

State of New Mexico
Office of the District Attorney
Twelfth Judicial District

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018



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INGRAM

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Introductory Section

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State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Table of Contents
June 30, 2018

INTRODUCTORY SECTION

Table of Contents	5
Official Roster	6

REPORT

Independent Auditors' Report	8-10
Management's Discussion and Analysis	11-15

FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20-21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24-25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Budgetary Basis) and Actual:	
General Fund	29
Violence Against Women's Act (VAWA) Special Revenue Fund	30
High Intensity Drug Trafficking Area (HIDTA) Special Revenue Fund	31
Southwest Border Prosecution Initiative (SWBPI) Special Revenue Fund	32
Victims of Crime Act (VOCA) Special Revenue Fund	33
Notes to Financial Statements	34-52

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54-55
Schedule of Findings and Responses	56-57

OTHER DISCLOSURES	58
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**State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Official Roster
June 30, 2018**

<u>Name</u>	<u>Title</u>
Elected Officials	
John Sugg	District Attorney
Administration	
Scot Key	Chief Deputy District Attorney
James Dickens	Chief Deputy District Attorney
Rhonda Sanchez	Chief Financial Officer
Daniel Contreras	IT Administrator
Debra Garcia	Finance Specialist/Human Resources
Dana Scumaci	Office Manager

Report

INDEPENDENT AUDITORS' REPORT

Brian S. Colón
New Mexico State Auditor
John Sugg, District Attorney
Office of the District Attorney, Twelfth Judicial District
Alamogordo, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of the Office of the District Attorney, Twelfth Judicial District (the "District") as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2018, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the District are intended to present the financial position, the changes in financial position of the governmental activities and each major fund of the State of New Mexico that is attributed to the transactions of the District. They do not purport to, and do not, present fairly, the financial position of the State of New Mexico as of June 30, 2018, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 11 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 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 solely 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 effectiveness of the District's 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 30, 2018

**State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Management's Discussion and Analysis
June 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statement consists of the following: government-wide financial statements, governmental funds statements and a statement reconciling the government-wide financial statements to the governmental fund statements.

Basic Financial Statements

Government Wide Financial Statements (Statement of Net Position and Statement of Activities)

The government-wide financial statements report information about the District, as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government 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 basic financial statements report the District's net position and how they have changed.

Fund Financial Statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance)

The fund financial statements provide more detailed information about the District's significant funds. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District operates on State General Fund appropriations and federal grant awards. Income sources or programs are tracked using department codes.

Analysis of Financial Position (Statement of Net Position)

Total Assets: Total assets of \$380,831 includes cash on deposit with the State Treasurer (\$276,739) and capital assets (\$104,092).

Total Liabilities: Total Liabilities of \$270,552 includes Accounts Payable (\$15,582), accrued payroll and related liabilities (\$125,604), and compensated absences (\$129,366).

Net Position: Total Net Position of \$110,279 includes \$104,092 invested in capital assets, \$135,936 restricted and a deficit of \$129,749 in unrestricted.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Management's Discussion and Analysis
June 30, 2018

Analysis of District Attorney's Overall Financial Position

Statement of Net Position	2018	2017
Assets:		
Current and other assets	\$ 276,739	\$ 257,234
Capital assets	104,092	82,502
Total assets	\$ 380,831	\$ 339,736
Total Liabilities	\$ 270,552	\$ 273,938
Net position:		
Net investment in capital assets	104,092	82,502
Restricted	135,936	124,188
Unrestricted	(129,749)	(140,892)
Total net position	110,279	65,798
Total net position and liabilities	\$ 380,831	\$ 339,736

Result of Operations (Statement of Activities)

Total Revenues: State General Fund appropriations and federal awards provide the majority of the revenues, consisting of \$3,387,228: \$3,106,700 for appropriations and \$280,528 for program revenues, which were used for operational purposes.

Total Expense: Expenses are primarily operational, and include employee salaries and benefits and other operating costs, which total \$3,342,058.

