



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

FIFTH JUDICIAL DISTRICT ATTORNEY

FINANCIAL STATEMENTS

For The Year Ended June 30, 2017

STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
Table of Contents
June 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION:	Page
Official Roster	ii
 FINANCIAL SECTION	
Independent Auditor's Report	1-2
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position—Governmental Activities	3
Statement of Activities—Governmental Activities	4
 Fund Financial Statements	
Balance Sheet—Governmental Funds	5
Reconciliation of the Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures and Changes Fund Balances—Budget and Actual GAAP Budgetary Basis	
General Fund	9
HIDTA Fund	10
ARRA Fund	11
VOCA Fund	12
 Notes to Financial Statements	13-25
 COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	26-27
Schedule of Findings and Responses	28-31
Exit Conference	32

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
Official Roster
June 30, 2017**

Elected Officials

Name	Title
Dianna Luce	District Attorney

Administration

Name	Title
Lisa Kuykendall	Chief Deputy District Attorney
Pat Roberson	District Office Manager
Melissa Walterscheid	Chief Financial Officer
Diana Switzer	Human Resource Administrator
Stephanie Fleming	IT Administrator



INDEPENDENT AUDITOR’S REPORT

Tim Keller
New Mexico State Auditor
Dianna Luce, District Attorney
State of New Mexico, 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 comparison for the general fund and major special revenue funds of the Fifth Judicial District Attorney of the State of New Mexico (the “District”), as of and for the year ended June 30, 2017, 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2017, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2017 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 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's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, NM
October 31, 2017

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Petty cash	\$ 300
Investments in the State General Fund Investment Pool	539,709
Due from federal government	40,274
Due from state general fund	1,267
Due from other state agencies	<u>34,910</u>
Total current assets	616,460
Noncurrent Assets	
Capital assets, net	<u>152,488</u>
Total assets	\$ <u><u>768,948</u></u>
LIABILITIES	
Current Liabilities	
Investments in the State General Fund Investment Pool Overdraft	\$ 24,074
Accounts payable	218,232
Accrued expenses	207,926
Compensated absences payable - expected to be paid within one year	182,355
Due to federal government	12,425
Due to the state general fund	
Current year reversion	-
Stale dated warrants	<u>2,048</u>
Total current liabilities	<u>647,060</u>
Noncurrent Liabilities	
Compensated absences payable - expected to be paid after one year	<u>20,262</u>
Total liabilities	<u>667,322</u>
NET POSITION	
Unrestricted	(202,317)
Net investment in capital assets	152,488
Restricted for:	
Special revenue	<u>151,455</u>
Total net position	<u>101,626</u>
Total liabilities and net position	\$ <u><u>768,948</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017**

	<u>Governmental Activities</u>
Program Expenses	
General government	
Public safety	\$ 5,078,129
Depreciation	<u>51,555</u>
Total program expenses	<u>5,129,684</u>
Program Revenues	
Operating grants and contributions	
Federal grants	264,650
Miscellaneous	<u>-</u>
Total program revenues	<u>264,650</u>
Net program income	(4,865,034)
General Revenues (Expenses)	
State general fund appropriation FY 17	4,829,200
Reversion to state general fund FY 17	<u>-</u>
Total net transfers	<u>4,829,200</u>
Change in net position	(35,834)
Net position, beginning	<u>137,460</u>
Net position ending	<u><u>\$ 101,626</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2017**

	(15900) General Fund	(39900) HIDTA Fund	(89000) ARRA Fund	(93700) VOCA Fund	Total
ASSETS					
Petty cash	\$ 300	-	-	-	300
State General Fund Investment Pool	418,811	108,473	12,425	-	539,709
Due from federal government	-	40,274	-	-	40,274
Due from state general fund	1,267	-	-	-	1,267
Due from other state agencies	-	-	-	34,910	34,910
Due from other funds	3,565	14,238	-	-	17,803
Total assets	<u>\$ 423,943</u>	<u>162,985</u>	<u>12,425</u>	<u>34,910</u>	<u>634,263</u>
LIABILITIES					
State General Fund Investment Pool Overdraft	\$ -	-	-	24,074	24,074
Accounts payable	215,489	-	-	2,743	218,232
Accrued expenses	193,543	9,855	-	4,528	207,926
Due to federal government	-	-	12,425	-	12,425
Due to State General Fund (reversion FY17)					
Current year reversion	-	-	-	-	-
Stale dated warrants	373	1,675	-	-	2,048
Due to other funds	14,238	-	-	3,565	17,803
Total liabilities	<u>423,643</u>	<u>11,530</u>	<u>12,425</u>	<u>34,910</u>	<u>482,508</u>
FUND BALANCE					
Spendable					
Restricted	-	151,455	-	-	151,455
Unassigned	300	-	-	-	300
Total fund balances	<u>300</u>	<u>151,455</u>	<u>-</u>	<u>-</u>	<u>151,755</u>
Total liabilities and fund balance	<u>\$ 423,943</u>	<u>162,985</u>	<u>12,425</u>	<u>34,910</u>	<u>634,263</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT ATTORNEY
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 For The Year Ended June 30, 2017**

