



**STATE OF NEW MEXICO**

**OFFICE OF THE DISTRICT ATTORNEY  
FIFTH JUDICIAL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2015**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Table of Contents  
June 30, 2015

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Table of Contents		4
Official Roster		5
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		9-10
<b>BASIC FINANCIAL STATEMENTS</b>		
Government-wide Financial Statements		
Statement of Net Position	A-1	12
Statement of Activities	A-2	13
Fund Financial Statements		
Balance Sheet- Governmental Funds	B-1	14
Reconciliation of the Balance Sheet to the Statement of Net Position		15
Statement of Revenues, Expenditures, and Change in Fund Balances- Governmental Funds	B-2	16
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities		17
Statement of Revenues, Expenditures, and Change in Fund Balance- Budget (Non-GAAP Budgetary Basis) and Actual		
General Fund	C-1	18
High Intensity Drug Trafficking Area (HIDTA) Special Revenue Fund	C-2	19
American Recovery and Reinvestment Act (ARRA) Special Revenue Fund	C-3	20
Notes to the Financial Statements		21-34
<b>SUPPORTING SCHEDULES</b>		
Schedule of Memorandums of Understanding	I	37
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)	II	38-39
<b>COMPLIANCE SECTION</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> - Independent Auditors' Report		43-44
Schedule of Findings and Responses	III	46
<b>OTHER DISCLOSURES</b>		47

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Official Roster  
June 30, 2015

<u>Name</u>		<u>Title</u>
	<b>Elected Officials</b>	
Dianna Luce		District Attorney
	<b>Administration</b>	
Roxeanne Esquibel		Chief Deputy District Attorney
Lisa Kuykendall		Chief Deputy District Attorney
Michael Murphy		Chief Deputy District Attorney
Valerie Lopez		District Office Manager
Melissa Walterscheid		Chief Financial Officer
Diana Switzer		Human Resource Administrator
Stephanie Fleming		IT Administrator

This page is intentionally left blank

**FINANCIAL SECTION**

This page is intentionally left blank





Accounting & Consulting Group, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Timothy Keller  
New Mexico State Auditor  
Dianna Luce, District Attorney  
Office of the District Attorney, Fifth Judicial District  
Carlsbad, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of the Office of the District Attorney, Fifth Judicial District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

### Emphasis of Matter

As discussed in Note 1, the financial statements of the District are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the governmental activities and each major fund of the State of New Mexico that is attributed to the transactions of the District. They do not purport to, and do not, present fairly, the financial position of the State of New Mexico as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 District's financial statements and the budgetary comparisons. Schedules I and II required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section and Schedules I and II have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015 on our consideration of the District'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 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's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
November 2, 2015

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Statement of Net Position  
June 30, 2015

Exhibit A-1

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Petty cash	\$ 300
Investments in the State Treasurer's General Fund Investment Pool	<u>328,688</u>
Total current assets	<u>328,988</u>
Noncurrent assets	
Capital assets, net	<u>134,210</u>
Total noncurrent assets	<u>134,210</u>
Total assets	<u><u>\$ 463,198</u></u>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 15,137
Accrued expenses	127,942
Current portion of accrued compensated absences	145,784
Due to State General Fund	
Current year reversion	280
Stale dated warrants	<u>353</u>
Total current liabilities	<u>289,496</u>
Noncurrent liabilities	
Accrued compensated absences	<u>64,288</u>
Total noncurrent liabilities	<u>64,288</u>
Total liabilities	<u>353,784</u>
<b>Net position</b>	
Net investment in capital assets	134,210
Restricted for	
Special revenue	184,976
Unrestricted	<u>(209,772)</u>
Total net position	<u>109,414</u>
Total liabilities and net position	<u><u>\$ 463,198</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit A-2

