

**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, 2016**

**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, 2016**

**District Attorney**

Karl R. Gillson	District Attorney
Kerry Comiskey	Chief Deputy District Attorney
Gertrude Lee	Deputy District Attorney

**Administrative Officials**

Loretta Diaz	CFO
Antoinette Esquibel	Program Specialist
Simone Nez	Program Administrator



## **Independent Auditors' Report**

Honorable Timothy Keller  
New Mexico State Auditor  
Santa Fe, New Mexico  
and

Karl R. Gillson, 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, McKinley County Grants Fund, and the Southwest Border Prosecution Fund 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, 2016 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, 2016, 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 major governmental 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, the combining and individual fund 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.

The Schedule of Vendor Information required by 2.2.2.10(A)(2)(g) NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2016 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  
November 4, 2016

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT - DIVISION II  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Investment in State General Fund Investment Pool	\$ 390,600
Due From Local Government	8,379
<b>Total Current Assets</b>	<b>398,979</b>
Capital Assets, Net	138,315
<b>Total Assets</b>	<b>\$ 537,294</b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 5,689
Accrued Payroll	79,975
Due to State General Fund	11,888
Accrued Compensated Absences	71,733
<b>Total Current Liabilities</b>	<b>169,285</b>
<b>Total Liabilities</b>	<b>169,285</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	138,315
Restricted for Special Revenue Funds	301,427
Unrestricted	(71,733)
<b>Total Net Position</b>	<b>368,009</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 537,294</b>

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, 2016**

	<b>Governmental Activities</b>
<b>Program Expenses</b>	
Administrative Services	\$ 2,263,668
Depreciation Expense - Unallocated	<u>41,258</u>
<b>Total Program Expenses</b>	<u>2,304,926</u>
<b>Program Revenues</b>	
Government Grants	128,260
Other	<u>-</u>
<b>Total Program Revenues</b>	<u>128,260</u>
<b>Net Program Expense</b>	2,176,666
<b>General Revenues and Transfers</b>	
State General Fund Appropriations	2,213,100
Other Financing Sources	-
Reversion to State General Fund FY 2016	(11,888)
Change in Compensated Absences	<u>(3,590)</u>
<b>Total Revenues and Transfers</b>	<u>2,197,622</u>
Change in Net Position	20,956
<b>Net Position - Beginning of Year</b>	<u>347,053</u>
<b>Net Position - End of Year</b>	<u><u>\$ 368,009</u></u>

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, 2016**

	<b>General Fund</b>	<b>McKinley County Grants Fund</b>	<b>Southwest Border Prosecution Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets				
Investment in State General Fund Investment Pool	\$ 92,782	\$ 2,182	\$ 295,636	\$ 398,600
Receivables Due From Local Government	-	8,379	-	8,379
<b>Total Assets</b>	<u>\$ 92,782</u>	<u>\$ 10,561</u>	<u>\$ 295,636</u>	<u>\$ 398,979</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 5,689	\$ -	\$ -	\$ 5,689
Accrued Payroll	75,205	4,770	-	79,975
Due to the State General Fund	11,888	-	-	11,888
<b>Total Liabilities</b>	<u>92,782</u>	<u>4,770</u>	<u>-</u>	<u>97,552</u>
<b>FUND BALANCES</b>				
Nonspendable				
Restricted for Special Revenue Funds	-	5,791	295,636	301,427
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>5,791</u>	<u>295,636</u>	<u>301,427</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 92,782</u>	<u>\$ 10,561</u>	<u>\$ 295,636</u>	<u>\$ 398,979</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, 2016**

Total Fund Balances for Governmental Funds	\$ 301,427
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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	138,315
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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	<u>(71,733)</u>
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<b>Net Position of Governmental Activities</b>	<b><u>\$ 368,009</u></b>
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**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, 2016**