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

Total fund balance governmental funds	\$	151,755
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds		152,488
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		(202,617)
Rounding		<u>-</u>
Net position of governmental activities	\$	<u><u>101,626</u></u>

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For The Year Ended June 30, 2017**

	(15900)	(39900)	(89000)	(93700)	
	General	HIDTA	ARRA	VOCA	
	Fund	Fund	Fund	Fund	Total
REVENUES					
Federal funds	\$ -	148,856	-	115,794	264,650
Contracts and miscellaneous revenue	-	-	-	-	-
Total revenues	<u>-</u>	<u>148,856</u>	<u>-</u>	<u>115,794</u>	<u>264,650</u>
EXPENDITURES					
Current					
General government:					
Personal services and benefits	4,369,315	190,513	-	107,852	4,667,680
Contractual services	55,477	-	-	2,551	58,028
Other costs	343,953	4,202	-	5,391	353,546
Capital outlay	<u>60,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,455</u>
Total expenditures	<u>4,829,200</u>	<u>194,715</u>	<u>-</u>	<u>115,794</u>	<u>5,139,709</u>
OTHER FINANCING SOURCES (USES)					
State general fund appropriations FY17	4,829,200	-	-	-	4,829,200
Reversion to state general fund FY17	-	-	-	-	-
Net other financing sources	<u>4,829,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,829,200</u>
Net change in fund balance	-	(45,859)	-	-	(45,859)
Fund balance, beginning	<u>300</u>	<u>197,314</u>	<u>-</u>	<u>-</u>	<u>197,614</u>
Fund balance, ending	<u>\$ 300</u>	<u>151,455</u>	<u>-</u>	<u>-</u>	<u>151,755</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
 FIFTH JUDICIAL DISTRICT ATTORNEY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2017**

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

Net change fund balance in governmental funds	\$	(45,859)
<p>Capital outlay is 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.</p>		
Depreciation expense		(51,555)
Capital expenditures capitalized in the government-wide financial statements		60,455
<p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
(Increase) decrease in compensated absences		1,126
Rounding		<u>(1)</u>
Change in net position - governmental activities	\$	<u><u>(35,834)</u></u>

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (15900)
For The Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal funds	\$ -	-	-	-
Contracts and miscellaneous revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
General government				
Personal services and benefits	4,737,800	4,264,212	4,369,315	(105,103)
Contractual services	20,400	58,096	55,477	2,619
Other costs	220,400	446,437	343,953	102,484
Capital outlay	-	60,455	60,455	-
Total expenditures	<u>4,978,600</u>	<u>4,829,200</u>	<u>4,829,200</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,978,600)</u>	<u>(4,829,200)</u>	<u>(4,829,200)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
State general fund appropriations FY17	4,978,600	4,829,200	4,829,200	-
Other financing sources	-	-	-	-
Less: Reversion to state general fund FY17	-	-	-	-
Net other financing sources	<u>4,978,600</u>	<u>4,829,200</u>	<u>4,829,200</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	-	-	300	300
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>300</u>	<u>300</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HIDTA SPECIAL REVENUE FUND (39900)
For The Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Federal funds	\$ 97,960	208,856	148,856	(60,000)
Contracts and miscellaneous revenue	-	-	-	-
Total revenues	<u>97,960</u>	<u>208,856</u>	<u>148,856</u>	<u>(60,000)</u>
EXPENDITURES				
Current:				
General government				
Personal services and benefits	97,960	204,654	190,513	14,141
Contractual services	-	-	-	-
Other costs	-	4,202	4,202	-
Capital outlay	-	-	-	-
Total expenditures	<u>97,960</u>	<u>208,856</u>	<u>194,715</u>	<u>14,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(45,859)</u>	<u>(45,859)</u>
OTHER FINANCING SOURCES (USES):				
State general fund appropriations FY 17	-	-	-	-
Other financing sources	-	-	-	-
Less: Reversion to state general fund FY 17	-	-	-	-
Net other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(45,859)</u>	<u>(45,859)</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>197,314</u>	<u>197,314</u>
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>151,455</u>	<u>151,455</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ARRA SPECIAL REVENUE FUND (89000)
For The Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts (Budgetary Basis)</u>	<u>Final Budget Favorable (Unfavorable)</u>
REVENUES				
Federal funds	\$ -	-	-	-
Contracts and miscellaneous revenue	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
General government				
Personal services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
State general fund appropriations FY 17	-	-	-	-
Other financing sources	-	-	-	-
Less: Reversion to state general fund FY17	-	-	-	-
Net other financing sources	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	-	-	-