	<u>Governmental Activities</u>
Program Expenses	
General government	
Administrative services	\$ 4,921,848
Depreciation	<u>55,097</u>
Total program expenses	<u>4,976,945</u>
Program Revenues	
Operating grants and contributions	
Federal grants	88,916
Miscellaneous	<u>106,800</u>
Total program revenues	<u>195,716</u>
Net program income	<u>(4,781,229)</u>
General Revenues (Expenses)	
State General Fund appropriation	4,812,200
Reversion to the State General Fund	<u>(280)</u>
Total general revenues (expenses)	<u>4,811,920</u>
Change in net position	30,691
Net position- beginning of year	<u>78,723</u>
Net position- end of year	<u><u>\$ 109,414</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General Fund</u>	<u>HIDTA Fund</u>	<u>ARRA Fund</u>	<u>Total</u>
<b>Assets</b>				
Petty cash	\$ 300	\$ -	\$ -	\$ 300
Investments in the State Treasurer's General Fund Investment Pool	128,139	188,124	12,425	328,688
<b>Total assets</b>	<u>\$ 128,439</u>	<u>\$ 188,124</u>	<u>\$ 12,425</u>	<u>\$ 328,988</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 15,137	\$ -	\$ 15,137
Accrued expenses	127,506	436	-	127,942
Due to State General Fund				
Current year reversion	280	-	-	280
Stale dated warrants	353	-	-	353
<b>Total liabilities</b>	<u>128,139</u>	<u>15,573</u>	<u>-</u>	<u>143,712</u>
<b>Fund balances</b>				
<b>Spendable</b>				
Restricted	-	172,551	12,425	184,976
Unassigned	300	-	-	300
<b>Total fund balances</b>	<u>300</u>	<u>172,551</u>	<u>12,425</u>	<u>185,276</u>
<b>Total liabilities and fund balances</b>	<u>\$ 128,439</u>	<u>\$ 188,124</u>	<u>\$ 12,425</u>	<u>\$ 328,988</u>

**STATE OF NEW MEXICO**

Office of the District Attorney

Fifth Judicial District

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2015

Exhibit B-1

Page 2 of 2

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

Fund balances- total governmental funds	\$	185,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		134,210
Certain liabilities, including current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued compensated absences not due and payable at year end		<u>(210,072)</u>
Total net position of governmental activities	\$	<u>109,414</u>

## STATE OF NEW MEXICO

Office of the District Attorney

Fifth Judicial District

## Statement of Revenues, Expenditures, and Change in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

Exhibit B-2

Page 1 of 2

	<u>General Fund</u>	<u>HIDTA Fund</u>	<u>ARRA Fund</u>	<u>Total</u>
Revenues				
Intergovernmental income				
Federal operating grants	\$ -	\$ 88,916	\$ -	\$ 88,916
Miscellaneous	106,800	-	-	106,800
Total revenues	<u>106,800</u>	<u>88,916</u>	<u>-</u>	<u>195,716</u>
Expenditures				
Current				
Administrative services				
Personnel services and employee benefits	4,587,513	6,864	-	4,594,377
Contractual services	16,457	19,203	-	35,660
Other	207,914	96,431	-	304,345
Capital outlay	59,985	-	-	59,985
Total expenditures	<u>4,871,869</u>	<u>122,498</u>	<u>-</u>	<u>4,994,367</u>
Excess (deficiency) of revenues over expenditures	<u>(4,765,069)</u>	<u>(33,582)</u>	<u>-</u>	<u>(4,798,651)</u>
Other Financing Sources (Uses)				
State General Fund appropriation	4,812,200	-	-	4,812,200
Reversion to the State General Fund	(280)	-	-	(280)
Total other financing sources (uses)	<u>4,811,920</u>	<u>-</u>	<u>-</u>	<u>4,811,920</u>
Net change in fund balances	46,851	(33,582)	-	13,269
Fund balances- beginning of year	(46,551)	206,133	12,425	172,007
Fund balances- end of year	<u>\$ 300</u>	<u>\$ 172,551</u>	<u>\$ 12,425</u>	<u>\$ 185,276</u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**

Office of the District Attorney

Fifth Judicial District

Reconciliation of the Statement of Revenues, Expenditures, and Change  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B-2

Page 2 of 2

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

Net change in fund balances- total governmental funds	\$ 13,269
---	-----------

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

Capital outlay	59,985
Depreciation expense	(55,097)
Reclassification of capital assets	861

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

Decrease in accrued compensated absences	<u>11,673</u>
--	---------------

Change in net position of governmental activities	<u><u>\$ 30,691</u></u>
---	-------------------------