The District had higher expenses related to personnel services and benefits.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Management's Discussion and Analysis
June 30, 2018

Analysis of District Attorney's Overall Results of Operations

Statement of Activities	2018	2017
Revenue:		
Program revenue	\$ 280,528	\$ 422,455
Appropriations	3,106,700	2,900,900
Gain (loss) on disposition of assets	-	3,950
Total revenues	3,387,228	3,327,305
Expenses:		
Administrative services	3,342,058	3,315,279
Reversion	689	30,531
Total expenses	3,342,747	3,345,810
(Decrease) in net position	\$ 44,481	\$ (18,505)

Analysis of Significant Changes in Individual Funds

The HIDTA Grant had a decrease in revenues of \$135,737 during fiscal year 2018, this was a result of loss of funding. In addition, the Southwest Border Prosecution Initiative Fund did not receive funding in the current year; therefore, fund balance was utilized to pay for current year expenditures.

Analysis of Significant Budget Variances

The table below provides a summary of budget to actual comparisons for the activity in the four major funds for fiscal year 2018. All funding sources, General Fund Appropriations (net of reversion), Other State Appropriations and other revenue sources are included in the analysis. An explanation of the major variances follows.

	Original Budget	Final Budget	Actual	Variance
Revenues:				
(Including State Appropriation)	\$ 3,329,300	\$ 3,394,363	\$ 3,386,539	\$ (7,824)
Expenditures:				
Personnel Services & Benefits	3,159,500	3,089,563	3,059,514	30,049
Contractual Services	84,400	149,400	67,978	81,422
Operating Costs	184,932	254,932	247,299	7,633
Total Expenditures	\$ 3,428,832	\$ 3,493,895	\$ 3,374,791	\$ 119,104

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Management's Discussion and Analysis
June 30, 2018

Analysis of Significant Budget Variances (Continued)

The District had budget adjustments during the fiscal year. In the District's General fund, "contractual services" were increased by \$65,000, and "other costs" were increased by \$70,000 and personnel services were decreased by the same amount. No other significant budget variances were made.

Significant Capital Asset and Long-Term Debt Activity

The following table provides a comparison between fiscal year 2018 and 2017 of the District's capital assets:

	6/30/2018	6/30/2017	Percentage Change
Machinery and equipment	\$ 20,974	\$ 16,953	19.2%
Vehicles	83,118	65,549	21.1%
Total capital assets, net	\$ 104,092	\$ 82,502	20.7%

Net capital assets increased as a result of the purchase of two vehicles and the deletion of capital asset items under \$5,000.

The only long-term debt is due to compensated absences payable for which the District had no long-term portion in the current year.

General Fund Budgetary Highlights

The State of New Mexico, Office of the District Attorney, Twelfth Judicial District intends to continue to lobby the legislature to increase the funding from the General Fund, and also will continue to seek out sources of federal funds.

The State Legislature makes annual appropriations to the State of New Mexico, Office of the District Attorney, Twelfth Judicial District. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the year, the State of New Mexico, Office of the District Attorney, Twelfth Judicial District revised its budget. These budget amendments fall into two categories:

1. Increases or reallocation of appropriations to prevent budget overruns.
2. Increases to account for grant increases or new grants.

**State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Management's Discussion and Analysis
June 30, 2018**

Currently Known Facts Expected to Have a Significant Effect on the District Financials

For fiscal year 2018 and beyond, the District will no longer be able to apply for the Southwest Border Prosecution Initiative grant as funding is no longer available. The HIDTA grant during fiscal year 2018 was reduced by \$135,737, and the District does not anticipate getting additional funding from HIDTA in the near future. We have received additional monies in fiscal year 2019 related to the VOCA grant to expand on victim advocates in the Lincoln County area.

