



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

PUBLIC DEFENDER DEPARTMENT

Financial Statements
Year Ended June 30, 2016

(With Independent Auditors' Report Thereon)

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Financial Statements
Year Ended June 30, 2016**

(With Independent Auditors' Report Thereon)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

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**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

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**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Official Roster
at June 30, 2016**

Name	Title
Bennett J. Baur	Chief Public Defender
Robert Mead	Deputy Chief Public Defender
Philip Larragoite	Acting Deputy Chief Public Defender
Shelley Espinoza	Chief Financial Officer
Barbara Auten	Human Resource Director
Morgan Wood	District Public Defender – 1 st Judicial District – Santa Fe
Richard Pugh	District Public Defender – 2 nd Judicial District - Albuquerque
Chandler Blair	Acting District Public Defender – 3 rd Judicial District – Las Cruces
Nathan Banks	District Public Defender – 5 th Judicial District - Carlsbad
Kirk Chavez	Managing Attorney-5 th Judicial District - Hobbs
Debra Lautenschlager	Managing Attorney-5 th Judicial District –Roswell
Aleksandar Kotish	Managing Attorney-8 th Judicial District - Taos
Chandler Blair	Acting District Public Defender – 9 th Judicial District - Clovis
Matthew Cockman	District Public Defender – 11 th Judicial District - Aztec
Steven Seeger	Managing Attorney – 11 th Judicial District - Gallup
Mariano Torrez	District Public Defender – 12 th Judicial District - Alamogordo
Jennifer Birmingham	Managing Attorney – 12 th Judicial District - Ruidoso
David Henderson	Appellate Defender

Public Defender Commission

Michael Stout, Chairperson	Susan Reidel
Ahmad Assed	Leo Romero
Hugh Dangler	Naomi Salazar
Thomas Clear, III	Raymond Sanchez
Jess R. Lilley	Michael Vigil
Mark Horton	

FINANCIAL SECTION



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

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INDEPENDENT AUDITORS' REPORT

Bennett J. Baur, Chief Public Defender, Public Defender Department
and
Honorable Timothy M. Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund of the Public Defender Department (Department) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the organizations of the general fund presented as supplementary information for the year ended June 30, 2016, 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 misstatement, 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 of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to in the first paragraph 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 Department as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the budgetary comparisons of the organizations of the general fund for the year ended June 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Public Defender Department are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining information and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund that are attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in its financial position and its cash flows, where applicable, 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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements and on the budgetary comparison statements presented as supplementary information. The Schedule of Changes in Assets and Liabilities – Agency Fund, the Schedule of Memoranda of Understanding and the Schedule of Performance Measure Results listed as "Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates

directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements and on the budgetary comparison statements presented as supplementary information. The Schedule of Vendor Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 on our consideration of the Department's internal control over financial reporting and 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 *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Espanola, New Mexico
October 28, 2016

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

The following is a discussion and analysis of the department's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the department's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the department:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the department's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the department, reporting the department's operations in more detail than the government-wide statements. The governmental funds statements tell how general government services (the primary functions of the department) were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Statements

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

The two government-wide statements report the department's net position and how it has changed. Net position – the difference between the department's assets and liabilities – is one way to measure the department's financial health or position.

- Over time, increases or decreases in the department's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the department, the reader is encouraged to consider additional non-financial factors such as changes in the department's grant funding or the addition of new programs.

All of the department's basic services are included in government-wide financial statements, such as district office operations and contract counsel legal services. State appropriations, other reimbursements and fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the department's most significant funds –not the department as a whole. Funds are accounting devices that the department uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

- The State Legislature established other funds to control and manage money for particular purposes or to show that it is properly using certain grants.

The department has two types of funds:

- Governmental funds –Most of the department's basic services are included in governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the department's programs.

The department has two governmental funds. The first is used to account for the department's general operations and is a reverting fund. The second is a statutorily created fund used to account for proceeds from the indigent representation application fee (a \$10 fee). The use of those fees is legally restricted for the department's automation needs.