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Statement of Revenues, Expenditures, and Change in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Intergovernmental income				
Federal operating grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	106,800	106,800	106,800	-
Total revenues	106,800	106,800	106,800	-
Expenditures				
Current				
Administrative services				
Personnel services and employee benefits	4,729,600	4,634,600	4,587,513	47,087
Contractual services	16,500	16,500	16,457	43
Other	172,900	267,900	267,899	1
Total expenditures	4,919,000	4,919,000	4,871,869	47,131
Excess (deficiency) of revenues over expenditures	(4,812,200)	(4,812,200)	(4,765,069)	47,131
Other Financing Sources (Uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
State General Fund appropriation	4,812,200	4,812,200	4,812,200	-
Reversion to the State General Fund	-	-	(280)	(280)
Total other financing sources (uses)	4,812,200	4,812,200	4,811,920	(280)
Net change in fund balance	-	-	46,851	46,851
Fund balances- beginning of year	-	-	(46,551)	(46,551)
Fund balances- end of year	\$ -	\$ -	\$ 300	\$ 300

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Office of the District Attorney

Fifth Judicial District

Statement of Revenues, Expenditures, and Change in Fund Balance  
 Budget (Non-GAAP Budgetary Basis) and Actual  
 High Intensity Drug Trafficking Area (HIDTA) Special Revenue Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Intergovernmental income				
Federal operating grants	\$ -	\$ 333,924	\$ 88,916	\$ (245,008)
Miscellaneous income	-	-	-	-
Total revenues	-	333,924	88,916	(245,008)
Expenditures				
Current				
Administrative services				
Personnel services and employee benefits	-	91,062	6,864	84,198
Contractual services	-	35,964	19,203	16,761
Other	-	206,898	96,431	110,467
Total expenditures	-	333,924	122,498	211,426
Excess (deficiency) of revenues over expenditures	-	-	(33,582)	(33,582)
Other Financing Sources (Uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
State General Fund appropriation	-	-	-	-
Reversion to the State General Fund	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	(33,582)	(33,582)
Fund balances- beginning of year	-	-	206,133	206,133
Fund balances- end of year	\$ -	\$ -	\$ 172,551	\$ 172,551

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**

Exhibit C-3

Office of the District Attorney

Fifth Judicial District

Statement of Revenues, Expenditures, and Change in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

American Recovery and Reinvestment Act (ARRA) Special Revenue Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Intergovernmental income				
Federal operating grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Current				
Administrative services	-	-	-	-
Personnel services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
State General Fund appropriation	-	-	-	-
Reversion to the State General Fund	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balances- beginning of year	-	-	12,425	12,425
Fund balances- end of year	\$ -	\$ -	\$ 12,425	\$ 12,425

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1. Summary of Significant Accounting Policies**

The District Attorney is an elective office established by the Constitution of the State of New Mexico, Article VI, Section 24 and is elected for a four (4) year term. He or she has decision-making authority, the power to designate management, and the responsibility to significantly influence operations and primary accountability for fiscal matters.

The Office of the District Attorney, Fifth Judicial District (the “District”) operates under Article 6 Section 24, NMSA 1978. The District is a legally separate and fiscally dependent agency of the State of New Mexico, and these financial statements include all funds and activities over which the District Attorney has oversight responsibility. The District will be included in the State of New Mexico Comprehensive Annual Financial Report (CAFR).

This summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of District’s management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

During the year ended June 30, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement No. 27* (“GASB 68”), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date— an Amendment of GASB Statement No. 68* (“GASB 71”). These two Statements are required to be implemented at the same time. Neither of these Statements have materially impacted the District’s financial statements.

During the year ended June 30, 2015, the District also adopted GASB Statements No. 69 and 70. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (“GASB 69”) establishes accounting and financial reporting standards related to government combinations (including mergers, acquisitions, and transfers of operations), and disposals of government operations. GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”) improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Neither of these Statements have materially impacted the District’s financial statements.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance, part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements**

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units required to be reported under GASB Statements No. 14, No. 39, or No. 61.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities (also known as proprietary or enterprise funds)*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth or adopted by GASB and the Financial Accounting Standards Board (FASB), and their predecessors, the National Council on Governmental Accounting (NCGA) and the Accounting Principles Board (APB), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) program-specific operating grants, which include revenues received from state and federal sources such as general fund appropriations to be used as specified within each program grant agreement, and (b) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems.

