

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



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

INTRODUCTORY SECTION

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

FOR THE YEAR ENDED JUNE 30, 2014
TABLE OF CONTENTS

	<u>Exhibit / Schedule</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i
Official Roster		ii
FINANCIAL SECTION		
Independent Auditor’s Report		1
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	3
Statement of Activities	A-2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	5
Reconciliation of the Balance Sheet to the Statement of Net Position		6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities		8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual General Fund	C-1	9
McKinley County Grants Special Revenue Fund	C-2	10
Southwest Border Prosecution Special Revenue Fund	C-3	11
Statement of Fiduciary Assets and Liabilities – Agency Funds	D-1	12
Notes to the Financial Statements		13
SUPPLEMENTARY INFORMATION		
SUPPORTING SCHEDULES		
Schedule of Operating Transfers	I	27
Schedule of Changes in Assets and Liabilities – Agency Funds	II	28
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>		29
Schedule of Findings and Responses	III	31

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

OFFICIAL ROSTER
JUNE 30, 2014

Name

Title

Karl R. Gillson

District Attorney

Administrative Officials

Loretta Diaz

Chief Financial Officer

Antoinette Esquibel

Program Specialist

Andrea Hoffman

Program Administrator

FINANCIAL SECTION



Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas, New Mexico State Auditor
Karl R. Gillson, District Attorney
Office of the District Attorney, Eleventh Judicial District – Division II
Gallup, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the statement of fiduciary assets and liabilities of the Eleventh Judicial District Attorney – Division II (the Office), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 of material misstatement.

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

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

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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, 2014, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Office are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major special revenue fund of the State of New Mexico that are attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the State of New Mexico and of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Office's financial statements, and the combining and individual fund financial statements and budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the Office's internal control over financial reporting and compliance.



Albuquerque, New Mexico
December 8, 2014

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A-1

	Governmental Activities
ASSETS	
Interest in State General Investment Pool	\$ 257,175
Accounts receivable	-
Capital assets, net (Note 4)	134,115
Total assets	391,290
 LIABILITIES	
Accounts payable	2,238
Accrued payroll	52,175
Due to State General Fund	56,594
Noncurrent liabilities (Note 6):	
Due within one year	74,103
Total liabilities	185,110
 NET POSITION	
Net investment in capital assets	134,115
Restricted for:	
Southwest Borders Initiative	169,509
McKinley County Grants	-
Unrestricted (deficit)	(97,444)
Total net position	\$ 206,180

The accompanying notes are an integral part of these 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, 2014

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in</u> <u>Net Position</u>
Primary Government:			
Public safety:			
Administrative Services	\$ 2,237,637	\$ 162,539	\$ (2,075,098)
Depreciation	15,549	-	(15,549)
Total Primary Government	<u>\$ 2,253,186</u>	<u>\$ 162,539</u>	<u>(2,090,647)</u>
General Revenues:			
Miscellaneous			3,802
Transfers:			
General fund appropriation			2,086,400
Reversion to State general fund FY14			(56,594)
Reversion to State general fund FY13			48,255
Total General Revenues and Transfers			<u>2,081,863</u>
Change in net position			(8,784)
Net position, beginning of year			<u>214,964</u>
Net position, end of year			<u><u>\$ 206,180</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit B-1
(Page 1 of 2)

	General Fund	McKinley County Grants Fund	Southwest Border Prosecution Fund	Total
ASSETS				
<i>Current assets:</i>				
Interest in General Fund Investment Pool	\$ 87,666	\$ -	\$ 169,509	\$ 257,175
Accounts Receivable	-	-	-	-
Due from other funds	19,507	-	-	19,507
	<u>107,173</u>	<u>-</u>	<u>169,509</u>	<u>276,682</u>
<i>Total current assets</i>	<u>\$ 107,173</u>	<u>\$ -</u>	<u>\$ 169,509</u>	<u>\$ 276,682</u>
 LIABILITIES AND FUND BALANCE				
<i>Current liabilities:</i>				
Accounts payable	\$ 2,238	\$ -	\$ -	\$ 2,238
Accrued payroll	48,341	3,834	-	52,175
Due to other funds	-	19,507	-	19,507
Due to state general fund	56,594	-	-	56,594
	<u>107,173</u>	<u>23,341</u>	<u>-</u>	<u>130,514</u>
<i>Total current liabilities</i>	<u>107,173</u>	<u>23,341</u>	<u>-</u>	<u>130,514</u>
 <i>Fund balances :</i>				
Nonspendable	-	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special revenue	-	-	169,509	169,509
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(23,341)	-	(23,341)
	<u>-</u>	<u>(23,341)</u>	<u>169,509</u>	<u>146,168</u>
<i>Total fund balance</i>	<u>-</u>	<u>(23,341)</u>	<u>169,509</u>	<u>146,168</u>
 <i>Total liabilities and fund balance</i>	<u>\$ 107,173</u>	<u>\$ -</u>	<u>\$ 169,509</u>	<u>\$ 276,682</u>