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
VOCA SPECIAL REVENUE FUND (93700)
For The Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Federal funds	\$ 128,283	128,283	115,794	(12,489)
Contracts and miscellaneous revenue	-	-	-	-
Total revenues	<u>128,283</u>	<u>128,283</u>	<u>115,794</u>	<u>(12,489)</u>
EXPENDITURES				
Current:				
General government				
Personal services and benefits	118,612	118,612	107,852	10,760
Contractual services	2,551	2,551	2,551	-
Other costs	7,120	7,120	5,391	1,729
Capital outlay	-	-	-	-
Total expenditures	<u>128,283</u>	<u>128,283</u>	<u>115,794</u>	<u>12,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
State general fund appropriations FY17	-	-	-	-
Other financing sources	-	-	-	-
Less: Reversion to state general fund FY17	-	-	-	-
Net other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

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.

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.

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.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

B. Government-wide and Fund Financial Statements

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 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

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

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* was made up of the Edward Byrne grant - R1DOJ00001. The Byrne grant was funded mainly to provide funds to implement technology projects. The ARRA fund operates under the SHARE number #89000.

The *Victim of Crime Act (VOCA) Special Revenue Fund* was created to account for proceeds from the federal VOCA grant #2015-VA-GX-0000 and sub-grant award #2016-VA-527 and the expenditures therefrom to provide assistance to victims of crime. The SHARE number of the Victim Assistance Program is #93700. The funds received under these grants are non-reverting.

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
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

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, 2017, 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

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

expendable available financial resources are reported in the government-wide Statement of Net Position.

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, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$151,455 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.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

- 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.”

D. 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 1st , 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 1st 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 1st.
- e) The legal level of budgetary control is at the appropriation program level.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

- 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.
- 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, 2017, 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 30th 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, 2017.
- 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, 2017.

NOTE 3. DEPOSIT AND INVESTMENTS

Investments in the State Treasurer's General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the District's cash 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.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

At June 30, 2017, the District had the following invested in the SGFIP:

Fund Name	Location	Fund No./ Description	Balance Per Depository	Outstanding Deposits	(Checks)	Balance Per Financial Statements
General	STO	15900	\$ 418,811	-	-	418,811
General	On Site	Petty Cash	300	-	-	300
HIDTA	STO	39900	108,473	-	-	108,473
ARRA	STO	89000	12,425	-	-	12,425
VOCA	STO	93700	(24,074)	-	-	(24,074)
			<u>\$ 515,935</u>	<u>-</u>	<u>-</u>	<u>515,935</u>

There were no deposits in transit as of June 30, 2017. The Office of the State Treasurer (STO) accounts are interest bearing accounts but no interest income was allocated to the District.

Custodial Credit Risk—Investment Accounts

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the District. Therefore, collateralization of the District’s accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the District is not permitted to have any investments other than what is held at the State Treasurer’s Office and the District did not have any other investments during the year ended June 30, 2017. There is no custodial risk at the District’s level since the District’s investments are under the contract of the Office of the State Treasurer.

General Fund Investment Pool Reconciliation

On August 8, 2016, the New Mexico Department of Finance and Administration, Financial Control Division issued a memorandum regarding the reconciliation of the State General Fund Investment Pool. It stated that the Financial Control Division in collaboration with the State Treasurer’s Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For fiscal year 2017 the following assertions are provided;

1. The calculated difference between resources maintained by STO and the agency claims
2. has remained stable and within a narrow and acceptable range < \$200k standard
3. deviation) over the last twelve months; 2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP, and
4. All claims will be honored at face value.

With specific reference to the Fifth Judicial District Attorney, the District has provided copies of the referenced diagnostic reports to the IPA. The District has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the District has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

The District has an interest in the State General Fund Investment Pool allocated between their funds operating under the oversight of SHARE and the State Treasurers Office. The cash transactions processed by the District flow through the state general fund investment pool.

The District 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. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities and a review of outstanding warrants. The District conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the District 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.

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.

