

Charles L. Henry

Certified Public Accountant

666 Cook Avenue
Raton, New Mexico 87740
(505) 681-9762

EIGHTH JUDICIAL DISTRICT ATTORNEY

FINANCIAL STATEMENTS

For the Year Ended

June 30, 2017

EIGHTH JUDICIAL DISTRICT ATTORNEY

Table of Contents

June 30, 2017

	<u>Page</u>
Official Roster	1
Independent Auditor's Report	2 - 4
Management's Discussion and Analysis	5 - 9
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet to the	
Statement of Net Position - Governmental Funds	13
Statement of Revenues, Expenditures and Changes	
in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balances to the Statement of	
Activities - Governmental Funds	15
Budgetary Comparison Statements	
Statement of Revenues and Expenditures	
Budget and Actual (Budget Basis) - Major	
Governmental Funds - General Fund (Fund 16200)	16
Statement of Fiduciary Assets and Liabilities - Agency Funds	17
Notes to Financial Statements	18 - 35

EIGHTH JUDICIAL DISTRICT ATTORNEY

Table of Contents

June 30, 2017

SUPPLEMENTAL SECTION

Supplementary Information

Schedule of Inter-Agency Transfers 36

Schedule of Changes in Assets and Liabilities - Agency Funds 37

Other Reports

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 38 - 39

Schedule of Findings and Responses 40

Financial Statement Preparation and Exit Conference 41

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY

June 30, 2017

Official Roster

Name

Title

Donald Gallegos
Ronald Olsen

District Attorney
Chief Deputy District Attorney

Suzanne Valerio
Paula Sisneros
Jennifer Archuleta

Chief Office Manager
Chief Financial Officer
Financial Assistant

Charles L. Henry

Certified Public Accountant

666 Cook Avenue
Raton, New Mexico 87740
(505) 681-9762

INDEPENDENT AUDITOR'S REPORT

Donald Gallegos, District Attorney

Office of the District Attorney

Eighth Judicial District

Taos, New Mexico

And

Honorable Timothy Keller

New Mexico State Auditor

Santa Fe, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the major fund, (general fund) the aggregate remaining fund information, and the budgetary comparison for the general fund of the State of New Mexico, Eighth Judicial District Attorney (District Attorney), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the State of New Mexico, Eighth Judicial District Attorney'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (general fund), and the aggregate remaining fund information of the State of New Mexico, Eighth Judicial District Attorney, as of June 30, 2017, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the State of New Mexico, Eighth Judicial District Attorney's financial statements, the individual fund financial statements and the budgetary comparisons. The other schedules required by 2.2.2 NMAC (schedules 1-3) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Emphasis of a Matter

As discussed in Note A, the financial statements of the State of New Mexico, Eighth Judicial District Attorney are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, the major fund and its budgetary comparison of the State of New Mexico that is attributable to the transactions of the District Attorney. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated October 25, 2017, on my consideration of the State of New Mexico, Eighth Judicial District Attorney's internal control over financial reporting and on my 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 my 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 State of New Mexico, Eighth Judicial District Attorney's internal control over financial reporting and compliance.



Charles L. Henry CPA
Raton, New Mexico
October 25, 2017

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Statements

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

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

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Fund Financial Statements

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

This District Attorney has two types of funds:

- * General Fund - All of the District Attorney's services are reflected in the general fund and provide information to help the user determine whether there are more or fewer financial resources that can be used to finance the District Attorney's program. This fund is a reverting fund. All money remaining at the end of the fiscal year, except for other revenue sources which are designated for subsequent years' expenditures, will be reverted to the state's general fund.
- * Worthless Check and Pre-Prosecution Diversion Agency Fund - This fund is for fees collected for worthless check and pre-prosecution diversion fees and distributed to victims and the Administrative Office of the District Attorney. This is an agency fund and all monies received are paid out to the parties mentioned. Agency funds are not presented in the government-wide financial statements, in accordance with Governmental Accounting Standards Board (GASS) standards.