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit B-1
(Page 2 of 2)

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

Fund balances - total governmental funds	\$ 146,168
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	134,115
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	<u>(74,103)</u>
Total Net Position	<u><u>\$ 206,180</u></u>

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B-2
(Page 1 of 2)

	General Fund	McKinley County Grants Fund	Southwest Border Prosecution Fund	Total
<i>Revenues:</i>				
Federal grants	\$ -	\$ 147,139	\$ -	\$ 147,139
Miscellaneous	19,202	-	-	19,202
<i>Total revenues</i>	<u>19,202</u>	<u>147,139</u>	<u>-</u>	<u>166,341</u>
<i>Expenditures:</i>				
Current:				
Public safety				
Personal Services & Benefits	1,901,069	175,819	-	2,076,888
Contractual	13,227	-	-	13,227
Other	182,967	-	2,995	185,962
<i>Total expenditures</i>	<u>2,097,263</u>	<u>175,819</u>	<u>2,995</u>	<u>2,276,077</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,078,061)</u>	<u>(28,680)</u>	<u>(2,995)</u>	<u>(2,109,736)</u>
<i>Other financing sources (uses):</i>				
General fund appropriation	2,086,400	-	-	2,086,400
Transfer - Reversion to State General Fund FY14	(56,594)	-	-	(56,594)
Transfer - Reversion to State General Fund FY13	48,255	-	-	48,255
Interfund transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,078,061</u>	<u>-</u>	<u>-</u>	<u>2,078,061</u>
<i>Net change in fund balances</i>	-	(28,680)	(2,995)	(31,675)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>5,339</u>	<u>172,504</u>	<u>177,843</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (23,341)</u>	<u>\$ 169,509</u>	<u>\$ 146,168</u>

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B-2
 (Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	(31,675)
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlay for the period.

Capital asset additions		49,564
Depreciation expense		(15,549)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, not reported as expenditures in governmental funds.

Increase in accrued compensated absences		(11,124)
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Net Change in Net Position	\$	(8,784)
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		YTD Actual	Variance Actual vs Final Budget-
	Original	Final		Positive (Negative)
<i>Revenues:</i>				
Federal grants	\$ -	\$ -	\$ -	\$ -
Other Financing Sources	-	-	-	-
Local government - Intrastate WTS	-	-	-	-
Miscellaneous	-	-	19,202	19,202
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>19,202</u>	<u>19,202</u>
<i>Expenditures:</i>				
Public safety				
Personnel services	1,997,300	1,924,992	1,901,069	23,923
Contractual services	13,500	13,700	13,227	473
Other	91,000	175,500	182,967	(7,467)
<i>Total expenditures</i>	<u>2,101,800</u>	<u>2,114,192</u>	<u>2,097,263</u>	<u>16,929</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,101,800)</u>	<u>(2,114,192)</u>	<u>(2,078,061)</u>	<u>36,131</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
State general fund appropriation	2,101,800	2,114,192	2,086,400	(27,792)
Reversion to State general fund FY11	-	-	-	-
Reversion to State general fund FY13	-	-	48,255	48,255
Interfund transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,101,800</u>	<u>2,114,192</u>	<u>2,134,655</u>	<u>20,463</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	56,594	<u>\$ 56,594</u>
Fund balances - beginning of year			<u>125,839</u>	
Fund balances - end of year			<u>\$ 182,433</u>	
Reconciliation to GAAP Basis:				
Net change in fund balances			\$ 56,594	
Adjustments to revenues			(56,594)	
Adjustments to expenditures			<u>0</u>	
Change in Net Fund Balances			<u>\$ -</u>	