- Fiduciary funds—The department is the trustee, or fiduciary, for certain moneys, it is responsible for those assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The department is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the department's fiduciary activities are reported in a separate statement of fiduciary net positions and a statement of changes in fiduciary net positions. We exclude these activities from the department's government-wide financial statements because the department cannot use these assets to finance its operations. The department has one fiduciary fund used to account for activities in which the department is acting in agent capacity for the state general fund. Funds are received from clients who are determined by the department not to be indigent. All amounts charged to clients and all amounts collected from these clients are payable to the state general fund.

FINANCIAL ANALYSIS

The department's net position decreased \$29,809 over the course of this fiscal year's operations. The following financial information is a comparison of the Statement of Net Position for 2016 and 2015.

	2016	2015	Variance
Current and other noncurrent assets	\$3,587,954	\$2,606,640	\$981,314
Capital assets, net	61,234	101,612	(40,378)
Total assets	3,649,188	2,708,252	940,936
Long-term liabilities	257,621	148,619	109,002
Other liabilities	4,470,535	3,608,792	861,743
Total liabilities	4,728,156	3,757,411	970,745
Net position:			
Net investment in capital assets	61,234	101,612	(40,378)
Restricted	245,823	86,594	159,229
Unrestricted	(1,386,025)	(1,237,365)	(148,660)
Total net position	\$(1,078,968)	\$(1,049,159)	\$(29,809)

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

The total assets consist of cash, net receivables, prepaid expenses, and capital assets (net of accumulated depreciation). Total liabilities consist of accounts payable, accrued salaries and employee benefits payable, amounts due to the state's general fund and other agencies, and compensated absences payable.

Net position is comprised of net investment in capital assets, restricted and unrestricted amounts. The restricted amount of \$245,823 represents the amount restricted for the purchase and maintenance of automation systems.

The variances consist of:

- Total assets – The \$940,936 variance increase in total assets is largely attributable to an increase in cash (investment in state general fund investment pool), at June 30, 2016.
- Total liabilities – The \$970,745 variance increase is due to a significant increase in accounts payable of: \$689,397, increases in payroll-related liabilities of \$261,951, increase in compensated absences of \$148,659, and offsetting decrease of due to state general fund and other funds of \$129,262.
- Total net position – The net position for the department decreased from 2015 by \$29,809.

The following financial information is a comparison of the Statement of Activities for 2016 and 2015:

	2016	2015	Variance
Revenues:			
Program revenues:			
Charges for services	\$209,077	\$226,690	(\$17,613)
Operating state grants	308,168	307,368	800
General revenues	<u>48,020,659</u>	<u>44,384,118</u>	<u>3,636,541</u>
Total revenues	<u>48,537,854</u>	<u>44,918,176</u>	<u>3,619,728</u>
Expenses:			
General government:	48,567,713	45,025,765	3,541,948
Loss on capital asset disposition	<u>0</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net position	(29,809)	(107,589)	(77,780)
Net position, beginning	<u>(1,049,159)</u>	<u>(941,570)</u>	<u>(107,589)</u>
Net position, ending	<u>(\$1,078,968)</u>	<u>(\$1,049,159)</u>	<u>(\$29,809)</u>

Total Revenues \$48,537,854: Revenue received is comprised mostly by appropriations from the state's general fund, but also includes inter-agency transfers and applications fees. In fiscal year 2016 the department collected \$17,613 less in application fees. This explains the variance in the Charges for Services category above. Funding from various courts increased by \$800, this is reflected above as Operating State Grants. The increase in general revenues is attributable to increased funding in the appropriation process.

It should be noted that the department's general fund appropriation was reduced by \$288,300 during the 2016 Legislative Session. However, a supplemental general fund appropriation of \$200,000 was authorized. The net of the original appropriation, budget reduction, and the supplemental appropriation is \$48,020,659 and is reflected above as General Revenue.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Total Expenses \$48,567,713: Expenses consists of employee salaries and benefits, contractual services, operational costs and reversions. The escalation in expenditures is attributable to increased appropriations in general fund (mentioned above).

Change in Net position \$29,809: The department's total revenue increased from \$44,918,176 to \$48,537,854. The department's total expenses increased from \$45,025,765 to \$48,567,713.