GOVERNMENT-WIDE HIGHLIGHTS - FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE
Condensed Financial Comparison for the current and prior fiscal year

Statement of Net Position	<u>Current Year-</u> <u>June 30, 2017</u>	<u>Prior Year-</u> <u>June 30, 2016</u>	<u>Increase or</u> <u>(Decrease)</u>
Assets			
Current assets	\$ 174,815	\$ 115,775	\$ 59,040
Capital assets, net	<u>53,053</u>	<u>73,531</u>	<u>(20,478)</u>
Total assets	<u><u>227,868</u></u>	<u><u>189,306</u></u>	<u><u>38,562</u></u>
Liabilities			
Current liabilities	\$ 245,060	\$ 189,851	\$ 55,209
Long-term liabilities	<u>20,830</u>	<u>16,701</u>	<u>4,129</u>
Total liabilities	<u><u>265,890</u></u>	<u><u>206,552</u></u>	<u><u>59,338</u></u>
Net Position			
Investment in capital assets	52,920	73,531	(20,611)
Restricted for subsequent years expenditures	-	1,202	(1,202)
Unrestricted (deficit)	<u>(90,942)</u>	<u>(91,979)</u>	<u>1,037</u>
Total net position	<u><u>(38,022)</u></u>	<u><u>(17,246)</u></u>	<u><u>(20,776)</u></u>
Total liabilities and net position	<u><u>\$ 227,868</u></u>	<u><u>\$ 189,306</u></u>	<u><u>\$ 38,562</u></u>

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GOVERNMENT-WIDE HIGHLIGHTS - FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - Continued
Condensed Financial Comparison for the current and prior fiscal year - Continued

	<u>Current Year-</u> <u>June 30, 2017</u>	<u>Prior Year-</u> <u>June 30, 2016</u>	<u>Increase or</u> <u>(Decrease)</u>
Statement of Net Position			
<i>Program revenue and expenses:</i>			
Program Revenue	\$ -	\$ 1,121	\$ (1,121)
Program Expenses	(2,571,925)	(2,683,051)	111,126
Net Revenue (Expense)	<u>(2,571,925)</u>	<u>(2,681,930)</u>	<u>110,005</u>
<i>General revenues (expenses):</i>			
State General fund Appropriations	2,587,770	2,676,400	(88,630)
Other sources-Compensation Appropriation	-	-	-
Other Sources-STB Appropriation	5,430	39,020	(33,590)
Miscellaneous	<u> </u>	<u> </u>	<u> </u>
<i>Total general revenue (expenses)</i>	<u>2,593,200</u>	<u>2,715,420</u>	<u>(122,220)</u>
Reversion to State General Fund	<u>42,050</u>	<u>-</u>	<u>42,050</u>
Change in Net Position	<u>(20,775)</u>	<u>33,490</u>	<u>(54,265)</u>
Beginning Net Position	<u>(17,264)</u>	<u>(50,753)</u>	<u>33,489</u>
Ending net position	<u><u>\$ (38,039)</u></u>	<u><u>\$ (17,263)</u></u>	<u><u>\$ (20,776)</u></u>

Overall Financial Position and Results of Operations

Although the current assets increased by \$38,562 the overall financial position of the District Attorney's office has decreased by \$20,776 because total liabilities increased by \$59,338.

The increase in government-wide assets of \$38,562 is attributable to an increase in cash of \$62,715, and a decrease of \$20,461 in net capital assets due to annual depreciation. and an decrease in prepaid postage of \$3,675. Current liabilities increased by \$55,209. This is attributable to a increase in accounts payable of \$15,436, an increase in the accrued payroll, payroll taxes payable, and payroll benefits payable of \$6,412, a increase of \$42,050 in the amount due to the State General Fund, and a decrease in current compensated absences payable of \$9,289.

Long-term liabilities increased by \$4,129 because of changes in compensated absences.

The decrease in General Fund appropriations of \$0 was due budget reductions. There was no STB appropriations and the District reverted to the state general fund \$42,050.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GOVERNMENT-WIDE HIGHLIGHTS - FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - Continued
Overall Financial Position and Results of Operations - Continued

Budgetary Analysis

Differences between the original and final amended budgets for expenditure in the General Fund resulted in a 0% decrease. The change was the result of a legislative reduction in State General Fund appropriations subsequent to the original appropriation.

The operating budget for the General Fund from fiscal year 2016 to fiscal year 2017 decreased by \$86,088, a 3.21% decrease. The decrease was mainly attributed to a decrease of \$0 in State General Fund appropriations.

Capital Assets and Long-Term Debt

The District Attorney's capital assets consist of furniture and equipment, a portable building and vehicles. Capital assets, net of accumulated depreciation, were \$53,053 at June 30, 2017, a decrease of \$20,478 from fiscal year 2016 resulting entirely from the depreciation expense for the year. There were no current year deletions of capital assets and the District Attorney does not own any real property or infrastructure assets. The long-term debt consists of compensated absences payable that are due to employees for annual and sick leave accrued. In fiscal year 2017, the ending long-term debt accumulated portion was \$20,830. That is a increase of \$4,129 from fiscal year 2016.