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

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which include funds that were not required to be presented as major but were at the discretion of management:

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund operates under the Statewide Human resources, Accounting, and management REporting system (SHARE) number #15900 and is classified under district regular.

The *High Intensity Drug Trafficking Area (HIDTA) Special Revenue Fund* was created to account for proceeds from the Office of National Drug Control Policy- HIDTA grant, and the U.S. Department of Justice- Southwest Border Prosecution Initiative (SWBPI) reimbursements and the expenditures therefrom. The authority for the creation and maintenance of the fund is the requirement of the federal government to maintain a separate fund. The HIDTA fund operates under the SHARE number #39900.

The *American Recovery and Reinvestment Act (ARRA) Special Revenue Fund* is made up of two departments: R1DOJ00001- Edward Byrne grant and R1DOJ00002- VOCA grant. The Byrne grant was funded mainly to provide funds to implement technology projects. The VOCA grant was funded to assist victims of violent crimes. The ARRA fund operates under the SHARE number #89000.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, and Net Position or Fund Balance***

**Deposits and investments:** The District's cash and cash equivalents consist of petty cash and noninterest bearing demand deposits held on deposit with the State Treasurer. Collateral pledged to secure these deposits is located in the State Treasurer's financial statements in accordance with GASB Statement No. 40.

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

**Capital assets:** Capital assets, which include property, plant, and equipment, are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information technology equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9C(5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Equipment	3-7
Furniture and fixtures	3-7
Vehicles	5

**Accrued expenses:** Accrued expenses are comprised of accrued payroll and payroll expenditures based on amounts earned by the employees through June 30, 2015, along with the applicable Public Employees Retirement Association (PERA) and other pension costs.

**Compensated absences:** The District permits employees to accumulate a limited amount of earned but unused vacation leave based on employment classification and length of employment. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Qualified employees are entitled to accumulate annual and sick leave according to a graduated leave schedule depending on the length of service. No more than thirty (30) working days, or two hundred forty (240) hours of annual leave, may be carried forward from one year to the next. All excess annual leave shall be forfeited if not used. There is no limit to the amount of sick leave that an employee may accumulate.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide Statement of Net Position.



**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, and Net Position or Fund Balance (continued)***

**Pensions:** The District, 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. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the District's governmental funds and therefore not reported in the District's Statement of Net Position. 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 the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the New Mexico PERA and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net position or fund balance classification policies and procedures:**

*Fund balance classification policies and procedures:* For restricted fund balances, the District includes amounts that can be spent only for the specific purposes stipulated by statute, ordinance, resolution, or enabling legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund.

For committed fund balances, the District includes amounts for specific purposes by formal action of the District Attorney of the Fifth Judicial District.

For assigned fund balances, the District includes amounts that are intended to be spent for specific purposes, but are not restricted or committed.

Regarding the District's spending policies, in all cases, restricted, then committed, and then assigned fund balances are to be expended, in that order, prior to expenditures of any general (unassigned) funds designated for supplementing any given department. In this manner, only after restricted, committed, or assigned funds are expended will the District Attorney permit general unassigned funds be spent to meet a specific fund's objectives.

*Restricted Fund Balance:* At June 30, 2015, the restricted fund balance on the governmental funds balance sheet is made up of \$184,976 for the restricted purposes as defined by each fund.

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets:*  
This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position:*  
Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position:*  
All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*E. Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the District's financial statements include the depreciation on capital assets and the current portion of compensated absences.