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
MCKINLEY COUNTY GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		YTD Actual	Variance Actual vs Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal grants	\$ 167,400	\$ 172,700	\$ 147,139	\$ (25,561)
Other Financing Sources	-	-	-	-
Local government - Intrastate WTS	-	-	-	-
Other Gifts & Grants	-	-	-	-
<i>Total revenues</i>	167,400	172,700	147,139	(25,561)
<i>Expenditures:</i>				
Public safety				
Personnel services	167,400	172,700	172,700	-
Contractual services	-	-	-	-
Other	-	-	-	-
<i>Total expenditures</i>	167,400	172,700	172,700	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(25,561)	(25,561)
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
State general fund appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	\$ -	\$ -	(25,561)	\$ (25,561)
Fund balances - beginning of year			(860)	
Fund balances - end of year			\$ (26,421)	
<i>Reconciliation to GAAP Basis:</i>				
Net change in fund balances			\$ (25,561)	
Adjustments to revenues			-	
Adjustments to expenditures			(3,119)	
Change in Net Fund Balances			\$ (28,680)	

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

STATE OF NEW MEXICO

Exhibit C-3

OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
SOUTHWEST BORDER PROSECUTION FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		YTD Actual	Variance Actual vs Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal grants	\$ -	\$ -	\$ -	\$ -
Other Financing Sources	-	-	-	-
Local government - Intrastate WTS	-	-	-	-
Other Gifts & Grants	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Public safety				
Personnel services	-	145,738	-	145,738
Contractual services	-	3,500	-	3,500
Other	-	23,258	2,995	20,263
<i>Total expenditures</i>	<u>-</u>	<u>172,496</u>	<u>2,995</u>	<u>169,501</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(172,496)</u>	<u>(2,995)</u>	<u>169,501</u>
<i>Other financing sources (uses):</i>				
State general fund appropriation	-	-	-	-
Interfund transfers	-	-	-	-
Designated cash	-	172,496	-	(172,496)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>172,496</u>	<u>-</u>	<u>(172,496)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,995)</u>	<u>\$ (2,995)</u>
Fund balances - beginning of year			<u>175,119</u>	
Fund balances - end of year			<u>\$ 172,124</u>	
<i>Reconciliation to GAAP Basis:</i>				
Net change in fund balances			\$ (2,995)	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Change in Net Fund Balances			<u>\$ (2,995)</u>	

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,861</u>
<i>Total assets</i>	<u><u>\$ 3,861</u></u>
 LIABILITIES	
Due to injured parties	<u>\$ 3,861</u>
<i>Total liabilities</i>	<u><u>\$ 3,861</u></u>

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies

The Office of the District Attorney, Eleventh Judicial District - Division II (the Office) was created out of the Eleventh Judicial District Attorney bylaws 1981, Chapter 25, paragraph 4. The District Attorney provides law enforcement as its primary service. Financing of the Office is by state appropriation.

These financial statements include all funds and activities over which the District Attorney 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 should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The financial statements of the Office have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Office's accounting policies are described below.

A. Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Office is considered a *primary government*, since it is a special-purpose government which is legally separate and is fiscally independent of other state agencies. As used in GASB Statement No. 14, fiscally independent means that the Office may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Office also has no *component units*, as defined by GASB Statement No. 14 and/or GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as there are no other legally separate organizations for which the Office is financially accountable. There are no other primary governments with which the Office is financially accountable. There are no other primary governments with which the Office has a significant relationship.

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Office does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. For the Office, these revenues consist of federal, state and local government operating grants. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

B. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity. The District’s agency fund is for fees collected for worthless checks and pre-prosecution diversion fees and such funds are distributed to victims and the Administrative Office of the District Attorneys.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental funds are used to account for the Office's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

The *General Fund* is the primary operating fund of the Office, and accounts for all financial resources, except those required to be accounted for in other funds. The SHARE number and description of the General Fund of the Office is #16900 Eleventh Judicial District - Division II. This fund is a reverting fund with regards to state appropriations. All state appropriations remaining at the end of the fiscal year revert to the state's general fund. Other sources of revenue may result in an ending fund balance that is reserved for that revenue source's purpose.

The *McKinley County Grants Special Revenue Fund (27600)* is specific to McKinley County DWI Grant awards. 100% of expenditures are payroll reimbursements. Upon receipt of payroll and reconciliation, McKinley County is invoiced for services rendered by three (3) full-time equivalents (FTE) as follows:

- DWI Secretary
- DWI Subpoena Clerk
- DWI Prosecutor.