	<u>General Fund</u>	<u>McKinley County Grants Fund</u>	<u>Southwest Border Prosecution Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Federal Grants	\$ -	\$128,260	\$ -	\$ 128,260
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>128,260</u>	<u>-</u>	<u>128,260</u>
<b>EXPENDITURES</b>				
Current:				
Personal Services & Benefits	1,986,070	128,459	9,607	2,124,136
Contract Services	20,056	-	-	20,056
Other Costs	119,476	-	-	119,476
Capital Outlay	<u>75,610</u>	<u>-</u>	<u>-</u>	<u>75,610</u>
<b>Total Expenditures</b>	<u>2,201,212</u>	<u>128,459</u>	<u>9,607</u>	<u>2,339,278</u>
Excess/(Deficiency)-Revenues over Expenditures	<u>(2,201,212)</u>	<u>(199)</u>	<u>(9,607)</u>	<u>(2,211,018)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
General Fund Appropriations	2,213,100	-	-	2,213,100
Other Financing Sources	-	-	-	-
Reversion to the State General Fund - FY 2016	<u>(11,888)</u>	<u>-</u>	<u>-</u>	<u>(11,888)</u>
<b>Total Other Financing Sources and (Uses)</b>	<u>2,201,212</u>	<u>-</u>	<u>-</u>	<u>2,201,212</u>
<b>Net Change in Fund Balances</b>	-	(199)	(9,607)	(9,806)
Fund Balances, Beginning	<u>-</u>	<u>5,990</u>	<u>305,243</u>	<u>311,233</u>
<b>Fund Balances, Ending</b>	<u>\$ -</u>	<u>\$ 5,791</u>	<u>\$ 295,636</u>	<u>\$ 301,427</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, 2016**

**Net Change in Fund Balances - Total Governmental Funds** \$ (9,806)

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	75,610	
Depreciation Expense	<u>(41,258)</u>	
Excess of capital outlay over depreciation expense		34,352

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

Change in compensated absences		<u>(3,590)</u>
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**Change in Net Position of Governmental Activities** **\$ 20,956**

**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**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Government Grants				-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures - All Organizations</b>				
Public Safety:				
Personal Services	2,099,600	1,986,300	1,986,070	230
Contractual Services	15,300	24,800	20,056	4,744
Other Costs	111,500	202,000	193,368	8,632
Other Financing Uses	-	-	-	-
<b>Total Expenditures</b>	<u>2,226,400</u>	<u>2,213,100</u>	<u>2,199,494</u>	<u>13,606</u>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	<u>(2,226,400)</u>	<u>(2,213,100)</u>	<u>(2,199,494)</u>	<u>(13,606)</u>
<b>Other Financing Sources (Uses):</b>				
General Fund Appropriations	2,226,400	2,213,100	2,213,100	-
Other Financing Sources	-	-	-	-
Transfers In (Out)	-	-	-	-
Prior Year Cash Balance Budgeted	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>2,226,400</u>	<u>2,213,100</u>	<u>2,213,100</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,606</u>	<u>\$ (13,606)</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**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Approved Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Government Grants	\$ 167,400	\$ 136,000	\$ 128,260	\$ (7,740)
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>167,400</u>	<u>136,000</u>	<u>128,260</u>	<u>(7,740)</u>
<b>Expenditures - All Organizations</b>				
Public Safety:				
Personal Services	167,400	136,000	128,459	7,541
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	-	-	-	-
<b>Total Expenditures</b>	<u>167,400</u>	<u>136,000</u>	<u>128,459</u>	<u>7,541</u>
<b>Excess (deficiency) of Revenues over (under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>(199)</u>	<u>(15,281)</u>
<b>Other Financing Sources (Uses):</b>				
General Fund Appropriations	-	-	-	-
Other Financing Sources	-	-	-	-
Transfers In (Out)	-	-	-	-
Prior Year Cash Balance Budgeted	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (199)</u>	<u>\$ (15,281)</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**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original</u> <u>Budget</u>	<u>Approved</u> <u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>				
Federal Grants	\$ -	\$ -	\$ -	\$ -
Government Grants	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Prior Year Cash Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures - All Organizations</b>				
Public Safety:				
Personal Services	277,734	277,734	9,608	268,126
Contractual Services	2,500	2,500	-	2,500
Other Costs	25,000	25,000	-	25,000
Other Financing Uses	-	-	-	-
<b>Total Expenditures</b>	<u>305,234</u>	<u>305,234</u>	<u>9,608</u>	<u>295,626</u>
<b>Excess (deficiency) of Revenues over</b>				
<b>(under) Expenditures</b>	<u>(305,234)</u>	<u>(305,234)</u>	<u>(9,608)</u>	<u>(295,626)</u>
<b>Other Financing Sources (Uses):</b>				
General Fund Appropriations	-	-	-	-
Other Financing Sources	-	-	-	-
Transfers In (Out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ (305,234)</u>	<u>\$ (305,234)</u>	<u>\$ (9,608)</u>	<u>\$ (295,626)</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  
JUNE 30, 2016**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,880
<b>Total Assets</b>	<u>\$ 5,880</u>
<b>LIABILITIES</b>	
Deposits Held for Others	\$ 5,880
<b>Total Liabilities</b>	<u>\$ 5,880</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, 2016**