NOTE 4. DUE TO/FROM OTHER STATE AGENCIES

The following amounts are due to/from other agencies:

<u>Due to</u>		<u>Due from</u>		
<u>Fund No.</u>	<u>Amount</u>	<u>SHARE FUND</u>	<u>Agency Name</u>	<u>Purpose</u>
93700	\$ <u>34,910</u>	78000	NM Crime Victims Reparation Commission	Cost-reimbursement grant

NOTE 5. INTERFUND PAYABLES AND RECEIVABLES

The District recorded interfund receivables/payables to cover a deficit cash balance in the VOCA fund as well as to repay expenditures covered by other funds.

<u>Due to other fund</u>	<u>Due from other fund</u>	<u>Amount</u>
15900 - General Fund	93700 - VOCA Fund	\$ 3,565
39900 - HIDTA	15900 - General Fund	<u>14,238</u>
		<u>\$ 17,803</u>

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized as follows:

<u>Governmental Activities</u>	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
Capital assets depreciated				
Equipment	\$ 191,347	-	-	191,347
Furniture and fixtures	84,324	-	-	84,324
Vehicles	446,361	60,455	-	506,816
Total capital assets	722,032	60,455	-	782,487
Less accumulated depreciation				
Equipment	(188,199)	(1,325)	-	(189,524)
Furniture and fixtures	(84,324)	-	-	(84,324)
Vehicles	(305,921)	(50,230)	-	(356,151)
Total accumulated depreciation	(578,444)	(51,555)	-	(629,999)
Total capital assets, net	\$ 143,588	8,900	-	152,488

NOTE 7. INTERAGENCY TRANSFERS

The District has the following transfers for the fiscal year ended June 30, 2017:

<u>Transfer From</u>	<u>SHARE Fund</u>	<u>Transfer to</u>	<u>SHARE Fund</u>	<u>Agency No.</u>	<u>Amount</u>
	<u>No.</u>		<u>No.</u>		
State General Fund	499105	General fund	15900	25500	\$ <u>4,829,200</u>

NOTE 8. LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>	<u>Due Within One Year</u>
Compensated absences payable	\$ 203,742	94,424	(95,549)	202,617	182,355

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

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

Funding Policy: Plan members are required to contribute 8.92% of their gross salary. The District is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District’s contributions to PERA for the fiscal years ending June 30, 2017, 2016, and 2015 were \$546,416, \$525,260, and \$532,844, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

NOTE 10. PENSION PLAN – 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.

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, 2017, 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, 2017, 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-

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

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, 2017, 2016, and 2015 were \$64,322, \$61,832, and \$62,488, respectively.

NOTE 11. 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 12. 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 13. 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 14. 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 15. COMMITMENTS

The District entered into no agreements with contractors and architects for various construction projects for the year ended June 30, 2017.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2017**

NOTE 16. OPERATING LEASES

The District leases its copy machine. The term of the lease is for 5 years and provides for maintenance and copy charges. Lease expenditures were \$9,184 for the year ended June 30, 2017.

<u>Fiscal Year</u>	<u>Lease Payments</u>
2018	\$ 7,683
2019	7,683
2020	7,683
2021	<u>6,618</u>
	<u>\$ 29,668</u>

NOTE 17. DUE TO/ FROM STATE GENERAL FUND (REVERSIONS)

Reversions to the State General Fund by the Office are based on the definitions of reverting funds.

Reverting Funds - All funds that are not identified by law as non-reverting, such funds are those in excess of budgeted appropriated expenditures.

Current reversions due to/ from the State General Fund as of June 30, 2017 were as follows:

	<u>General Fund</u>
FY16 over reversion	\$ <u>1,267</u>
Total due from state general fund	\$ <u><u>1,267</u></u>

In FY16 the District over reverted \$1,267 to the state general fund.

NOTE 18. SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2017 that would possibly require adjustment or disclosure in these financial statements, through October 31, 2017, the date that these financial statements were available to be issued.

No events have occurred subsequent to June 30, 2017 that would require adjustment or modification to the contents of these statements.

NOTE 19. 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, 2017.
- b) Excess of expenditures over budgeted amounts. The District had funds exceeding budgetary authority as of June 30, 2017. The General Fund actual expenses exceeded the budget for personal services by \$105,103.



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

Tim 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, 2017, 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 23, 2017.

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 opinions 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2017-001.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency: 2017-002.