Other Financial Highlights

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

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

Currently Known Facts, Decisions, or Conditions

There are no known facts, decisions or conclusions that are expected to have a significant effect on the financial position, results of operations or other changes at June 30, 2017. For FY 2018, the State Legislature and the Governor, during the first special session of the 2017 Legislative session, enacted a 0% in State General Fund appropriation reduction which had been authorized during initial 2017 Legislative session.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

AGENCY HIGHLIGHTS

The Eighth Judicial District is comprised of Taos, Colfax and Union Counties. The District Attorney oversees all functions of each county and the administrative office is located in Taos, New Mexico. There are 83 miles separating the Colfax and Union County offices. From Taos, the District attorney travels approximately 95 miles to Colfax County and 162 miles to Union County.

Our agency has 34 full-time employees and two vacant positions. Again, our agency receives its revenues mainly from the state general fund appropriations.

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

The District Attorney has participated in community outreach projects such as the New Mexico Department of Labor Career Day, Acequia Festival, Graffiti Clean-up and many school related activities. Training for law enforcement has been a priority for this office. A series of training ranging from basic report writing to advanced investigations has been offered and well received by law enforcement agencies. Forums on specific subjects have been offered to the public as well.

This administration has made a commitment to technological advances and to applying these advances in investigations and prosecution. We have brought technology to the courtroom by using Power Point presentations to present audit/visual aides to juries. We have also used digital recreation software to recreate crime scenes. Resources will continue to be sought and budgeted to keep up with technological trends. We are always seeking ways to improve our community to reduce crime and seek justice in our district.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

Donald Gallegos, District Attorney
Eighth Judicial District
105 Albright Street,
Suite L
Taos, New Mexico 87571
(575) 758-8683

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF NET POSITION
June 30, 2017

		<u>Governmental Activities</u>
ASSETS		
Investment in the State General Fund Investment Pool	\$ 172,388	
Prepaid postage expense	<u>2,427</u>	
Total Current Assets		\$ 174,815
Capital Assets	259,979	
Less accumulated depreciation	<u>(206,926)</u>	
Total capital assets, net of depreciation		<u>53,053</u>
Total Assets		<u><u>\$ 227,868</u></u>
LIABILITIES		
Current liabilities:		
Accounts Payable	\$ 35,902	
Stale Dated Warrants	580	
Accrued Salaries Payable	42,403	
Payroll Taxes Payable	17,958	
Payroll Benefits Payable	34,076	
Due To State General Fund	42,050	
Compensated Absences Payable - Current	<u>72,091</u>	
Total Current Liabilities		\$ 245,060
Noncurrent Liabilities:		
Compensated Absences Payable		20,830
Net Position:		
Investment in capital assets	52,920	
Unrestricted (deficit)	<u>(90,942)</u>	
Total Net Position		<u>(38,022)</u>
Total Liabilities and Net Position		<u><u>\$ 227,868</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	<u>Governmental Activities</u>
Program Expenses:	
Judicial:	
Administrative services	\$ (2,551,448)
Depreciation expense	<u>(20,478)</u>
Total Program Expenses	<u>(2,571,925)</u>
 General revenues, transfers and special items:	
General revenues, transfers and special items:	
State General Fund appropriations - transfers in (net of \$80,200 legislative reduction)	2,587,770
Other financing uses-transfer of capital assets	5,430
Reversion to State General Fund - transfers out	<u>(42,050)</u>
Total general revenues, transfers and special items	<u>2,551,150</u>
Change in net position	(20,775)
 Net Position:	
Net position, beginning	<u>(17,247)</u>
Net position, ending	<u><u>\$ (38,022)</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund - 16200
ASSETS:	
Investment in the State Treasurer General	
Fund Investment Pool	\$ 172,388
Prepaid Postage Expense	<u>2,427</u>
Total Assets	\$ <u><u>174,815</u></u>
LIABILITIES:	
Accounts Payable	\$ 35,902
Accrued Salaries Payable	42,403
State Dated Warrants	580
Payroll Taxes Payable	17,958
Payroll benefits payable	34,076
Due to State General Fund	<u>42,050</u>
Total Liabilities	<u>172,969</u>
FUND BALANCE:	
Non-spendable - prepaid postage	2,427
Restricted	-
Committed	-
Unassigned	<u>(581)</u>
Total Fund Balance	<u>1,846</u>
Total Liabilities And Fund Balance	\$ <u><u>174,815</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2017