This fund is a non-reverting fund.

The *Southwest Border Prosecution Special Revenue 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. This fund is a non-reverting fund.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Office's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Office's general revenues.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Office has elected not to follow subsequent private-sector guidance.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Office reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Office does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents: The Office’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All funds allotted to the Office are held on deposit with the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

State statutes authorize the Office to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer’s Investment Pool. Investments for the Office are reported at fair value.

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2014 financial statements of the Office, since the Office did not own any infrastructure assets as of June 30, 2014. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the Office did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2014, the Office did not receive any donated capital assets.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2014.

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

Building improvements	15 years
Furniture and fixtures	7 years
Machinery and equipment	6 years
Vehicles	5 years
Date processing equipment	3 years

Compensated Absences: Qualified employees accumulate annual leave as follows:

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Assets or Equity

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 employees current hourly rate. 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 120 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

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

In addition, the 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.

In prior years, substantially all of the related expenditures have been liquidated by the general fund.

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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net assets.

Net Assets or Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of these classifications is presented in Note 14.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets: Consists of net assets 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. Descriptions for the related restrictions for net assets are restricted for “debt service or capital projects.”

Unrestricted net assets: All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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 affecting the Office’s financial statements include management’s estimate of the useful lives of capital assets.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

- No later than September 1, the Office submits 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.
- 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.
- 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. The 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 the DFA - Budget Division. The current year budget was revised in a legal manner.
- Legal budget control for expenditures and encumbrances is by category.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
- The budget is now adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the Laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. In this year of transition, the current year GAAP expenditures will include charges against prior year encumbrances; the current year budget basis, however, excludes expenditures charged against prior year encumbrances. Under the previous method of accounting, those charges were included in the prior year budget basis as expenditures. In future years, the District will not have encumbrances related to prior year appropriations and the budget basis expenditures will be the same as the modified accrual basis expenditures.
- Appropriations lapse at the end of the fiscal year unless specifically re-appropriated. Unexpended amounts within the General Fund of the Office revert to the State General Fund.
- Per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. Stewardship, Compliance and Accountability (Continued)

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014, is presented on the Statement of Revenues, Expenditures and Changes in Fund Balance –Budget (Non-GAAP Budgetary Basis) and Actual for each governmental fund.

NOTE 3. Cash and Investments

State statutes authorize the investment of Office funds in a wide variety of instruments including certificates of deposit and other similar obligations, State Treasurer General Fund Investment Pool, money market accounts, and United States Government obligations. All invested funds of the Office properly followed State investment requirements as of June 30, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Office. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Deposits – Agency Funds

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the entities for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor’s requirements in reporting the insured portion of the deposits. At June 30, 2014, the carrying amount of these deposits was \$3,861.

		<u>Bank of America</u>
Total amounts of deposits (checking account)	\$	6,273
FDIC coverage		<u>(6,273)</u>
Total uninsured public funds	\$	<u>0</u>

Investments – SHARE Fund 16900

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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Cash and Investments - (Continued)

As of June 30, 2014, the Office had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>Less than 1 Year</u>
Interest in the State Treasurer General Fund Investment Pool	\$ 253,506	\$ 253,506

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2014. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance. The prices of securities fluctuate with market interest rate and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2013, the Office's investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 60-day WAM.

For additional GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

Reconciliation of Cash and Interest in General Fund Investment Pool

Governmental Funds – Balance Sheet	
Interest in General Fund Investment Pool per Exhibit A-1	\$ 257,175
Statement of Fiduciary Assets and Liabilities –	
Agency Funds – cash per Exhibit D-1	<u>3,861</u>
	261,036
Add outstanding checks and other reconciling items	<u>1,257</u>
Total Interest in GFIP and Deposits	<u>\$ 259,779</u>

General Fund Investment Pool Not Reconciled

In June 2013 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and Management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Financial_Control.aspx. The document title is Current State Diagnostic of Cash Control.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Cash and Investments - (Continued)

The General Fund Investment Pool is the State of New Mexico’s main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2014, the General Fund Investment Pool rollover balances have not been reconciled at the business unit/fund level since the implementation of the SHARE system. Essentially, independent, third-party verification/confirmation of the Seventh Judicial District Court balances at the business unit/fund level is not possible. Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer’s Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State’s current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The 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. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items. The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration’s website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. Section 6-5-2.1 (J) NMSA 1978 requires DFA to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rule regarding reconciliation for state agencies. New Mexico Crime Victims Reparation Commission adheres to the standards established in the Cash Management Function of the Manual of Model Accounting Practices which was issued by the New Mexico Department of Finance and Administration – Financial Control Division. The Commission has taken every reasonable measure within its control to ensure that its cash balances in SHARE are correct.