District Contact Information

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Rhonda Sanchez, CFO
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Financial Statements

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Net Position
June 30, 2018

		Governmental Activities
Assets		
Current assets:		
Investments in the State General Fund		
Investment Pool	\$	276,739
Total current assets		276,739
Noncurrent assets:		
Capital assets, net		104,092
Total noncurrent assets		104,092
Total assets	\$	380,831
Liabilities and net position		
Liabilities		
Current liabilities:		
Accounts payable	\$	14,415
Accrued expenses		125,604
Stale dated warrants		1,167
Current portion of accrued compensated absences		129,366
Total current liabilities		270,552
Total liabilities		270,552
Net position		
Net investment in capital assets		104,092
Restricted for:		
Victims of violent crimes		16,960
Case prosecution		118,976
Unrestricted		(129,749)
Total net position		110,279
Total liabilities and net position	\$	380,831

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Activities
For the Year Ended June 30, 2018

	Governmental Activities
Program expenses	
Administrative services	\$ 3,342,058
Total program expenses	3,342,058
Program revenues	
Operating grants and contributions:	
Federal grants	280,528
Total program revenues	280,528
Net program expense	(3,061,530)
General revenues and transfers	
State General Fund appropriation	3,106,700
Reversion to the State General Fund	(689)
Total general revenues and transfers	3,106,011
Change in net position	44,481
Net position - beginning of year	65,798
Net position - end of year	\$ 110,279

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Balance Sheet
Governmental Funds
June 30,2018

	General Fund 16600	Violence Against Women's Act (VAWA) 89000	High Intensity Drug Trafficking Area (HIDTA) 91200
Assets			
Investments in the State General Fund Investment Pool	\$ 178,329	\$ -	\$ -
Total assets	\$ 178,329	\$ -	\$ -
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 2,425	\$ -	\$ -
Accrued expenses	110,120	-	-
Stale dated warrants	1,167	-	-
Total liabilities	113,712	-	-
Fund balances			
Spendable:			
Restricted	65,000	-	-
Unassigned	(383)	-	-
Total fund balances	64,617	-	-
Total liabilities and fund balances	\$ 178,329	\$ -	\$ -

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

Southwest Border Prosecution Initiative (SWBPI) 91300	Victims of Crime Act (VOCA) 91400	Total
\$ 81,427	\$ 16,983	\$ 276,739
<u>\$ 81,427</u>	<u>\$ 16,983</u>	<u>\$ 276,739</u>
\$ 11,990	\$ -	\$ 14,415
15,461	23	125,604
-	-	1,167
<u>27,451</u>	<u>23</u>	<u>141,186</u>
53,976	16,960	135,936
-	-	(383)
<u>53,976</u>	<u>16,960</u>	<u>135,553</u>
<u>\$ 81,427</u>	<u>\$ 16,983</u>	<u>\$ 276,739</u>

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

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State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30,2018

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

Fund balances - total governmental funds	\$ 135,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	104,092
Certain liabilities, including current 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	(129,366)
<hr/> Total net position of governmental activities	<hr/> \$ 110,279 <hr/>

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund 16600	Violence Against Women's Act (VAWA) 89000	High Intensity Drug Trafficking Area (HIDTA) 91200
Revenues			
Intergovernmental income:			
Federal operating grants	\$ -	\$ 35,945	\$ 124,327
Total revenues	-	35,945	124,327
Expenditures			
Current:			
Administrative services:			
Personnel services and employee benefits	2,766,300	35,945	124,327
Contractual services	44,400	-	-
Other	192,211	-	-
Capital outlay	38,100	-	-
Total expenditures	3,041,011	35,945	124,327
Excess (deficiency) of revenues over expenditures	(3,041,011)	-	-
Other financing sources (uses)			
State General Fund appropriation	3,106,700	-	-
Reversion to the State General Fund	(689)	-	-
Total other financing sources (uses)	3,106,011	-	-
Net change in fund balances	65,000	-	-
Fund balances - beginning of year	(383)	-	-
Fund balances - end of year	\$ 64,617	\$ -	\$ -

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

Southwest Border Prosecution Initiative (SWBPI) 91300	Victims of Crime Act (VOCA) 91400	Total
\$ -	\$ 120,256	\$ 280,528
-	120,256	280,528
12,686	120,256	3,059,514
23,578	-	67,978
16,988	-	209,199
-	-	38,100
53,252	120,256	3,374,791
(53,252)	-	(3,094,263)
-	-	3,106,700
-	-	(689)
-	-	3,106,011
(53,252)	-	11,748
107,228	16,960	123,805
\$ 53,976	\$ 16,960	\$ 135,553

