

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II**

**FINANCIAL STATEMENTS AND SCHEDULES
WITH INDEPENDENT AUDITORS'
REPORT THEREON FOR THE
FISCAL YEAR ENDED JUNE 30, 2018**

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
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**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
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**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II**

OFFICIAL ROSTER

JUNE 30, 2018

District Attorney

Paula Pakkala	District Attorney
R. David Pederson	Chief Deputy District Attorney
Earl Rhoads	Deputy District Attorney

Administrative Officials

Loretta Diaz	CFO
Antoinette Esquibel	Program Specialist
Simone Nez	Program Administrator



Independent Auditors' Report

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and

Paula Pakkala, District Attorney
Eleventh Judicial District Attorney - Division II
Gallup, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information and the budgetary comparisons for the General Fund and major special revenue funds of the State of New Mexico, Office of the District Attorney, Eleventh Judicial District - Division II (Office) as of and for the year ended June 30, 2018 and the related notes to the financial statements which collectively comprises the Office'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 Office'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 on the Office'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 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, each major fund and the aggregate remaining fund information of the Office as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

The Office has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

These other schedules required by Section 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 of to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, these other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2018 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Office's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 28, 2018

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
ASSETS	
Current Assets	
Investment in State General Fund Investment Pool	\$ 333,556
Due From Local Governments	<u>7,582</u>
Total Current Assets	341,138
Capital Assets, Net	<u>39,324</u>
Total Assets	<u>\$ 380,462</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 10,816
Accrued Payroll	82,820
Accrued Compensated Absences	<u>82,942</u>
Total Liabilities	<u>176,578</u>
 NET POSITION	
Net Investment in Capital Assets	39,324
Restricted for Special Revenue Funds	249,220
Unrestricted (Deficit)	<u>(84,660)</u>
Total Net Position	<u>203,884</u>
Total Liabilities and Net Position	<u>\$ 380,462</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Governmental Activities
Program Expenses	
Personal Services & Benefits	\$ 2,244,524
Contract Services	31,785
Other Costs	135,866
Depreciation Expense - Unallocated	64,133
Total Program Expenses	2,476,308
Program Revenues	
Government Grants	-
Other	101,063
Total Program Revenues	101,063
Net Program Expense	2,375,245
General Revenues and Transfers	
State General Fund Appropriations	2,268,000
Reversion to State General Fund FY 2018	(15,951)
Total Revenues and Transfers	2,252,049
Change in Net Position	(123,196)
Net Position - Beginning of Year	327,080
Net Position - End of Year	\$ 203,884

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund (16900)	McKinley County Grants Fund (27600)	Southwest Border Prosecution Fund (27700)	Total
ASSETS				
Current Assets				
Investment in State General Fund Investment Pool	\$ 83,359	\$ 2,619	\$ 247,578	\$ 333,556
Due from Local Governments	-	7,582	-	7,582
Total Assets	<u>\$ 83,359</u>	<u>\$ 10,201</u>	<u>\$ 247,578</u>	<u>\$ 341,138</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 6,060	\$ 365	\$ 4,391	\$ 10,816
Accrued Payroll	79,017	3,803	-	82,820
Total Liabilities	<u>85,077</u>	<u>4,168</u>	<u>4,391</u>	<u>93,636</u>
FUND BALANCES				
Assigned	-	6,033	243,187	249,220
Unassigned	(1,718)	-	-	(1,718)
Total Fund Balances	<u>(1,718)</u>	<u>6,033</u>	<u>243,187</u>	<u>247,502</u>
Total Liabilities and Fund Balances	<u>\$ 83,359</u>	<u>\$ 10,201</u>	<u>\$ 247,578</u>	<u>\$ 341,138</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balances for Governmental Funds \$ 247,502

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital Assets, Net 39,324

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated Absences Payable (82,942)