**(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, 2016**

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  
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The following fund types are used by the Office:

Governmental Funds

General Fund - 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

The *McKinley County Grants Fund* - 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

The *Southwest Border Prosecution Fund* 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.

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.

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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.

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

Cash and Investments

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

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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. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources. No portion of the compensated absences was long-term at June 30, 2016.

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, 2016.

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**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.

**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.

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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. 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:

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



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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.

**H. Program Revenues**

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

**(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.

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**(3) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at year end are classified as follows:

	<b>Bank Balance</b>	<b>Book Balance</b>
<b>Governmental Funds</b>		
Investment in State General Fund		
Investment Pool (SHARE Fund 169)	\$ 92,782	\$ 92,782
Investment Pool (SHARE Fund 276)	2,182	2,182
Investment Pool (SHARE Fund 277)	295,636	295,636
<b>Total Governmental Funds</b>	<b>390,600</b>	<b>390,600</b>
 <b>Agency Funds</b>		
Bank of America	5,880	5,880
<b>Total - Agency Fund</b>	<b>\$ 5,880</b>	<b>\$ 5,880</b>

**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, 2016, 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.

**(4) RECEIVABLES**

Receivables at June 30, 2016 consist of:

	<b>McKinley County Grants Fund</b>
<b>Receivables</b>	
Due From Local Government	8,379
<b>Total Receivables</b>	<b>\$ 8,379</b>

Receivables are expected to be 100% collectable.

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**(5) CAPITAL ASSETS**

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

<b><u>Capital Assets:</u></b>	<b>Balance, June</b>			<b>Balance, June</b>
	<b>30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>30, 2016</b>
Furniture and Fixtures	\$ 57,004	\$ -	\$ -	\$ 57,004
Equipment and Machinery	25,539	-	-	25,539
Data Processing Equipment	30,816	-	-	30,816
Building Improvements	72,347	-	-	72,347
Vehicles	269,909	75,610	-	345,519
<b>Total</b>	<b>455,615</b>	<b>75,610</b>	<b>-</b>	<b>531,225</b>
<b>Less: Accumulated Depreciation for:</b>				
Furniture and Fixtures	57,004	-	-	57,004
Equipment and Machinery	25,539	-	-	25,539
Data Processing Equipment	30,816	-	-	30,816
Building Improvements	48,970	4,823	-	53,793
Vehicles	189,323	36,435	-	225,758
<b>Total</b>	<b>351,652</b>	<b>41,258</b>	<b>-</b>	<b>392,910</b>
<b>Capital Assets, Net</b>	<b>\$ 103,963</b>	<b>\$ 34,352</b>	<b>\$ -</b>	<b>\$ 138,315</b>

Current year depreciation expense is \$41,258 and has not been allocated to any function in the Statement of Activities.

**(6) DUE TO STATE GENERAL FUND**

The Due to State General Fund in the Statement of Net Position consists of a \$13,604 reversion that was remitted to the state general fund for fiscal year ending June 30, 2016.

