Fixtures | 45,565 | 5,743 | - | 51,308 |
| Vehicles | 126,563 | 68,177 | - | 194,740 |
| | <u>384,082</u> | <u>90,856</u> | <u>-</u> | <u>474,938</u> |
| Total Accumulated Depreciation | | | | |
| Capital Asset, Net | <u>\$ 319,614</u> | <u>\$ (62,752)</u> | <u>\$ -</u> | <u>\$ 247,902</u> |

Depreciation expense for the fiscal year ended June 30, 2017 was \$90,856.

6. Compensated Absences Payable

The following is a summary of changes in compensated absences:

| <u>06/30/2016</u> | <u>Increase</u> | <u>(Decrease)</u> | <u>06/30/2017</u> | <u>Due in one year</u> |
|-------------------|-----------------|-------------------|-------------------|------------------------|
| \$ 123,858 | \$ 132,773 | \$ (119,458) | \$ 137,173 | \$ 106,486 |

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

7. Assigned Fund Balance

The District Attorney's assigned fund balance is federal grant money received under the Southwest Border Initiative to pay the increased costs of prosecuting drug cases along the border. Pursuant to an agreement between the Department of Finance and Administration and the Administrative Office of the District Attorneys, this money does not revert to the State General Fund and is available to pay expenditures in future years.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

8. PERA Retirement Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2017.

The District Attorney, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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 District Attorney nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the District Attorney 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

Plan Description. The District 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

STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017

10. Post-Employment Benefits – State Retiree Health Care Plan (cont'd)

Plan Description (cont'd)

which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, 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 employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District Attorney's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$36,955, \$37,217, and \$36,117, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

11. Operating Leases

The District Attorney leases office equipment under operating leases with third party vendors. The contracts for lease include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$21,344 for the year ending June 30, 2017. Annual future minimum lease payments are as follows:

| | | |
|-------|----|--------------|
| 2018 | \$ | 9,985 |
| 2019 | | - |
| 2020 | | - |
| 2021 | | - |
| 2022 | | - |
| | | <hr/> |
| Total | \$ | <u>9,985</u> |

12. Risk Management

The District Attorney 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 District Attorney 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, 2016 through June 30, 2017.

The Court is exposed to various risks of loss related to torts; theft of, damage to, and destruction of asset; errors and omissions; and natural disasters for which the agency carries insurance (workers' compensation, unemployment compensation, employee liability, and transportation property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

The Court is insured through the Risk Management Division of the State of New Mexico. The Court pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the state of New Mexico.
2. Coverage to protect the state of New Mexico's property and assets.
3. Fringe benefit coverage for Court employees

13. Subsequent Events

The District Attorney has evaluated subsequent events through October 19, 2017, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Notes to Financial Statements
June 30, 2017**

14. Net Position Deficit

GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt in the Government-wide Statement of Net Position. This results in an unrestricted net position deficit of (\$4,976). This deficit is created by the changes in compensated absences and supply inventory between fiscal year 2016 and fiscal year 2017 of (\$18,075).

15. GASB Statements.

During fiscal year 2017, there were no new GASB Statements applicable to the financial statements of the District Attorney.

SUPPLEMENTAL SECTION

STATE OF NEW MEXICO
 FOURTH JUDICIAL DISTRICT ATTORNEY
 Schedule of Operating Transfers
 Year Ended June 30, 2017

| <u>General Fund</u> <u>Fund 16200</u> | | <u>From</u> <u>Fund No.</u> | <u>To</u> <u>Fund No.</u> | <u>Transfers</u> | |
|--|--|--------------------------------|------------------------------|---------------------|------------------|
| | | | | <u>In</u> | <u>Out</u> |
| (1) | Department of Finance and Administration State General Fund Appropriation | 85300 | 15800 | \$ 3,071,071 | \$ - |
| (2) | Department of Finance and Administration State General Fund Approp. Reduction | 15800 | 85300 | - | 39,071 |
| (3) | Department of Finance and Administration General Fund Reversion - FY 2016 | 15800 | 85300 | - | 7,774 |
| (4) | Department of Finance and Administration General Fund Reversion - FY 2017 | 15800 | 85300 | - | 4,789 |
| | | | | <u>\$ 3,071,071</u> | <u>\$ 51,634</u> |

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

STATE OF NEW MEXICO
 FOURTH JUDICIAL DISTRICT ATTORNEY
 Schedule of Changes in Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2017

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>(Deletions)</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|--------------------|---------------------------|
| <u>Pre-prosecution Diversion Program and Worthless Checks Program</u> | | | | |
| <u>Assets</u> | | | | |
| Cash in bank | \$ <u>1,718</u> | \$ <u>16,499</u> | \$ <u>(15,314)</u> | \$ <u>2,903</u> |
| <u>Liabilities</u> | | | | |
| Due to other State agencies | \$ 600 | \$ 10,885 | \$ (9,895) | \$ 1,590 |
| Assets held for others | <u>1,118</u> | <u>5,614</u> | <u>(5,419)</u> | <u>1,313</u> |
| Total Liabilities | \$ <u>1,718</u> | \$ <u>16,499</u> | \$ <u>(15,314)</u> | \$ <u>2,903</u> |

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

OTHER REPORTS

Robert J. Rivera, CPA, PC

Certified Public Accountants

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REPORT ON INTERANL 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 AUDITOR'S REPORT

Richard D. Flores, District Attorney
Fourth District Attorney
Las Vegas, New Mexico
and
Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, 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, and the budgetary comparisons for the general fund of the State of New Mexico, Fourth Judicial District (District Attorney), as of and for the year ended June 30, 2017, 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 19, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District Attorney'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 District Attorney's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 19, 2017

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Schedule of Findings and Responses
June 30, 2017**

I. PRIOR – YEAR AUDIT FINDINGS

a. Repeated in current-year

None

b. Resolved and not included in current-year

None

**II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE
REQUIRED TO BE REPORTED**

None

**STATE OF NEW MEXICO
FOURTH JUDICIAL DISTRICT ATTORNEY
Financial Statement of Preparation and Exit Conference
June 30, 2017**

Financial Statement Preparation

The financial statements and notes to the financial statements were prepared by the independent certified public accountants performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. Management has reviewed and approved the financial statements and notes to the financial statements.

Exit Conference

An exit conference was held on November 1, 2017, to discuss the audit. The following individuals were in attendance:

State of New Mexico- Fourth Judicial District Attorney

Thomas Clayton, Deputy District Attorney
Mary Lou Umbarger, District Office Manager
Karla Martinez, Chief Financial Officer

Audit Firm (Robert J. Rivera, CPA, PC)

Robert J. Rivera, CPA
William J. Valdes