Net Position of Governmental Activities **\$ 203,884**

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund (16900)	McKinley County Grants Fund (27600)	Southwest Border Prosecution Fund (27700)	Total
REVENUES				
Intergovernmental Revenue - St. & Local Grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	101,063	-	101,063
Total Revenues	<u>-</u>	<u>101,063</u>	<u>-</u>	<u>101,063</u>
EXPENDITURES				
Current:				
Personal Services & Benefits	2,098,135	101,380	8,200	2,207,715
Contract Services	14,084	-	17,701	31,785
Other Costs	133,430	-	2,436	135,866
Capital Outlay	6,400	-	-	6,400
Total Expenditures	<u>2,252,049</u>	<u>101,380</u>	<u>28,337</u>	<u>2,381,766</u>
Excess/(Deficiency)-Revenues over Expenditures	<u>(2,252,049)</u>	<u>(317)</u>	<u>(28,337)</u>	<u>(2,280,703)</u>
OTHER FINANCING SOURCES AND (USES)				
General Fund Appropriations	2,268,000	-	-	2,268,000
Reversion to the State General Fund - FY 2018	(15,951)	-	-	(15,951)
Total Other Financing Sources and (Uses)	<u>2,252,049</u>	<u>-</u>	<u>-</u>	<u>2,252,049</u>
Net Change in Fund Balances	-	(317)	(28,337)	(28,654)
Fund Balances, Beginning	(1,718)	6,350	271,524	276,156
Fund Balances, Ending	<u>\$ (1,718)</u>	<u>\$ 6,033</u>	<u>\$ 243,187</u>	<u>\$ 247,502</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
RECONCILIATION OF THE CHANGE IN FUND BALANCE OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (28,654)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	6,400	
Depreciation Expense	<u>(64,133)</u>	
Excess (Deficit) of capital outlay over depreciation expense		(57,733)

Expenses recognized in the Statement of Activities, not reported in the governmental funds:

Compensated Absences Expense		<u>(36,809)</u>
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Change in Net Position of Governmental Activities \$ (123,196)

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS) -
General Fund - 16900
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental Revenue - St. & Local Grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Expenditures - All Organizations				
Public Safety:				
Personal Services	2,111,800	2,111,800	2,098,135	13,665
Contractual Services	14,900	14,900	14,084	816
Other Costs	141,300	141,300	139,830	1,470
Total Expenditures	<u>2,268,000</u>	<u>2,268,000</u>	<u>2,252,049</u>	<u>15,951</u>
 Excess (deficiency) of Revenues over (under) Expenditures	<u>(2,268,000)</u>	<u>(2,268,000)</u>	<u>(2,252,049)</u>	<u>(15,951)</u>
 Other Financing Sources (Uses):				
General Fund Appropriations	<u>2,268,000</u>	<u>2,268,000</u>	<u>2,268,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,268,000</u>	<u>2,268,000</u>	<u>2,268,000</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,951</u>	<u>\$ (15,951)</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS) -
McKinley County Grants Fund - 27600
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental Revenue - St. & Local Grants	\$ 99,000	\$ 99,000	\$ -	\$ (99,000)
Miscellaneous	-	36,000	101,063	65,063
Total Revenues	<u>99,000</u>	<u>135,000</u>	<u>101,063</u>	<u>(33,937)</u>
Expenditures - All Organizations				
Public Safety:				
Personal Services	99,000	135,000	101,379	33,621
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Total Expenditures	<u>99,000</u>	<u>135,000</u>	<u>101,379</u>	<u>33,621</u>
Excess (deficiency) of Revenues over (under)				
Expenditures	<u>-</u>	<u>-</u>	<u>(316)</u>	<u>(67,558)</u>
Other Financing Sources (Uses):				
General Fund Appropriations	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (316)</u>	<u>\$ (67,558)</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (NON-GAAP
BUDGETARY BASIS) -
Southwest Border Prosecution Fund - 27700
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental Revenue - St. & Local Grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Expenditures - All Organizations				
Public Safety:				
Personal Services	11,200	11,200	8,200	3,000
Contractual Services	25,000	25,000	17,701	7,299
Other Costs	10,000	10,000	2,436	7,564
Total Expenditures	<u>46,200</u>	<u>46,200</u>	<u>28,337</u>	<u>17,863</u>
 Excess (deficiency) of Revenues over (under) Expenditures	<u>(46,200)</u>	<u>(46,200)</u>	<u>(28,337)</u>	<u>(17,863)</u>
 Other Financing Sources (Uses):				
General Fund Appropriations	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (46,200)</u>	<u>\$ (46,200)</u>	<u>\$ (28,337)</u>	<u>\$ (17,863)</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND (96800)
JUNE 30, 2018**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 5,126
Total Assets	<u>\$ 5,126</u>
LIABILITIES	
Deposits Held for Others	\$ 5,126
Total Liabilities	<u>\$ 5,126</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Office of the District Attorney, Eleventh Judicial District - Division II (Office) operates under Article 6, Section 24, NMSA 1978 Compilation. The Eleventh Judicial District - Division II serves McKinley County. The Office provides law enforcement as its primary service. Funding of the Office is by state appropriation.

The Office is a component unit of the judicial branch and these financial statements include all funds and activities over which the Office has oversight responsibility. The Office has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Office is part of the primary government of the State of New Mexico and its financial data is included in the State of New Mexico's audited Comprehensive Annual Financial Report which is inclusive of all agencies of the primary government. The Office has no component units that are required to be reported in its financial statements.