**NOTE 2. Stewardship, Compliance, and Accountability**

*Budgetary Information*

The New Mexico State Legislature makes annual appropriations to the District Attorney. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration (DFA) within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

- a. No later than September 1<sup>st</sup>, the District submits to the Judiciary Budget Office (JBO), Legislative Finance Committee (LFC), and DFA an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
- b. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme District for its approval. The Supreme Court approved appropriation request is then submitted to the Legislature as the Supreme Court's recommended appropriation request for the District.
- c. 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.
- d. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. The District Attorney submits, no later than May 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA- Budget Division reviews and approves the operating budget which becomes effective on July 1<sup>st</sup>.
- e. The legal level of budgetary control is at the appropriation program level.
- f. Formal budgetary integration is employed as a management control device during the fiscal year for the general fund and the special revenue funds.
- g. The budgets for the general fund and the special revenue funds are adopted on the modified accrual basis of accounting, which is not a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets do not include prior year encumbrances paid in the current year in the budgetary amounts. Accounts payable accrued at the end of the fiscal year that does not get paid by statutory deadline (Section 6-10-4, NMSA 1978) must be paid out of next year's budget.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 2. Stewardship, Compliance, and Accountability (continued)**

*Budgetary Information (continued)*

- h. All subsequent budget adjustments must be approved by the Director of the DFA- Budget Division.
- i. The District Attorney’s budget for the fiscal year ending June 30, 2015, was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
- j. The District’s general fund is a reverting fund (funds revert back to the State General Fund) and are required to be reverted by September 30<sup>th</sup> of each year.
- k. Appropriations lapse at the end of the fiscal year except for those amounts encumbered beginning with the year ended June 30, 2015.
- l. Encumbrances related to single year appropriations lapse at year end. The portion of an encumbrance representing goods and services received by the last day of the fiscal year should be reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion.
- m. If there are appropriations for multiple years and related funds are encumbered, there is a reservation of fund balance for encumbrances in the financial statements. The District has no encumbered funds outstanding as of June 30, 2015.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

<b>Budgeted Funds</b>	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	Governmental funds	
General Fund	\$ (4,812,200)	\$ (4,812,200)
HIDTA	-	-
ARRA	-	-

The accompanying Statements of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

**NOTE 3. Deposit and Investments**

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

In June 2012 an independent expert diagnostic report revealed that statewide cash balances in the SHARE general ledger accounts had not been reconciled to the State General Fund Investment Pool maintained at the State Treasurer’s Office since the implementation of SHARE in July 2006. Since then, State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance and Administration (DFA/FCD), has taken an aggressive action toward appropriate resolution.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 3. Deposit and Investments (continued)**

Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE system configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the state's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013.

On July 11, 2014, DFA/FCD commenced the Historical Cash Reconciliation Project (Phase II) in partnership with Deloitte & Touche, LLP. The scope of this project was July 1, 2006 (SHARE implementation) to January 31, 2013 (the point at which DFA/FCD began reconciling cash activity as noted in the paragraph above). An effort in late 2014 was made to reconcile transactions but 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, do not merit additional energy.

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress was made in the overall reconciliation process, and the FCD now has an operational model that effectively compares statewide claims against the State General Fund Investment Pool and resources held at the State Treasurer's Office. This process has been operational since March of 2015, and DFA has data points for seven (7) consecutive months beginning with January of 2015.

This model has so far indicated that:

- a. The established allowance recorded within the general operating reserve fund is sufficient to accommodate the current calculated difference between resources held in the State General Fund Investment Pool and agency claims.
- b. The calculated difference between resources maintained by the State Treasurer's Office and the agency claims has remained stable during the past seven (7) months in which the process has been employed.
- c. The entirety of any adjustment will be applied against the allowance established in the general operating reserve fund. No portion of the adjustment shall be allocated to any specific business unit that participates in the State General Fund Investment Pool.

All investments are on deposit with the State Treasurer, and cash is on deposit with four financial institutions. For additional GASB Statement No. 40 disclosure information regarding cash held by the New Mexico State Treasurer, a separate audit report is issued by the New Mexico State Treasurer's Office for the most recent fiscal year end. Below are required disclosures regarding credit and interest rate risk.

*Concentration of Credit Risk- Investments* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State General Fund Investment Pool is not rated for credit risk.