The most recent Cash Management Remediation Project Monthly Status Report dated March 8, 2013 indicates that the new bank accounts were set up and DFA has commenced the creation of new ledger numbers required for the accounting associated with the new banking and accounting structure and processes. As of the audit report date, the Cash Management Remediation Built, Test, Implement, Operate (Project Phase II) is in process.

NOTE 4. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land is not subject to depreciation.

	Balance June 30, 2013	Additions & Transfers in	Deletions & Transfers out	Balance June 30, 2014
Capital Assets:				
Furniture & Fixtures	\$ 57,004	\$ –	\$ –	\$ 57,004
Machinery & Equipment	25,539	–	–	25,539
Data Processing Equipment	30,816	–	–	30,816
Building Improvements	72,347	–	–	72,347
Vehicles	247,432	49,564	21,087	275,909
Total Capital Assets:	433,138	49,564	21,087	461,615
Less Accumulated Depreciation for:				
Furniture & Fixtures	57,005	–	–	57,005
Machinery & Equipment	25,541	–	–	25,541
Data Processing Equipment	30,816	–	–	30,816
Building Improvements	39,324	4,823	–	44,147
Vehicles	180,352	10,726	21,087	169,991
Total Accumulated depreciation:	333,038	15,549	21,087	327,500
Governmental activities capital assets, net:	\$ 100,100	\$ 34,015	\$ –	\$ 134,115

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4. Capital Assets (Continued)

Capital assets, net of accumulated depreciation, at June 30, 2014 appear in the Statement of Net Position as follows:
 Governmental activities \$134,115.

Depreciation expense for the year ended June 30, 2014 was charged to Public Safety in the amount of \$15,549.

NOTE 5. Due to State General Fund

The Due to State General Fund in the Statement of Net Assets includes \$56,594 which comprises the 2014 reversion amount owed to the State General Fund.

NOTE 6. Long-term Debt

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences \$	62,979	\$ 205,536	\$ 194,412	\$ 74,103	\$ 74,103

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences – Administrative employees of the Office are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2014, compensated absences increased \$11,124 from the prior year accrual. See Note 1 for more details.

Operating Leases – The Office leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2014 was \$8,313.

NOTE 7. Risk Management

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes general liability, workers' compensation, law enforcement liability, civil rights, property and vehicle.

NOTE 8. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The McKinley County Grants fund maintained a deficit fund balance of \$23,341 as of June 30, 2014.
- B. Excess of expenditures over appropriations. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2014.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9. Pension Plan – Public Employees Retirement Association

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 (PERA) (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, New Mexico 87504-2123. The report is also available on PERA’s website at <http://www.pera.state.nm.us>

Funding Policy. Plan members are required to contribute 10.67% (ranges from 3.83% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Office is required to contribute 13.34% (ranges from 7.0% to 25.72% depending upon plan) of the gross covered salary. The contribution requirements of plan members and the Office are established in State statute 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 fiscal years ending June 30, 2014, 2013, and 2012 were \$210,802, \$204,384, and \$183,867, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. 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 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.

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 premiums 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

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plans 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 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, 2014, 2013, and 2012 were \$25,453, \$27,153, and \$25,147, respectively, which equal the required contributions for each year.

NOTE 11. Interfund Receivables, Payables, and Transfers

There were no operating transfers for the year ended June 30, 2014.

The Office occasionally records temporary interfund receivable and payables until appropriate transfers are made. All interfund balances are to be paid within one year. At June 30, 2014, the Office maintained interfund receivables/payables in the amount of \$19,507 between the General Fund and McKinley County Grants Fund which represented an interfund receivable/payable for a negative cash balance.

NOTE 12. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Office expects such amount, if any, to be immaterial.

The Office is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Office's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Office.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13. Deferred Compensation

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the 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 participation in the plan 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. 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 14. Subsequent Accounting Standard Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for financial statement for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*, which is effective for financial statement for periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is effective for financial statement for periods beginning after June 15, 2014.