Total Fund Balance for the Governmental Funds	\$ 1,846
--	----------

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

Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	53,053
--	--------

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(92,921)</u>
---	-----------------

Net Position of Governmental Activities	\$ <u><u>(38,022)</u></u>
--	---------------------------

The Accompanying Notes Are An Integral Part Of These Financial Statements

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

	General Fund - 16200
Expenditures:	
Current:	
Judicial:	
Personal services and employee benefits	2,356,864
Contractual services	19,214
Other costs	<u>180,531</u>
Total expenditures	<u>2,556,609</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(2,556,609)</u>
 Other Financing Sources (uses):	
State General Fund appropriations - transfers in (Net of \$80,200 legislative reductions)	2,587,770
Other uses - transfer of fixed assets	5,430
Reversion to State General Fund - transfers out	<u>(42,049)</u>
Total other financing sources (uses)	<u>2,551,151</u>
Net change in fund balance	(5,458)
Fund balance, beginning of year	<u>7,304</u>
Fund balance, end of year	<u><u>\$ 1,846</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (BUDGET BASIS)
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND (FUND 16200)
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenues:				
Court Fines and Forfeitures	\$ -	\$ -	\$ -	\$ -
State General Fund Appropriations	2,593,200	2,593,200	2,593,200	-
Other Financing Sources	-	-	-	-
Total Revenues	\$ 2,593,200	\$ 2,593,200	\$ <u>2,593,200</u>	\$ <u>-</u>
Cash balance budgeted	<u>1,202</u>	<u>-</u>		
Total budgeted revenue	\$ <u>2,594,402</u>	\$ <u>2,593,200</u>		
EXPENDITURES				
Current:				
Judicial:				
Personal Service/Employee Benefits	\$ 2,436,300	\$ 2,397,200	\$ 2,356,864	\$ (40,336)
Contractual services	16,800	19,600	19,214	(386)
Other budgeted costs	140,100	176,400	176,856	456
Reduction in prepaid postage	-	-	3,675	3,675
Total expenditures	\$ <u>2,593,200</u>	\$ <u>2,593,200</u>	\$ <u>2,556,609</u>	\$ <u>(36,591)</u>
Reconciliation of Budgetary Basis to GAAP Basis:			<u>Revenue</u>	<u>Expenditures</u>
Budgetary Basis			\$ 2,593,200	\$ 2,556,609
Reversion to State General Fund			-	42,049
GAAP Basis			\$ <u>2,593,200</u>	\$ <u>2,598,658</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Agency Funds
June 30, 2017

ASSETS

Pre-prosecution Diversion Program	\$ 2,945
Worthless Check Program	<u>120</u>
Total assets	<u>\$ 3,065</u>

LIABILITIES

Assets held for others	<u>\$ 3,065</u>
Total liabilities	<u>\$ 3,065</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies

The financial statements of the Eighth Judicial District Attorney (District Attorney) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASS) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District Attorney's accounting policies are described below:

Financial Reporting Entity

The District Attorney operates under Article 6, Section 24, NMSA 1978 Compilation. The District Attorney provides law enforcement as its primary service. Financing of the District Attorney is by state appropriation.

The Office of the District Attorney is a part of the primary government 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 Attorney has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The District Attorney is part of the primary government of the State of New Mexico and its financial data is included with the financial data of the state. The State of New Mexico does issue a Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The District Attorney has no component units that are required to be reported in its financial

statements. The District Attorney is a user organization of the Statewide Human Resource, Accounting, and Management Reporting System (SHARE) - Agency 25800. The service organization is the Department of Finance and Administration (DFA).

1. Basis of Accounting

The basic financial statements include both government-wide and fund financial statements. The reporting model focus is on either the District Attorney as a whole or major individual funds. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

2. Basis of Presentation

Government-Wide Financial Statements (Basic Financial Statements) The statement of net position and the statement of activities are the District Attorney's basic financial statements and display information about the District Attorney, the primary government, as a whole, without displaying individual funds or fund types. Generally these statements distinguish between activities that are governmental and those that are considered business-type activities. The District Attorney has no business-type activities. Therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature. Interfund receivables and payables between funds within the governmental activities are eliminated in the Statement of Net Position. The government-wide statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASBS 33, Accounting and Financial Reporting for NonExchange Transactions. The revenue recognition policy for grants is when the eligibility requirements have been met, and costs have been incurred.