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

October 31, 2017

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 did not disclose any instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Response to Findings

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

Purpose of This Report

This 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 the audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this information is not suitable for any other purpose.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
October 31, 2017

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017**

Reference	Findings	Status of Prior/Current Year Findings	Type of Finding*
Prior year			
NONE			
Current year			
2017-001	FINANCIAL CLOSE AND MATERIAL ADJUSTMENTS	Current	A
2017-002	BUDGET CONTROLS	Current	B,G

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017**

CURRENT YEAR FINDINGS

2017-001 – FINANCIAL CLOSE AND MATERIAL ADJUSTMENTS

Type of Finding: A

Statement of Condition

While conducting the audit, 6 adjustments were identified by the auditor that were required to be made, in order to present the financial statements materially correct. Based on the adjustments made, it was determined that the District should improve the effectiveness of its financial close, monitoring, and reporting process. The financial close should include, but not be limited to:

- Establishing and implementing procedures to initiate, authorize, record, process, and correct the general ledger, and report transactions and
- Monitoring if assigned personnel are completing their task timely and accurately.

The following outlines the significant categories and balances of adjustments that were proposed:

FINANCIAL STATEMENT CATEGORY	NET ADJUSTMENT PROPOSED (ABSOLUTE VALUE)
Due to/ Due from	\$27,816
Depreciation Expense	\$51,555
Revenues	\$42,273
Receivables	\$42,273

Criteria

Some of the key underlying concepts of AU-C 265 Communicating Internal Control Related Matters Identified in an Audit:

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the review of the financial statements.

The Financial Close and recording these adjustments are considered significant processes of internal control and should be performed by the District's staff.

Cause

The District has not designed and implemented effective procedures and workpapers to ensure that a timely and accurate financial close.

Effect

Because these adjustments were made/identified by the auditor, and not by the District, it shows an internal control weakness in maintaining the general ledger. The effects are the following:

- Risk of misstatements in the financial statements is significantly high
- Untimely financial reporting
- Increased risk of loss of funding sources

Recommendation

We recommend management evaluate all aspects of the financial close and reporting process and establish effective internal controls, procedures, and workpapers to ensure timely and accurate financial statements.

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017**

Asking for technical advice from the auditor or from someone else when these procedures and adjustments are needed is not considered a control deficiency as long as the staff of the District initiates/oversees them. In addition, we recommend that the District review all trial balances, by fund, prior to providing them to the auditor, during the audit process and when adjustments are proposed, and at the end of the audit to ensure correctness. Additionally, we recommend that the District ensure that all proposed adjustments by the auditor are reviewed by key officials and that they are approved, prior to the audit completion.

Management Response

The CFO of the Fifth Judicial District Attorney will monitor financials monthly and process OPR's and journal adjustments to the general ledger as needed. Preparation for future audits will begin as quickly as possible after June 30th to ensure enough time to fully prepare and review all documents prior to presenting to the auditor.

Corrective Action Plan Timeline:

This will be resolved immediately.

Designation of Employee Position Responsible For Meeting Deadline:

CFO

2017-002 – BUDGET CONTROLS

Type of Finding: B, G

Statement of Condition

Actual expenditures exceeded budget expenditures in the General Fund (15900) by \$105,103 for personal services and benefits.

Criteria

Chapter 6 of the New Mexico Statutes Annotated (NMSA) 1978 requires the Local Government Division (LGD), Financial Management Bureau of New Mexico Department of Finance and Administration to make rules and regulations relating to budgets, records, reports, and the disbursement of public monies. Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation prohibits local governments from making expenditures in excess of the approved budget. DFA requires state agencies maintain budgetary compliance at the appropriation program level.

Cause

The District missed deadlines for BARs throughout the year.

Effect

The District is in violation of budget controls established for state agencies of the State of New Mexico.

Recommendation

Deadlines for BARs should be met to prevent actual expenses from exceeding budget.

Management Response

The over-expenditure in the 200 category is due to a misstatement in the projection spreadsheet being used. Ultimately, it is the responsibility of the CFO to ensure projections are accurate. In the future, projections will be monitored with dual controls to ensure this does not occur again

Corrective Action Plan Timeline:

Dual controls will be put in place immediately

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017**

Designation of Employee Position Responsible For Meeting Deadline:
Melissa Walterscheid, CFO

**STATE OF NEW MEXICO
FIFTH JUDICIAL DISTRICT ATTORNEY
EXIT CONFERENCE
For The Year Ended June 30, 2017**

EXIT CONFERENCE

An exit conference was held in a closed session on October 31, 2017, at the District's Offices in Carlsbad, New Mexico. In attendance were the following:

Representing the Fifth Judicial District Attorney:

Dianna Luce
Melissa Walterscheid

District Attorney
CFO

Representing Hinkle + Landers, PC:

Farley Vener, CPA, CFE
Maclen Enriquez, CPA

Managing Shareholder
Audit Manager

FINANCIAL STATEMENTS

The financial statements of the District as of June 30, 2017, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.