The accounting policies of the Office conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Office's significant accounting policies follows:

A. Basis of Accounting- GASB Statement No. 34

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

B. Basis of Presentation - Fund Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Office, 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 Office 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.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Office's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliations that briefly explain the adjustments necessary to transform the fund based financial statements into the government-wide statements are presented on the page following each fund statement.

The Office's fiduciary fund (agency 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 financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Office first uses restricted resources then unrestricted resources.

The accounts of the Office 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.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund types are used by the Office:

Governmental Funds

General Fund (SHARE Fund 16900) - The General Fund is the general operating fund of the Office. It is used to account for all revenues and expenditures of the Office not encompassed within other funds. Any unexpended balance remaining in the General Fund at the end of the fiscal year reverts to the General Fund of the State of New Mexico. The SHARE fund number and description of the General Fund of the Office is #16900 – Eleventh Judicial District Attorney - Division II.

Special Revenue Funds

1. The *McKinley County Grants Fund* (SHARE Fund 27600) - The McKinley County DWI Grant Fund provides prosecutorial services for DWI cases in McKinley County and is a non-reverting fund. 100% of expenditures are payroll reimbursements. The McKinley County DWI Grant Fund is invoiced for services rendered by three (3) full-time equivalents (FTE) as follows:

- DWI Secretary
- DWI Subpoena Clerk
- DWI Prosecutor

2. The *Southwest Border Prosecution Fund* (SHARE Fund 27700) - is specific to Southwest Border Prosecution Initiatives (SWBPI). The funding is based on statistical records that pertain to Drug Task Force involvement/prosecution.

The special revenue funds are non-reverting.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Office in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Office collects money from qualifying offenders in lieu of prosecution. It also collects money for worthless checks that were accepted by local businesses. The money collected is paid to the injured parties to reimburse them for their loss. In addition, a fee is collected and sent to the Administrative Office of the District Attorney for administration of the program.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Office is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Office. These amounts cannot be used for any other purpose unless the Office removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Office's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Office or through the Office delegating this responsibility to the Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Office would typically use *restricted* fund balances first, followed by *committed* resources, and then *assigned* resources, as appropriate opportunities arise, but reserves the right to selectively spend *unassigned* resources first to defer the use of these other classified funds.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

Investment in the State General Fund Investment Pool

The agency fund's cash and cash equivalents are demand deposits. Deposits are non-interest-bearing. The total carrying value of the deposits is shown in Note 3. All governmental funds allotted to the Office are held on deposit with the State Treasurer General Fund Investment Pool. Note 3 describes the carrying value of the investment. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

Capital Assets

In the government-wide financial statements, property, plant and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired with a value exceeding \$5,000 is also included in capital assets and depreciated.

New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization threshold for movable chattel and equipment items costing more than \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated. Depreciation is shown over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building Improvements	15 years
Furniture and Fixtures	7 years
Machinery and Equipment	6 years
Vehicles	5 years
Data Processing Equipment	3 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

Compensated Absences - The Office's policies regarding annual leave permits employees to accumulate earned, but unused annual leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. \$0 of the compensated absences was deemed long-term at June 30, 2018.

Deferred Outflows / Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net assets by the government which is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government which is applicable to a future reporting period. The Office has no deferred outflow or inflow of resources at June 30, 2018.

Government-Wide Statements

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

1. *Net investment in capital assets*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Office has no outstanding debt relating to capital assets.
2. *Restricted net position*, consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. *Unrestricted net position*, is all other net position that do not meet the definition of restricted or net investment in capital assets.

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 GASB Statement 54, effective for financial statements for periods beginning after June 15, 2010.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

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

1. No later than September 1, the Office submits to the Legislative Finance Committee (LFC) and the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July. The appropriation includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
3. The Office submits, no later than May 1, to DFA, an annual operating budget by category and line item based upon the appropriations made by the Legislature. DFA-Budget Division reviews and approves the operating budget which becomes effective in July. All subsequent budget adjustments must be approved by the Director of DFA – Budget Division. The current year budget was revised in a legal manner.
4. Legal budget control for expenditures is by appropriation unit and formal budgetary integration is employed as a management control device during the fiscal year for the Governmental Funds.
5. The budget for this state agency is adopted on the modified accrual basis or accounting except for the accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget.
6. Appropriations lapse at the end of the fiscal year unless specifically re-appropriated by the Legislature. Unexpended amounts within the General Fund revert to the State General Fund.

E. 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.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-wide financial statements.