The government-wide Statement of Activities demonstrates the direct expenses of the single function (Judicial) of the District Attorney which is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The District Attorney has no indirect expenses and, therefore, indirect expenses are not required to be allocated to functions in the Statement of Activities. Program revenues include:

Federal and state operating grants provided by a particular function or program. Other revenues not identifiable with a particular function or program are included as general revenue. The general revenues support the net costs of the function or program not covered by program revenues.

GASBS 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, amended previous guidance on deferred revenue in the government-wide financial statements to include a deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

2. Basis of Presentation - Continued

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included in the balance sheet. The reported fund balance is considered a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within sixty days of year-end in order to pay current liabilities. Expenditures (including capital outlay - if applicable) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources and (c) demonstrate how the District Attorney's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement (Pages 13 & 15), which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District Attorney first uses restricted resources then unrestricted resources.

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

2. Basis of Presentation - Continued

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District Attorney and accounts for all revenues and expenditures of the District Attorney not encompassed within other funds. The SHARE fund number and description of the General Fund of the District Attorney is #16200 - Eighth Judicial District Attorney. The fund is a reverting fund.

Fiduciary Fund Types Fiduciary fund types include trust and agency funds which are used to account for assets held by the District Attorney in the capacity of trustee or agent.

Agency Trust Fund - Agency trust funds are used to account for assets held as an agent for other governmental units, individuals and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The agency trust fund is used to account for activities in which the District Attorney is acting in an agency capacity for the Administrative Office of the District Attorneys. Cost reimbursements or processing fees are received from clients/offenders as authorized in the Pre-prosecution Diversion Act (31-16A-1 through 31-16A-8 NMSA, 1978) and the Worthless Check Act (Section 30-36-1 through 30-36-10 NMSA, 1978). All amounts collected are payable to the Administrative Office of the District Attorneys.

During fiscal year 2016, the District Attorney adopted the following GASB statements:

GASBS 72, Fair Value Measurement and Application.

The Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. This statement will no have a material impact on the District Attorney's financial statements.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

2. Basis of Presentation - Continued

GASS 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

The Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement will not have a material impact on the District Attorney's financial statements.

3. Assets, Liabilities and Equity

Cash in Banks and Investment in the State Treasurer General Fund Investment Pool

The District Attorney's cash is in demand deposits and the State Treasurer General Fund Investment Pool. Deposits are non-interest bearing. The carrying value of such deposits is shown in Note C. All funds allotted to the District Attorney are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits. In addition, the District Attorney has cash on deposit with a local bank for the Worthless Check and Pre-Prosecution Diversion Programs for which the District Attorney acts in a fiduciary capacity.

Capital Assets

Capital assets of the District Attorney include furniture and equipment, a portable building and vehicles. The District Attorney does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,000, to items costing more than \$5,000. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, will be added to the inventory only if they meet the new capitalization policy. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment in accordance with 2.20.1.9 C (5). The cost of maintenance and repairs that do not add to the asset value or materially extend the asset's life, is not capitalized. The District Attorney does not undertake major capital projects involving interest costs during

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

3. Assets, Liabilities and Equity - Continued

Capital Assets Continued

the construction phase. There is no debt related to the capital assets. Capital assets of the District Attorney are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

<i>Furniture and equipment</i>	<i>5 -7 years</i>
<i>Portable building</i>	<i>15 years</i>
<i>Vehicles</i>	<i>5 years</i>

In the fund financial statements, capital assets used in the governmental fund operations are Furniture and equipment Portable building Vehicles accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

Compensated Absences Payable -

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semi-annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate. In accordance with GASS 16, Accounting for Compensated Absences, accrued compensated absences consists of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including related employers' matching FICA and medicare payroll taxes. Accrued vacation and sick leave pay are recorded as a liability and as an expenditure in the government-wide financial statements. In the fund financial statements, governmental funds do not report compensated absences liability payable since expendable available financial resources are not available.

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 month - 4 years	10
Over 4 - 8 years	11
Over 8 - 12 years	12
Over 12 -16 years	13
Over 16 years	14

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

3. Assets, Liabilities and Equity - Continued

Capital Assets Continued

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

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

District Attorney General Fund resources are used to liquidate accrued compensated absences.

Equity

Government-Wide Statements

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

- a. Investment in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The District Attorney has no outstanding debt relating to capital assets.
- b. Restricted net position, consists of net assets with constraints placed on their use by (i) external groups such as creditors, granters, contributors or laws or regulations of other governments; or (ii) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position is all other net assets that do not meet the definition of restricted or "investment in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned, as per GASBS 54, Fund Balance Reporting and Governmental Fund Type Definitions.