*Interest Rate Risk- Investments* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's Office has an investment policy that limits investment maturities to five (5) years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 3. Deposit and Investments (continued)**

At June 30, 2015, cash and investments consisted of the following:

	<u>SHARE Fund #</u>	<u>Maturities</u>	<u>Balance Per Treasurer</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<b>General Fund</b>					
Petty cash			\$ 300	\$ -	\$ 300
Investments in the State Treasurer's General Fund Investment Pool	15900	<180 days	128,139	-	128,139
<b>Special Revenue Funds</b>					
Investments in the State Treasurer's General Fund Investment Pool					
HIDTA Fund	39900	<180 days	188,124	-	188,124
ARRA Fund	89000	<180 days	12,425	-	12,425
			<u>\$ 328,988</u>	<u>\$ -</u>	<u>\$ 328,988</u>

**NOTE 4. Interagency Transfers**

The District has the following transfers for the fiscal year ended June 30, 2015:

<u>Transfer From</u>	<u>SHARE Fund No.</u>	<u>Transfer To</u>	<u>SHARE Fund No.</u>	<u>Agency No.</u>	<u>Amount</u>
State General Fund	499105	General Fund	15900	25500	\$ 4,812,200
General fund	15900	State General Fund	499105	25500	280

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 5. Capital Assets**

Capital asset activity for the year ended June 30, 2015, is summarized as follows:

	Balance June 30, 2014	Adjustments	Additions	Deletions	Balance June 30, 2015
Capital assets being depreciated					
Equipment	\$ 191,347	\$ -	\$ -	\$ -	\$ 191,347
Furniture and fixtures	84,324	-	-	-	84,324
Vehicles	387,020	-	59,985	66,944	380,061
<b>Total capital assets being depreciated</b>	<b>662,691</b>	<b>-</b>	<b>59,985</b>	<b>66,944</b>	<b>655,732</b>
Less: accumulated depreciation					
Equipment	185,686	(1,022)	2,209	-	186,873
Furniture and fixtures	84,324	-	-	-	84,324
Vehicles	264,220	161	52,888	66,944	250,325
<b>Total accumulated depreciation</b>	<b>534,230</b>	<b>(861)</b>	<b>55,097</b>	<b>66,944</b>	<b>521,522</b>
<b>Total capital assets, net of depreciation</b>	<b>\$ 128,461</b>	<b>\$ 861</b>	<b>\$ 4,888</b>	<b>\$ -</b>	<b>\$ 134,210</b>

Depreciation expense for the year ended June 30, 2015 was \$55,097 and was charged to the general government function.

**NOTE 6. Long-term Liabilities**

Long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Accrued compensated absences	\$ 221,745	\$ 134,111	\$ 145,784	\$ 210,072	\$ 145,784

**NOTE 7. Pension Plan- Public Employee Retirement Association**

**Plan Description.** The Public Employees Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions; and offers twenty-four (24) different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978); the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978); the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978);, and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 7. Pension Plan- Public Employee Retirement Association (continued)**

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.saonm.org](http://www.saonm.org) using the Audit Report Search function for agency #366.

**Benefits Provided.** For a description of the benefits provided and recent changes to the benefits, see Note 1 in the PERA audited financial statements for the fiscal year end June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution requirements in effect for fiscal year 2014 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA 2014 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage option that applies to the District is State Plan 3. Statutorily required contributions to the pension plan from the District were \$530,331 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** The PERA pension liability, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted accounting principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense, and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members. The State of New Mexico's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Compliant with the requirements of GASB 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, 2015.

The District, 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 the State Controller, Room 116, Bataan Memorial Building, 407 Galisteo St. Santa Fe, NM 87501.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 8. Post-Employment Benefits- State Retiree Health Care Plan**

**Plan Description.** The District 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 (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 (5) 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 (2) years; and 4) former governing authority members who served at least four (4) 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 (5) 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 100.00% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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 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 member cover plans 3, 4, or 5; municipal fire member cover 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, 2015, the statutes required each participating employer to contribute 2.50% 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, 2015, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; and each participating employee was required to contribute 1.00% 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's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$62,488, \$59,638, and \$57,322, respectively.



**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 9. Risk Management**

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of property; errors and omissions; injuries to employees; and natural disasters. The District participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability and physical damage insurance for the District, for the risks of loss mentioned above, except for injuries to employees. For risks of loss related to injuries to employees, the District has not obtained coverage from a commercial insurance company but has effectively managed risk through various employee education and prevention programs. The premiums for Risk Management are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

**NOTE 10. Contingent Liabilities**

The District is party to various litigation and other claims in the ordinary course of business. The District is unaware of any material pending or threatened litigation, claims, or assessments against the District that are not covered by the District's insurance.