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>
1 Month - 3 Years	10
Over 3 - 7 Years	12
Over 7 - 14 Years	14
Over 14 and beyond	16

The maximum accrued annual leave of 240 hours may be carried forward into the beginning of the next calendar year and any excess is lost.

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

F. 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. Accordingly, actual results could differ from those estimates.

G. Interfund Activity

Interfund transactions are treated as transfers and interfund payables and receivables at year end. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Program Revenues

Program revenues consist of various state grants. There are no other revenue types included in program revenues.

NOTE 2: 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 fifty percent collateralized. The collateralization of the Office's bank accounts is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

NOTE 3: INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

Investment in the State General Fund Investment Pool at year end are classified as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental Funds		
Investment in State General Fund		
Investment Pool (SHARE Fund 169)	\$ 83,359	\$ 83,359
Investment Pool (SHARE Fund 276)	2,619	2,619
Investment Pool (SHARE Fund 277)	<u>247,578</u>	<u>247,578</u>
Total Governmental Funds	<u>333,556</u>	<u>333,556</u>
Agency Funds		
Bank of America	<u>5,126</u>	<u>5,126</u>
Total - Agency Fund	<u>5,126</u>	<u>\$ 5,126</u>
Total Cash	\$ 338,682	
Less: FDIC Insurance	<u>(250,000)</u>	
Total Uninsured Public Funds	<u>\$ 88,682</u>	

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 3: INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL
(CONTINUED)**

Custodial Credit Risk-Deposit

Custodial Credit Risk is the risk that in the event of a bank failure, the Office's deposits may not be returned. The Office does not have a policy for custodial credit risk. As of June 30, 2018, none of the Office's bank balance was exposed to custodial credit risk. Since all of the bank accounts are considered to be under the State Treasurer's control, the bank accounts are over collateralized.

NOTE 4: RECEIVABLES

Receivables at June 30, 2018 consist of:

	McKinley County Grants Fund
Receivables	
Due From Local Governments	\$ 7,582
Total Receivables	<u>\$ 7,582</u>

Receivables are expected to be fully collected.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5: CAPITAL ASSETS

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

<u>Capital Assets:</u>	Balance, June 30, 2017	Additions	Deletions	Balance, June 30, 2018
Furniture and Fixtures	\$ 57,004	\$ -	\$ 2,684	\$ 54,320
Equipment and Machinery	25,539	-	25,539	-
Data Processing Equipment	30,816	6,400	30,816	6,400
Building Improvements	72,347	-	-	72,347
Vehicles	295,286	-	-	295,286
Total	480,992	6,400	59,039	428,353
Less: Accumulated Depreciation for:				
Furniture and Fixtures	57,004	-	(2,684)	54,320
Equipment and Machinery	25,539	-	(25,539)	-
Data Processing Equipment	30,816	2,133	(30,816)	2,133
Building Improvements	58,616	8,908	-	67,524
Vehicles	211,960	53,092	-	265,052
Total	383,935	64,133	(59,039)	389,029
Capital Assets, Net	\$ 97,057	\$ (57,733)	\$ -	\$ 39,324

Current year depreciation expense is \$64,133 and has not been allocated to any function in the Statement of Activities.

NOTE 6: REVERSION TO STATE GENERAL FUND

The FY 2018 reversion to the State General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances consists of a \$15,951 reversion that was remitted to the state general fund for fiscal year ending June 30, 2018.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

	Balance, June		Balance, June		Amount Due
	30, 2017	Additions	Deletions	30, 2018	Within One
					Year
Compensated Absences	\$ 46,133	\$ 118,168	\$ 81,359	\$ 82,942	\$ 82,942
Total	<u>\$ 46,133</u>	<u>\$ 118,168</u>	<u>\$ 81,359</u>	<u>\$ 82,942</u>	<u>\$ 82,942</u>

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

NOTE 8: OPERATING LEASES

The Office leases office equipment under operating leases with third-party vendors. The contracts for leases include annual non-appropriation clauses which can terminate the respective leases. Lease expense under these leases amounted to \$9,159 for the year ended June 30, 2018. Annual future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 23,840
2020	10,692
2021	4,765
2022	2,383
Thereafter	-
Total	<u>\$ 41,680</u>

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9: PERA RETIREMENT PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2018.

The Office, 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.

Plan Description

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

Funding Policy

Plan members are required to contribute 9% of their gross salary. The Office is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Eleventh Judicial District - Division II Office are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the years ending June 30, 2018, 2017, and 2016 were \$247,801, \$257,479, and \$244,341, respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10: DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected to participate in the plan and permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Office nor the State of New Mexico contributes to the Deferred Compensation Plan. All contributions withheld from participants by the Office have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

NOTE 11: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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 employees after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plans 3, 4 or 5; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employers that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Office's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016, respectively, were \$29,170, \$30,309 and \$28,762, respectively, which equal the required contributions for the year.