4. Budgets and Budgetary Accounting

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

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

4. Budgets and Budgetary Accounting - Continued

- b. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the state's General Appropriations Act.
- c. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit.
- d. The District Attorney submits, no later than September 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budgetary adjustments must be approved by the Director of the DFA - Budget Division and LFC. The current year budget was revised in a legal manner.
- e. Legal budgetary control for expenditures is at the "appropriation unit" level.
- f. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
- g. The budget for the General Fund is adopted on a modified accrual basis per the General Appropriations Act, Chapter 63, Laws of 2014, Section 3, Paragraph L. Budgetary comparisons presented in this report are on the modified accrual budgetary basis. However, there is statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY 2018 budget. At June 30, 2017, there were none.
- h. The original budgets differ from the final budget presented in the budget comparison statements (Exhibit G and Statement 1) by amendments made during the fiscal year.
- i. General Fund appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30. All amounts within the General Fund revert to the State General Fund.

In accordance with the requirements of Section 2.2.2 1 O.A (2) (b) of 2.2.2. NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASBS 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, footnote 53, the budgetary comparison statements for the General Fund has been included as part of the basic financial statements.

5. Use of Estimates

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note A - Summary of Significant Accounting Policies - Continued

6. Program Revenues

Program revenues include federal and state operating grants designated for operations. Revenue recognition is restricted to meeting the requirements of a particular function.

7. Deferred Inflows/Outflows of Resources

GAS BS 65, Items Previously Reported as Assets and Liabilities, became effective for financial statements for period beginning after December 15, 2012. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net assets reporting requirements in GASBS 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure of net position, rather than net assets.

8. Reversions

The General Appropriations Act of 2004 established the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration. The General Appropriations Act of 2014 continues the use of the modified accrual basis. In accordance with the department of finance and administration's "Basis of Accounting-Modified Accrual and the Budgetary Basis," the District has accrued as payables, amounts owed for goods and services received by June 30, 2016. Any remaining SHARE fund 16200 fund balance not assigned for program expenditures in future periods is reverted to the State General Fund in accordance with Section 6-5-10,

Note B - Collateral Pledged by Financial Institutions

Section 6-10-17, NMSA 1978 compilation, requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be 50% collateralized. All deposits with financial institutions were covered by FDIC insurance at June 30, 2017.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note C - Cash in Banks and Investment in the State Treasurer General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the District Attorney's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the District Attorney consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2017, cash accounts of the District Attorney, which are in local banks and in the State Treasurer's General Fund Investment Pool, consisted of the following:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Account Number</u>	<u>Share Fund #</u>	<u>Balance Per Depository</u>	<u>Outstanding Checks</u>	<u>Deposits In Transit</u>	<u>Balance Per Books</u>
Governmental Activities:							
State Treasurer	Eighth Judicial D.A. Operations	25800-16200	16200	\$ 172,388	\$ -	\$ -	\$ 172,388
Total Governmental Activities				<u>172,388</u>	<u>-</u>	<u>-</u>	<u>172,388</u>
Fiduciary - Agency Funds:							
First Community	Worthless Checks	Confidential	N/A	2,140	2,020	-	120
First Community	Pre-prosecution	Confidential	N/A	12,975	10,030	-	2,945
Total Fiduciary- Agency Funds				<u>15,116</u>	<u>12,051</u>	<u>-</u>	<u>3,065</u>
Total Cash and Cash Equivalents				<u>\$ 187,504</u>	<u>\$ 12,051</u>	<u>\$ -</u>	<u>\$ 175,453</u>

Pooled cash and investments of \$172,388 are on deposit with the New Mexico State Treasurer. In general, state statute requires that all deposits held by the State Treasurer be collateralized at a minimum level of 50%.

The June 30, 2017, New Mexico State Treasurer's General Fund Investment audited financial statements were not available as of October 25, 2017. Based on the State Treasurer's unaudited information, the management of the District Attorney has presented pooled cash and investments at a value which approximates fair value as required by GASBS 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Interest Rate Risk -

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note C - Cash in Banks and Investment in the State Treasurer General Fund Investment Pool - Continued

Credit Risk -

The New Mexico State Treasurer pools are not rated. For additional GASBS 40, Deposits and Investment Risk Disclosures, disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2017.