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

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**State of New Mexico
Office of the District Attorney
Twelfth Judicial District**

**Reconciliation of the Statement of Revenues, Expenditures, and Change
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$	11,748
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Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense:

Capital outlay	38,100
Depreciation expense	(33,214)
Loss on disposition of capital assets	16,704

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

Decrease in accrued compensated absences	11,143
<hr/>	
Change in net position of governmental activities	\$ 44,481
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The accompanying notes are an integral part of these financial statements.

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State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variances Favorable
	Original	Final		(Unfavorable) Final to Actual
Revenues				
Intergovernmental income:				
Federal operating grants	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	2,836,300	2,766,300	2,766,300	-
Contractual services	44,400	109,400	44,400	65,000
Other	161,000	231,000	230,311	689
Total expenditures	3,041,700	3,106,700	3,041,011	65,689
Excess (deficiency) of revenues over expenditures	(3,041,700)	(3,106,700)	(3,041,011)	65,689
Other financing sources (uses)				
State General Fund appropriation	3,041,700	3,106,700	3,106,700	-
Reversion to the State General Fund	-	-	(689)	(689)
Total other financing sources (uses)	3,041,700	3,106,700	3,106,011	(689)
Net change in fund balance	-	-	65,000	65,000
Fund balances - beginning of year	-	-	(383)	(383)
Fund balances - end of year	\$ -	\$ -	\$ 64,617	\$ 64,617

P262 is the only appropriation level code in the fund.

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
Violence Against Women's Act (VAWA) Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variances Favorable
	Original	Final		(Unfavorable) Final to Actual
Revenues				
Intergovernmental income:				
Federal operating grants	\$ 37,100	\$ 37,136	\$ 35,945	\$ (1,191)
Total revenues	37,100	37,136	35,945	(1,191)
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	37,100	37,136	35,945	1,191
Total expenditures	37,100	37,136	35,945	1,191
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	\$ -	\$ -	\$ -

P262 is the only appropriation level code in the fund.

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
High Intensity Drug Trafficking Area (HIDTA) Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances Favorable (Unfavorable) Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental income:				
Federal operating grants	\$ 124,300	\$ 124,327	124,327	\$ -
Total revenues	124,300	124,327	124,327	-
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	124,300	124,327	124,327	-
Total expenditures	124,300	124,327	124,327	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	\$ -	\$ -	\$ -

P262 is the only appropriation level code in the fund.

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
Southwest Border Prosecution Initiative (SWBPI) Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variances Favorable
	Original	Final		(Unfavorable) Final to Actual
Revenues				
Intergovernmental income:				
Federal operating grants	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	35,600	35,600	12,686	22,914
Contractual services	40,000	40,000	23,578	16,422
Other	23,932	23,932	16,988	6,944
Total expenditures	99,532	99,532	53,252	46,280
Excess (deficiency) of revenues over expenditures	(99,532)	(99,532)	(53,252)	46,280
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	99,532	99,532	-	(99,532)
Total other financing sources (uses)	99,532	99,532	-	(99,532)
Net change in fund balance	-	-	(53,252)	(53,252)
Fund balances - beginning of year	-	-	107,228	107,228
Fund balances - end of year	\$ -	\$ -	\$ 53,976	\$ 53,976

P262 is the only appropriation level code in the personnel services and employee benefits expenditure line and ZB0503 is the only appropriation level code in the contractual services and other expenditure lines.

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
Victims of Crime Act (VOCA) Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variances</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Intergovernmental income:				
Federal operating grants	\$ 126,200	\$ 126,200	\$ 120,256	\$ (5,944)
Total revenues	126,200	126,200	120,256	(5,944)
Expenditures				
Current:				
Administrative services:				
Personnel services and employee benefits	126,200	126,200	120,256	5,944
Total expenditures	126,200	126,200	120,256	5,944
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balances - beginning of year	-	-	16,960	16,960
Fund balances - end of year	\$ -	\$ -	\$ 16,960	\$ 16,960

P262 is the only appropriation level code in the fund.