See Independent Auditors' Report

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 11: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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 this standard for the fiscal year ended June 30, 2018.

The Office, 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 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 12: RISKS OF LOSS

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. This coverage is designed to satisfy the requirements of the State Tort Claims Act. All employees of the Office are covered by a blanket fidelity bond of a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2016 through June 30, 2018.

NOTE 13: CONTINGENT LIABILITIES

The Office is party to various claims and lawsuits arising in the normal course of business. Management and the Office's attorney are unaware of any material pending or threatened litigation, claims or assessments against the Office which are not covered by the Office's insurance as described in *Note 12*.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 14: FEDERAL AND STATE GRANTS

In the normal course of operations, the Office 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 15: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS FINANCIAL STATEMENTS

For the Office, budgetary basis is GAAP basis. There are no reconciling items in the statements.

NOTE 16: STATE GENERAL FUND INVESTMENT POOL RECONCILIATION

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except where otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation mode, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its fourth year. The process has been reviewed multiple times by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews has deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

It is asserted that as of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources. It is also asserted that all claims as recorded in the SHARE system shall be honored at face value.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 17: DEFICIT FUND BALANCE

Fund 16900, the General Fund, had a deficit fund balance of \$1,718. This was caused by an over-reversion in the prior year.

NOTE 18: SUBSEQUENT EVENTS REVIEW

A review of subsequent events through September 28, 2018, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
LIST OF DEPOSITS AND INVESTMENTS
JUNE 30, 2018

	<u>Type</u>	<u>Bank</u> <u>Balance</u>	<u>Financial</u> <u>Statement</u> <u>Balance</u>
Governmental Activities			
Investment in General Fund Investment Pool	Operating	\$ 83,359	\$ 83,359
Investment Pool (SHARE Fund 276)	Special Revenue	2,619	2,619
Investment Pool (SHARE Fund 277)	Special Revenue	<u>247,578</u>	<u>247,578</u>
Total - Governmental Activities		<u>\$ 333,556</u>	<u>\$ 333,556</u>
Agency Fund			
Bank of America	Checking	<u>\$ 5,126</u>	<u>\$ 5,126</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND (96800)
JUNE 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash in Bank:				
Trust Accounts	\$ 5,248	\$ 8,336	\$ 8,458	\$ 5,126
Total Assets	<u>\$ 5,248</u>	<u>\$ 8,336</u>	<u>\$ 8,458</u>	<u>\$ 5,126</u>
LIABILITIES				
Deposits Held for Others	\$ 5,248	\$ 8,458	\$ 8,336	\$ 5,126
Total Liabilities	<u>\$ 5,248</u>	<u>\$ 8,458</u>	<u>\$ 8,336</u>	<u>\$ 5,126</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF OPERATING TRANSFERS
JUNE 30, 2018

	<u>SHARE</u> <u>FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
			In	Out
(1)	34100	Department of Finance and Administration	\$ 2,268,000	\$ -
(2)	30600	State General Fund	-	(15,951)
			<u>\$ 2,268,000</u>	<u>\$ (15,951)</u>

(1) State General Fund Appropriation as per Laws 2017

(2) Reversion to State General Fund, Fiscal Year 2018.



**INDEPENDENT AUDITORS' 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**

Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and
Paula Pakkala, District Attorney
Eleventh Judicial District Attorney - Division II
Gallup, 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, the aggregate remaining fund information, the budgetary comparisons of the General Fund and major special revenue funds of the State of New Mexico, Office of the District Attorney, Eleventh Judicial District - Division II (Office) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report dated September 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Office'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office'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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office'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 Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 28, 2018

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

Section I – Current Year Findings

There were no current year findings.

Section II – Status of Prior Year Findings

There were no prior year findings.

**STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed at an exit conference held September 28, 2018.

The Office of the District Attorney, Eleventh Judicial District - Division II, was represented by:

- Paula Pakkala, District Attorney
- Loretta Diaz, CFO
- Antoinette Esquibel, Program Specialist

The firm of Kubiak Melton and Associates, LLC was represented by:

- Daniel O. Trujillo, CPA, CFE, CGFM, CGMA

The audited financial statements of the Office of the District Attorney, Eleventh Judicial District - Division II, were prepared from the original books and records provided by and with the assistance of the management of the Office and Kubiak Melton and Associates, LLC.