NOTE 15. Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

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

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT – DIVISION II
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15. Governmental Fund Balance (continued)

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Detail relating to the fund balance classifications is displayed below:

	<u>General Fund</u>	<u>McKinley Count Grants Fund</u>	<u>Southwest Border Prosecution Fund</u>	<u>Total Funds</u>
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Public Safety	-	-	169,509	169,509
Capital Projects	-	-	-	-
Assigned to:				
Other Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Unassigned:				
Total Fund Balances	<u>-</u>	<u>(23,341)</u>	<u>-</u>	<u>(23,341)</u>
	<u>\$ -</u>	<u>\$ (23,341)</u>	<u>\$ 169,509</u>	<u>\$ 146,168</u>

SUPPLEMENTARY INFORMATION

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF OPERATING TRANSFERS
JUNE 30, 2014

Schedule I

	SHARE FUND	TITLE	TRANSFER	
			IN	OUT
(1)	34100	Department of Finance & Administration	2,086,400	
(2)	30600	State General Fund		(48,255)
(1)		State General Fund Appropriation (Laws 2011, Chapter 179, Section 4)	General Fund	
(2)		Reversion for fiscal year 2014	General Fund	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2014

Schedule II

	Beginning Balance	Additions	Deletions	Ending Balance
ASSETS				
Cash in Bank	\$ 3,205	\$ 41,220	\$ 40,564	\$ 3,861
<i>Total assets</i>	<u>\$ 3,205</u>	<u>\$ 41,220</u>	<u>\$ 40,564</u>	<u>\$ 3,861</u>
LIABILITIES				
Due to Injured Parties	\$ 3,205	\$ 41,220	\$ 40,564	\$ 3,861
<i>Total liabilities</i>	<u>\$ 3,205</u>	<u>\$ 41,220</u>	<u>\$ 40,564</u>	<u>\$ 3,861</u>

The accompanying notes are an integral part of these financial statements

COMPLIANCE SECTION



Griego Professional Services, LLC

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas, New Mexico State Auditor
Karl R. Gillson, District Attorney
Office of the District Attorney, Eleventh Judicial District – Division II
Gallup, New Mexico

We have audited, in accordance with the auditing standard 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 the major special revenue funds, of the Eleventh Judicial District Attorney – Division II (the Office), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements and have issued our report thereon dated December 8, 2014.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eleventh Judicial District Attorney – Division II’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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and responses as item FS 2013-001.

Responses to Findings

The Office’s response to the finding is identified in our audit is described in the accompanying schedule of findings and responses. The Office’s response is 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.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 8, 2014

STATE OF NEW MEXICO
OFFICE OF THE DISTRICT ATTORNEY
ELEVENTH JUDICIAL DISTRICT - DIVISION II
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

Schedule III

Section I – Summary of Audit Results

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified not considered to be a material weakness? | No |
| c. Control deficiency identified not considered to be a significant deficiency? | No |
| d. Noncompliance material to financial statements noted? | No |

Section II – Financial Statement Findings

FS 2013-001 – Failure to Obtain Proper Authorization for Expenditures (Compliance – Other Matter)

Condition: We noted four out of twenty five cash disbursements tested in the amount of \$936.49 where the Purchase Order was issued subsequent to the receipt of the invoice and management's authorization/review of the disbursement.

Criteria: Sufficient internal control policy requires the Office to obtain purchase orders for routine and reoccurring expenditure with authorizing signatures from the appropriate member of management. The Office utilized such internal control on the remainder of the disbursements tested.

Effect: Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised.

Cause: The Office has not placed appropriate emphasis on adherence to stated control policies.

Auditors' Recommendation: We recommend that the Office management stop disbursements for improperly authorized expenditures until appropriate authorization is gained.

Responsible Officials' Views: This agency has a concrete emphasis everlong to follow financials policies. Office management recognizes and will continue to strive and insure that in the future all purchase orders are processed prior ro invoices received. Management will advise our attorney and support staff to ensure the accounting procedure prior to acquiring certified copies from other court agencies that this may eliminate any future findings, these are primarily costly certified pleadings.

Section III – Prior Year Audit Findings

None

Section IV – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Office's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on December 15, 2014. The following individuals were in attendance.

Eleventh Judicial District Attorney – Division II

Karl R. Gillson, District Attorney
Antoinette Esquibel, Program Specialist
Andrea Hoffman, Program Administrator

Griego Professional Services, LLC

J.J. Griego, CPA