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**(7) COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences:

	<b>Balance, June</b>		<b>Balance, June</b>		<b>Amount Due</b>
	<b>30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>30, 2016</b>	<b>Within One</b>
					<b>Year</b>
Compensated Absences	\$ 68,143	\$ 76,535	\$ 72,945	\$ 71,733	\$ 71,733
<b>Total</b>	<b>\$ 68,143</b>	<b>\$ 76,535</b>	<b>\$ 72,945</b>	<b>\$ 71,733</b>	<b>\$ 71,733</b>

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.

**(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 \$9,276 for the year ended June 30, 2016. Annual future minimum lease payments are as follows:

<b><u>Year Ending</u></b>	<b><u>Amount</u></b>
2017	\$ 16,274
2018	16,619
2019	4,765
2020	4,765
2021	4,765
<b>Total</b>	<b>\$ 47,188</b>

**(9) PERA RETIREMENT PLAN**

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

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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](http://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, 2016, 2015, and 2014 were \$244,331, \$249,048, and \$210,802, respectively, equal to the amount of the required contributions for each year.

**(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.

**(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.

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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.

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](http://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

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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, 2016, 2015 and 2014, respectively, were \$28,762, \$29,353 and \$25,453, respectively, which equal the required contributions for the year.

**(12) GASB 68 – FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSION PLANS BY EMPLOYERS**

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

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.

**(13) 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, 2015 through June 30, 2016.

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**(14) STATEWIDE CASH RECONCILIATION**

In June 2012 an independent diagnostic report revealed that the State's cash balances have not been reconciled since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all New Mexico state agencies for financial statements issued for the fiscal year ended June 30, 2016.

In conjunction with this directive, the DA has provided copies of the required reports to the Independent Auditors. In addition, the DA has explained to the Independent Auditors the policies and procedures the DA has in place to ensure that the DA's cash balances in SHARE are correct.

The Department of Finance and Administration (DFA) has commissioned two reports that address state wide cash reconciliation issues. They are (1) Current State Diagnostic of Cash Control, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) Cash Management Planning and Business Processes, dated October 11, 2012, also prepared by Deloitte Consulting LLP. These reports are available on the DFA website ([http://nmdfa.state.nm.us/Cash\\_Control.aspx](http://nmdfa.state.nm.us/Cash_Control.aspx)).

The Eleventh Judicial District Attorney – Division II monitors cash receipts and cash deposits regularly. The DA verifies and reconciles to the Trial Balance on a monthly basis with SHARE generated reports.

The Independent Auditors confirm that the DA has performed these procedures with respect to cash reconciliations. Therefore, it is determined that there is little risk of misstatement of the DA's cash accounts due to the issue raised here regarding statewide cash reconciliations to the SHARE system.

For the year ended June 30, 2016, the following assertions are provided by the Department of Finance and Administration in a letter addressed to State Agency Chief Financial Officers on August 8, 2016:

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

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**(15) RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS FINANCIAL STATEMENTS**

General Fund (16900):

Expenditures per Modified Accrual Basis	<u>\$2,199,494</u>
Expenditures per Budgetary Basis	<u><u>\$2,199,494</u></u>

McKinley County Grants Fund (27600):

Expenditures per Modified Accrual Basis	<u>\$ 128,459</u>
Expenditures per Budgetary Basis	<u><u>\$ 128,459</u></u>

Southwest Border Prosecution Fund (27700):

Expenditures per Modified Accrual Basis	<u>\$ 9,608</u>
Expenditures per Budgetary Basis	<u><u>\$ 9,608</u></u>

**(16) SUBSEQUENT EVENTS REVIEW**

A review of subsequent events through November 4, 2016, 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**

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**LIST OF DEPOSITS AND INVESTMENTS**  
**JUNE 30, 2016**

	<u>Type</u>	<u>Bank</u> <u>Balance</u>	<u>Financial</u> <u>Statement</u> <u>Balance</u>
<b>Governmental Activities</b>			
Investment in General Fund Investment Pool	Operating	\$ 92,782	\$ 92,782
Investment Pool (SHARE Fund 276)	Special Revenue	2,182	2,182
Investment Pool (SHARE Fund 277)	Special Revenue	<u>295,636</u>	<u>295,636</u>
<b>Total - Governmental Activities</b>		<u>390,600</u>	<u>390,600</u>
<b>Agency Fund</b>			
Bank of America	Checking	<u>\$ 5,880</u>	<u>\$ 5,880</u>