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District Attorney (the “District”) 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.

It is the duty of the District Attorney to prosecute and defend the state, in all courts of record, in all cases criminal and civil, in which the state or any county in the district may be a party. The District Attorney must represent any county in the district, at the request of the Board of County Commissioners. The District Attorney may also appear before the Board, without being requested to do so, when the Board is sitting as a Board of Equalization. The District Attorney must advise all county and state officers, whenever requested. The District Attorney is required to represent any county in the district before the Supreme Court or the Court of Appeals in all civil cases in which the county may be concerned, but not in suits brought in the name of the state. The District will be included in the State of New Mexico Comprehensive Annual Financial Report (CAFR).

Section 16-1A-15 through Section 36-1A-1 cited as the “DA Personnel and Compensation Act” established for all Districts is a uniform equitable and binding system of personnel administration.

The District is legally separate and fiscally independent of other state agencies, has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Included within the reporting entity is the District as described above. Other Executive Branch entities of government are excluded because they are established separately by statutes.

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

During the year ended June 30, 2018, the District adopted GASB Statements No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, GASB Statement No. 85 *Omnibus*, and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. These four statements are required to be implemented as of June 30, 2018, if applicable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, GASB Statement No. 61, and GASB Statement No. 80. 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, and is not a component unit of another government.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District does not have any business-type activities.

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, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on the 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 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.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 #16600 and is classified under district regular. These funds are reverting.

The *Violence Against Women's Act (VAWA) Special Revenue Fund* was created to assist States, Indian tribal governments, tribal courts, State and local courts, and units of local government to develop and strengthen effective law enforcement and prosecution strategies to combat violent crimes against women, and to develop and strengthen victim services in cases involving crimes against women. This federal program encourages the development and implementation of effective, victim-centered law enforcement, prosecution, and court strategies to address violent crimes against women and the development and enhancement of victim services in cases involving violent crimes against women. The authority for the creation of the fund is American Recovery and Reinvestment Act (ARRA) and approved for acceptance by the District Attorney. The VAWA fund operates under the SHARE number #89000. These funds are non-reverting.

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. 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 #91200. These funds are non-reverting.

The *Southwest Border Prosecution Initiative (SWBPI) Special Revenue Fund* operates under the SHARE number #91300. This fund supports the prosecution and detention of federally referred cases in four states, including Arizona, California, Texas, and New Mexico. In accordance with Bureau of Justice Assistance (BJA) guidelines, funds awarded may be used by jurisdictions for any lawful purpose. The program is designed to assist jurisdictions in meeting their financial burdens associated with the prosecution of federally funded cases. The source of these funds is federal, and the funds are non-reverting.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *Victims of Crime Act (VOCA) Special Revenue Fund* was funded to assist victims of violent crimes and is administered at the federal level through the U.S. Department of Justice. Enacted in 1984, VOCA is the central source of federal financial support for direct services to support victim assistance services for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other crimes. Each state has a designated VOCA assistance agency to administer VOCA grants. The VOCA fund operates under the SHARE number #91400. These funds 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.

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

Deposits and investments: The District's cash and cash equivalents consist of 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 2.20.1.9(C)(5) NMAC. Donated capital assets are recorded at estimated fair market value at the date of donation.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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:

Machinery and equipment	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, 2018, 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 a current liability in the government-wide statements, which 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. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1st and January 1st of each year. However, those hours will be paid out at fifty percent of the employee's regular hourly wage. There is no limit to the amount of sick leave that an employee may accumulate. Compensatory time is paid out as it is incurred.

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Twelfth 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, 2018, the restricted fund balance on the governmental funds balance sheet is made up of \$135,936 for the restricted purposes as defined by each fund. The restricted fund balance in the General Fund of \$65,000 has been restricted by the Legislature for case prosecution.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.”

E. Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

- a. No later than September 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.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

- b. Appropriation request hearings are scheduled by the JBO. Recommendations are made by the JBO to the Supreme Court 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 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.
- 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 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's budget for the fiscal year ending June 30, 2018, was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year.
- j. The District's general fund is a reverting fund (funds revert back to the State General Fund) and is 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, 2018.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

- 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, 2018.

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

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds		
Governmental funds:		
General Fund	\$ (3,041,700)	\$ (3,106,700)
VAWA	-	-
HIDTA	-	-
SB	(99,532)	(99,532)
VOCA	-	-

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

NOTE 3: INVESTMENTS IN THE STATE GENERAL FUND INVESTMENT POOL

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

In June 2012, an independent expert diagnostic report revealed that statewide cash balances in the SHARE general ledger accounts had not been reconciled to the State General Fund Investment Pool maintained at the State Treasurer's Office since the implementation of SHARE in July 2006.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 3: INVESTMENTS IN THE STATE GENERAL FUND INVESTMENT POOL (Continued)

Since then, State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance and Administration (DFA/FCD), has taken an aggressive action toward appropriate resolution.

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

On July 11, 2014, DFA/FCD commenced the Historical Cash Reconciliation Project (Phase II) in partnership with Deloitte & Touche, LLP. The scope of this project was July 1, 2006 (SHARE implementation) to January 31, 2013 (the point at which DFA/FCD began reconciling cash activity as noted in the paragraph above). An effort in late 2014 was made to reconcile transactions but was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive, and therefore, do not merit additional energy.

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

This process has now been reviewed by the independent public auditors 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 the cash reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100 million that had been reserved as a loss contingency.

For 2017, the following assertions are provided:

The calculated difference between resources maintained by the State Treasurer's Office and the agency claims has remained stable and within a narrow and acceptable range (less than \$200 thousand standard deviation) over the last twelve months.

Resources are sufficient to cover claims, and there is no need to adjust any specific business unit claim on the State General Fund Investment Pool.

All claims will be honored at face value.

**State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018**

NOTE 3: INVESTMENTS IN THE STATE GENERAL FUND INVESTMENT POOL (Continued)

For 2018, the following assertions were provided:

As of June 30, 2018, 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.

The District has policies and procedures in place to ensure that the cash balances in SHARE are correct to the extent that the District has controls (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receives and transfers to the state general fund and other state agencies pursuant to the state statute. Daily and monthly reconciliations procedures are in place to review all transactions of the District and to ensure that the information is correct and reported properly within the SHARE system. This reconciliation provides assurance to management that the balance reflected in the State General Fund Investment Pool account is accurate at the end of the reporting period.

At June 30, 2018, the Department had the following invested in the State General Fund Investment Pool:

<u>Governmental funds - state general fund investment pool</u>	<u>\$276,739</u>
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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 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.

Credit Risk. The New Mexico State Treasurer pools are not rated.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is summarized as follows:

	Balance				Balance
	June 30, 2017	Additions	Deletions		June 30, 2018
Capital assets being depreciated					
Machinery and equipment	\$ 392,334	\$ -	\$ 101,761		\$ 290,573
Vehicles	299,210	38,100	-		337,310
Total capital assets being depreciated	691,544	38,100	101,761		627,883
Less: accumulated depreciation					
Machinery and equipment	375,381	5,244	111,026		269,599
Vehicles	233,661	27,970	7,439		254,192
Total accumulated depreciation	609,042	33,214	118,465		523,791
Total capital assets, net of depreciation	\$ 82,502	\$ 4,886	\$ (16,704)		\$ 104,092

Depreciation expense for the year ended June 30, 2018 was \$33,214 and was charged to the administrative services function.

NOTE 5: LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance			Balance	Due Within
	June 30, 2017	Additions	Retirements	June 30, 2018	One Year
Accrued compensated absences	\$ 140,509	\$ 187,159	\$ 198,302	\$ 129,366	\$ 129,366

NOTE 6: INTERAGENCY TRANSFERS

Transfers for the year ended June 30, 2018 are summarized as follows:

Transfer From	SHARE	Agency	Transfer To	SHARE	Agency No.	Amount
	Fund No.	Number		Fund No.		
State General Fund	85300	34101	General Fund	16600	26200	\$ 3,106,700

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

Plan Description. The Public Employee Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Office, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions; and offers twenty-four (24) different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978).

Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978); the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978); the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978);, and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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 fiscal year ending June 30, 2018. 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 including schedules of required supplementary information and related notes 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 enterprise 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 inflow and outflow 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.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 8: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2018.

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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority (RHCA) of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 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.

NOTE 9: RISK MANAGEMENT

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

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 10: REVERSIONS

The District remitted \$689 in the General Fund to the State General Fund as of June 30, 2018. The reversion amount includes only state appropriations. Grant revenues accounted for in the special revenue funds are non-reverting.

NOTE 11: 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 12: FEDERAL 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 13: COMMITMENTS

The District entered into no agreements with contractors and architects for various construction projects for the year ended June 30, 2018.

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.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 15: SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2018 that would possibly require adjustment or disclosure in these financial statements, through October 30, 2018, the date that these financial statements were available to be issued.

No events have occurred subsequent to June 30, 2018 that would require adjustment or modification to the contents of these statements.

NOTE 16: 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 balance as of June 30, 2018.
- B. Excess of expenditures over budgeted amounts. The District had no funds exceeding budgetary authority as of June 30, 2018.
- C. Designated cash appropriations exceeding prior year available balances. The District had no funds exceeding available balances as of June 30, 2018.

NOTE 17: SUBSEQUENT PRONOUNCEMENTS

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Notes to Financial Statements
June 30, 2018

NOTE 17: SUBSEQUENT PRONOUNCEMENTS (Continued)

In April 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In August 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statement No. 14 and No. 61*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

Compliance Section

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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón
New Mexico State Auditor
John Sugg, District Attorney
Office of the District Attorney, Twelfth Judicial District
Alamogordo, 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, Twelfth Judicial District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was 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

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 30, 2018

**State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Schedule of Findings and Responses
June 30, 2018**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

SECTION II - PRIOR YEAR AUDIT FINDINGS

None noted

SECTION III - FINANCIAL STATEMENT FINDINGS

2018-001 – Internal Control over Accruals – Material Weakness

Condition: The District did not reverse their prior year revenue accrual in the amount of \$6,212 for the HIDTA Fund.

Criteria: The *Codification of Statements of Auditing Standards* AU Section 110.03 states that "management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. The entity's transactions and the related assets, liabilities, and equity are within the direct knowledge and control of management." In addition, generally accepted accounting principles, or GAAP, requires that you recognize income and expenses in the period they occur, not when money changes hands. Reversal entries at the start of a new year help ensure that you record accruals in the proper periods without double counting.

Effect: Due from federal government and federal revenue would have been overstated.

Cause: The District was unaware that this should be occurring.

State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Schedule of Findings and Responses
June 30, 2018

SECTION III - FINANCIAL STATEMENT FINDINGS (Continued)

2018-001 – Internal Control – Material Weakness (Continued)

Auditors' Recommendations: We recommend the District establish procedures to ensure that all accruals are properly reversed in the subsequent period.

District's Response: We will establish procedures to reverse accruals in the subsequent period.

Management's Corrective Action Plan: Establish procedures to reverse accruals in the subsequent period.

Employee Responsible: Rhonda Sanchez, CFO

Timeline and Estimated Completion Date: June 30, 2019

**State of New Mexico
Office of the District Attorney
Twelfth Judicial District
Other Disclosures
June 30, 2018**

EXIT CONFERENCE

An exit conference was held on October 30, 2018. In attendance were the following:

Representing the Office of the District Attorney, Twelfth Judicial District

John Sugg	District Attorney
Rhonda Sanchez	Chief Financial Officer
Angelica Herrera-Lucero	Financial Specialist

Representing Carr, Riggs & Ingram, LLC

Alan D. "A.J." Bowers, Jr., CPA	Partner
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AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC prepared the GAAP basis financial statements and footnotes for the Office of the District Attorney, Twelfth Judicial District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.