**NOTE 11. Federal and State Grants**

In the normal course of operations, the District receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 12. Commitments**

The District entered into no agreements with contractors and architects for various construction projects for the year ended June 30, 2015.

**NOTE 13. Concentrations**

The District depends on financial resources flowing from, or associated with, both the federal government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

**NOTE 14. Subsequent Events**

The District has evaluated events subsequent to June 30, 2015 that would possibly require adjustment or disclosure in these financial statements, through November 2, 2015, the date that these financial statements were available to be issued.

No events have occurred subsequent to June 30, 2015 that would require adjustment or modification to the contents of these statements.

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Notes to the Financial Statements  
June 30, 2015

**NOTE 15. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The District had no deficit fund balances as of June 30, 2015.
- B. Excess of expenditures over budgeted amounts. The District had no funds exceeding budgetary authority as of June 30, 2015.
- C. Designated cash appropriations exceeding prior year available balances. The District had no funds exceeding available balances as of June 30, 2015.

**NOTE 16. Subsequent Pronouncements**

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016 with earlier application being encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015 with earlier application being encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

**SUPPORTING SCHEDULES**

This page is intentionally left blank

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Schedule of Memorandums of Understanding  
June 30, 2015

Schedule I

The District entered into a memorandum of understanding with various agencies in Chaves and Eddy counties regarding the creation of the Pecos Valley Drug Task Force.

Participants	Office of the District Attorney, Fifth Judicial District (the "District"), City of Carlsbad and Chief of the Police Department, City of Artesia and Chief of the Police Department, Village of Loving and Chief of the Police Department, Eddy County, and Eddy County Sheriff's Office and Sheriff
Responsible party	All
Description	To state the general understanding between the involved parties with regards to the development, implementation, and operation of a drug enforcement task force to be named the Pecos Valley Drug Task Force
Begin date	June 25, 2015
End date	Indefinitely
Estimated amount of project	Unknown
Amount contributed in fiscal year	Unknown
Audit responsibility	All
Fiscal agent	Eddy County
Agency where the entity reports	Department of Finance and Administration

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Schedule of Vendor Information for Purchases  
Exceeding \$60,000 (Excluding GRT)  
June 30, 2015

Prepared by Agency Staff Name: Melissa Walterscheid (Chief Procurement Officer) on October 14, 2015

<u>RFB#/ RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>
-------------------	----------------------------	-----------------------	-----------------------------------	-----------------------------------

No items meeting the \$60,000 threshold reporting requirement were noted for the current year.

Name and Physical Address of <u>ALL</u> Vendor(s) That Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Description of Work
---	--	--	---------------------

This page is intentionally left blank



**COMPLIANCE SECTION**

This page is intentionally left blank



Accounting & Consulting Group, LLP  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
INDEPENDENT AUDITORS' REPORT**

Timothy Keller  
New Mexico State Auditor  
Dianna Luce, District Attorney  
Office of the District Attorney, Fifth Judicial District  
Carlsbad, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparisons of the general fund and major special revenue funds, of the Office of the District Attorney, Fifth Judicial District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
November 2, 2015

**OTHER DISCLOSURES**

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Schedule of Findings and Responses  
June 30, 2015

**Section I- Summary of Auditors' Results**

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted?                     | None noted |

**Section II- Prior Year Audit Findings**

FS 2013-001 Deficit Fund Balance	Resolved
----------------------------------	----------

**Section III- Financial Statement Findings**

None

**STATE OF NEW MEXICO**  
Office of the District Attorney  
Fifth Judicial District  
Other Disclosures  
June 30, 2015

**Exit Conference**

An exit conference was held on November 2, 2015. In attendance were the following:

**Representing the Office of the District Attorney, Fifth Judicial District**

Dianna Luce	District Attorney
Melissa Walterscheid	Chief Financial Officer

**Representing Accounting & Consulting Group, LLP**

Jessica Huff, CPA	In-charge Senior
-------------------	------------------

**Auditor Prepared Financial Statements**

Accounting & Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes for the Office of the District Attorney, Fifth Judicial District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.