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**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -**  
**AGENCY FUND**  
**JUNE 30, 2016**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
<b>ASSETS</b>				
Cash in Bank:				
Trust Accounts	\$ 8,710	\$ 3,484	\$ 6,314	\$ 5,880
<b>Total Assets</b>	<u>\$ 8,710</u>	<u>\$ 3,484</u>	<u>\$ 6,314</u>	<u>\$ 5,880</u>
<b>LIABILITIES</b>				
Deposits Held for Others	\$ 8,710	\$ 6,314	\$ 3,484	\$ 5,880
<b>Total Liabilities</b>	<u>\$ 8,710</u>	<u>\$ 6,314</u>	<u>\$ 3,484</u>	<u>\$ 5,880</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, 2016**

	<u>SHARE</u> <u>FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
			In	Out
(1)	34100	Department of Finance and Administration	\$ 2,213,100	\$ -
(2)	30600	State General Fund	-	11,888
			<u>\$ 2,213,100</u>	<u>\$ 11,888</u>

(1) State General Fund Appropriation as per Laws 2015, Chapter 179.

(2) Reversion to State General Fund

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT - DIVISION II  
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000  
(excluding GRT)  
For the Year Ended June 30, 2016**

Prepared by: Antoinette Esquibel Title: Program Specialist Date: October 27, 2016

The Eleventh Judicial District Attorney – Division II did not have any payments in vendors in excess of \$60,000 for the fiscal year ended June 30, 2016.

<i>RFB# /RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in- state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See Independent Auditors' Report



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

**Independent Auditors' Report**

Honorable Timothy Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

and

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 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, McKinley County Grants Fund, and the Southwest Border Prosecution Fund, 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, 2016, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report dated November 4, 2016.

**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 an instance of non-compliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as FS 2016-001.

#### 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  
November 4, 2016



STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT - DIVISION II  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016

**Section I – Current Year Findings**

**2016-001 – Per Diem and Mileage Act – Other (Noncompliance)**

**Condition:** During our test work of the Eleventh Judicial District Attorney's (EJDA) compliance with the per diem and mileage act, we noted that one out of five instances where an EJDA employee was reimbursed for mileage at the incorrect rate of \$.41 per mile.

**Criteria:** According to 2.42.2 NMAC mileage is reimbursed at 80% of the of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle. For the period July 1 - December 31, 2015 the applicable rate was determined to be  $.56 \times .80 = .45$ .

**Cause:** The EJDA does not have adequate internal controls over travel and per diem expenditures.

**Effect:** The EJDA was in not in compliance with New Mexico law.

**Auditor's Recommendation:** We recommend that the EJDA improve internal controls over their travel reimbursement to match the requirements provided by NMAC 2.42.2.

**Management's Response:** The Eleventh Judicial District Attorney, Div. II, recognizes and has revised internal controls and procedures to be in compliance with requirements provided by the Per Diem and Mileage Act, NMAC 2.42.2. This agency will adhere to the recommendations given by the auditors. The Eleventh Judicial District Attorney, Div. II, will create a new ISTE form instead of carrying over information from each employee when they have travel. In doing this, it will ensure that the formulas calculated on the excel spread sheet from mileage are in compliance with the Supreme Court rules when gas mileage amounts have changed.

**Responsible Party:** Program Specialist will be responsible for implementation with oversight from the CFO.

**STATE OF NEW MEXICO  
OFFICE OF THE DISTRICT ATTORNEY  
ELEVENTH JUDICIAL DISTRICT - DIVISION II  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

**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, 2016**

The contents of this report were discussed at an exit conference held November 4, 2016. The Office of the District Attorney, Eleventh Judicial District - Division II, was represented by:

- Kerry Comiskey, Chief Deputy District Attorney
- Loretta Diaz, CFO
- Simone Nez, Program Administrator

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

- Andrew Quintana, CPA

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.