State General Fund Investment Pool

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

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

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

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance and Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the STO, the NM Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the state and business unit level on a post implementation basis. As of June 30, 2017, the FCD in collaboration with the STO implemented a comprehensive reconciliation model that compared aggregated agency claims on the Pool and to the associated resources held by the STO. This process now has been reviewed by the independent public

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note C - Cash in Banks and Investment in the State Treasurer General Fund Investment Pool - Continued

State General Fund Investment Pool - Continued

accountants performing audits of the State General Fund, the DFA, and the State of New Mexico's Comprehensive Annual Financial Report for the fiscal year 2016. Each review of the process deemed it to be adequate and the findings related to cash reconciliations were significantly reduced or eliminated. The District Attorney has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in SHARE are correct and to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2017.

A memo provided by Department of Finance and Administration - Financial Control Division asserted that as of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources. All claims as recorded in SHARE shall be honored at face value.

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
Capital Assets-Historical Cost				
Furniture and equipment	\$ 15,428	\$ -	\$ -	\$ 15,428
Portable Buildings	1,500	-	-	1,500
Vehicles	<u>243,051</u>	<u>-</u>	<u>-</u>	<u>243,051</u>
Total capital assets	<u>\$ 259,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,979</u>
Related Accumulated Depreciation				
Furniture and equipment	\$ (15,428)	\$ -	\$ -	\$ (15,428)
Portable Buildings	(1,056)	(150)	-	(1,206)
Vehicles	<u>(169,964)</u>	<u>(20,327)</u>	<u>-</u>	<u>(190,291)</u>
Total accumulated depreciation	<u>\$ (186,448)</u>	<u>\$ (20,478)</u>	<u>\$ -</u>	<u>\$ (206,926)</u>
Capital Assets, Net of Accumulated Depreciation				
Net capital assets	<u>\$ 73,531</u>	<u>\$ (20,478)</u>	<u>\$ -</u>	<u>\$ 53,053</u>

Current Depreciation Expense is \$20,478

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note E - Due to State General Fund

The District Attorney receives a State General Fund appropriation annually. Any unexpended funds at the end of the fiscal year revert to the State General Fund. In addition, any other revenue received in the fund which is not specifically appropriated by the legislature also reverts to the State General Fund, except for federal funds and funds assigned for program expenditures in future periods. For fiscal year 2017, the District Attorney's office was appropriated \$2,676,400 from the State General Fund. The following is the computation of the amount due to the State General Fund:

Cash balance, June 30, 2017		\$	172,388
Add:			
Other receivables			-
Sub Total			172,388
Less			
Accounts payable, June 30, 2017	\$	35,902	
Accrued payroll, June 30, 2017		42,403	
Payroll taxes payable, June 30, 2017		17,958	
Payroll benefits payable, June 30, 2017		34,076	130,338
Due to State General Fund, June 30, 2017		\$	42,050

Note F - Compensated Absences Payable

At June 30, 2017, accrued compensated absences payable for accumulated employee leave totaled \$92,921. The following is a summary of changes in compensated absences:

		<u>Balance</u>		<u>Balance</u>	
		<u>6/30/2016</u>	<u>Increase</u>	<u>(Decrease)</u>	
				<u>6/30/2017</u>	
Current					
Compensated Absences Payable	\$	81,380	\$ 98,788	\$ (108,077)	\$ 72,091
Long-Term					
Compensated Absences Payable		16,701	28,544	(24,415)	20,830
Total					
Compensated Absences Payable	\$	98,081	\$ 127,332	\$ (132,492)	\$ 92,921

State General Fund appropriation revenues are used to liquidate compensated absences.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note G - Net Position Deficit

GASBS 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt in the Government-wide Statement of Net Position. This results in an unrestricted net asset Deficit of (\$90,494). This Deficit is created by compensated absences payable (annual and) sick leave) of \$92,921 which will be paid from State General Fund Appropriations to the District Attorney in future years and prepaid postage expense of \$2,427.

Note H - Operating Leases

The District Attorney has various operating leases, primarily for office equipment, which can be terminated if the state legislature does not appropriate money to the District Attorney with no penalty to the District Attorney. Operating lease expenditures for these leases for the year ended June 30, 2017, totaled \$18,143.

Minimum future annual rental payments under all operating leases are as follows:

<u>Year End</u> <u>June 30</u>	<u>Amount</u>
2018	\$ 18,278
2019	15,806
2020	6,057
2021	-
2022	-
Total	<u>\$ 40,142</u>

Note I - Pension Plan - Public Employees Retirement Association

Plan Description.

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note I - Pension Plan - Public Employees Retirement Association - CONTINUED

Funding Policy.

Plan members are required to contribute 8.92% (ranges from 6.28% to 18.15%) depending upon the plan, i.e., state general, municipal police, municipal fire, municipal detention officer) of their gross salary. The District Attorney is required to contribute 16.99% (ranges from 7% to 25.72%) depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the District Attorney's are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District Attorney's contribution to PERA for the fiscal years ending June 30, 2017, 2016 and 2015 were \$265,552, \$264,690, and \$251,850, respectively, which equal the amount of the required contributions for each fiscal year.

Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers

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

The District Attorney, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Note J - Post Employment Benefits - State Retiree Health Care Plan

Plan Description

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

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note J - Post Employment Benefits - State Retiree Health Care Plan - Continued

Plan Description - Continued

Eligible retirees are:

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

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, New Mexico 87107.

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note J - Post Employment Benefits - State Retiree Health Care Plan - Continued

Funding Policy - Continued

1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District Attorney's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$31,260, \$32,598, and \$30,413, respectively, which equal the required contributions for each year.

Note K - Risk Management and Litigation

The District Attorney is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Section 15-7-2, NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure, and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the District Attorney are accounted for in the General Fund. Any claims are processed through RMD.

There are no pending or known threatened legal proceedings involving material matters to which the District Attorney is a party.

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note L - Special Appropriations

The Eighth Judicial District Attorney did not receive any special appropriations during the current fiscal year.

Note L - Subsequent Events Review

A review of subsequent events through October 25, 2017, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF INTER-AGENCY TRANSFERS
June 30, 2017

General Fund	From	To	Transfers	
Fund 16200	Fund #	Fund #	In	Out
(1) Department of Finance and Administration State General Fund Appropriation	16800	16200	\$ 2,593,200	\$ -
(2) Transfer of Capital Assets to another agency	16200	85300		5,430
(3) Department of Finance and Administration State General Fund Appropriation Reduction	16200	85300	-	80,200
Total Inter-Agency Transfers			<u>\$ 2,593,200</u>	<u>\$ 80,200</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Ending Balance</u>
Pre-Prosecution Diversion Program				
Assets				
Cash in Bank	\$ 660	\$ 26,968	\$ (24,683)	\$ 2,945
Liabilities				
Assets Held for Others	\$ 660	\$ 26,968	\$ (24,683)	\$ 2,945
 Worthless Check Program				
Assets				
Cash in Bank	\$ 50	\$ 14,664	\$ (14,594)	\$ 120
Liabilities				
Assets Held for Others	\$ 50	\$ 14,664	\$ (14,594)	\$ 120
 Total Agency Funds				
Assets				
Cash in Bank	\$ 710	\$ 41,632	\$ (39,277)	\$ 3,065
Liabilities				
Assets Held for Others	\$ 710	\$ 41,632	\$ (39,277)	\$ 3,065

The Accompanying Notes Are An Integral Part Of These Financial Statements

Charles L. Henry

Certified Public Accountant

666 Cook Avenue
Raton, New Mexico 87740
(505) 681-9762

**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 AUDITOR'S REPORT

**Donald Gallegos, District Attorney
Office of the District Attorney
Eighth Judicial District
Taos, New Mexico
And
Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund (general fund), the aggregate remaining fund information, the budgetary comparisons of the general fund of the State of New Mexico, Eighth Judicial District Attorney (District Attorney), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of New Mexico, Eighth Judicial District Attorney's basic financial statements and the individual funds and related budgetary comparisons of the District Attorney, presented as supplemental information, and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New Mexico, Eighth Judicial District Attorney's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles L. Henry CPA
Raton, New Mexico
October 25, 2017

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

PRIOR-YEAR AUDIT FINDINGS

A - Repeated in current-year

None

B - Resolved and not included in current-year

None

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

None

STATE OF NEW MEXICO
EIGHTH JUDICIAL DISTRICT ATTORNEY
FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE
June 30, 2017

Financial Statement Preparation

The financial statements were prepared by the District Attorney's staff with the assistance of the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

Exit Conference

An exit conference was held on October 25, 2017, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Eighth Judicial District Attorney

Donald Gallegos - District Attorney
Ronald Olsen - Chief Deputy District Attorney
Suzanne Valerio - Chief Office Manager
Paula Sisneros - Chief Financial Officer
Jennifer Archuleta - Financial Assistant

Audit Firm - Charles L. Henry CPA

Charles L. Henry CPA