ANALYSIS OF THE DEPARTMENT'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

As of the close of the fiscal year, the department reported an ending fund balance of \$92,377. The fund balance is the net difference of a negative fund balance in for general fund revenue and operating state grants and a position fund balance of the automation fund. This is largely due to the unassigned deficit fund balance, under the General Fund and unexpended revenue in the automation fund. This issue is discussed in note 11.

The general fund is the chief operating fund for the department. At the end of the current fiscal year, the non-spendable fund balance of the general fund was \$15,640 and the unassigned fund amount was (\$169,086) which comprised the total negative fund balance of (\$153,446). The fund balance in the department's general fund increased by \$341,550 during the current fiscal year.

The special revenue fund titled the Automation Fund has a total fund balance of \$245,822, all of which is restricted for the purchase and maintenance of automation systems. The net increase in fund balance during the current year in this special revenue fund was \$159,229. This is attributable to revenue exceeding expenditures.

The department's total fund balance increased by \$500,779, indicating that the department as improved its' financial position.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the department. Adjustments to the budget require approval by the State Budget Division of the Department of Finance and Administration.

Over the course of the year, the department revised its budget. These budget adjustments are captured in four categories.

- Adjustments for supplemental or special appropriations to either budget new or continuing supplemental or special appropriations, or to adjust the estimated amount to reflect the actual appropriation amount.
- Increases to the budget to reflect funding that was not secured at the time the operating budget was prepared. This includes funding from various courts in exchange for the department's service to their drug court programs.
- Changes made between categories to ensure that the budget reflects the most accurate budget allocation, based on expenditure projections.
- Increases to the budget from fund balance to prevent budget overruns.

With these adjustments, actual general fund expenditures were \$43,841 below the final budgeted amount. Factoring in \$14,400 of unrealized revenue the general fund budget balance is adjusted to \$29,441 and reverted to the general fund.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the department had a net investment of \$61,234 in capital assets, including machinery, equipment, furniture and fixtures. This amount represents a net decrease (including additions and deductions) of \$40,378 over last fiscal year.

Long- term debt

At the end of the fiscal year, the department had \$1,232,578 in compensated absences payable, an increase of 8% over last fiscal year. The increase is attributable to the department keeping a high vacancy rate throughout the year which resulted in staffing gaps. Therefore employees did not utilize as much paid leave as they had in the past. More information about the department's debt is presented in note 10 of this report.

NEXT YEARS' BUDGETS

The total approved recurring general fund operating budget for fiscal year 2017 is \$48,855,600 which is approximately a 9 percent increase compared to fiscal year 2016's approved recurring general operating budget.

The department submitted a 10 percent general fund increase in the fiscal year 2018 budget request. If approved, 8.7 percent of the funding will be directed towards staffing expansion. The remaining 1.3 percent will be used to cover increased base/operational costs.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the department's finances and to demonstrate the department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the department's Chief Financial Officer.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit A

**Statement of Net Position
June 30, 2016**

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Interest in State General Fund Investment Pool (note 3)	\$ 3,531,629
Cash in authorized bank account	25
Petty cash	1,200
Due from employees, net (note 4)	18,413
Due from local governments (note 4)	21,047
Prepaid expenses	15,640
	<hr/>
Total current assets	3,587,954
Noncurrent assets:	
Capital assets, net of depreciation (note 5)	61,234
	<hr/>
Total assets	<hr/> <u>3,649,188</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	2,475,694
Accrued salaries payable	459,811
Payroll taxes payable	187,190
Payroll benefits payable	352,761
Other payroll liabilities	(9,469)
Due to state general fund (note 6)	29,591
Compensated absences payable (note 9)	974,957
Long-term liabilities:	
Compensated absences payable (note 9)	257,621
	<hr/>
Total liabilities	<hr/> <u>4,728,156</u>
<u>Net Position</u>	
Net investment in capital assets	61,234
Restricted for automation systems	245,823
Unrestricted	(1,386,025)
	<hr/>
Total net position	<hr/> <u>\$ (1,078,968)</u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit B

**Statement of Activities
Year Ended June 30, 2016**

	<u>Governmental Activities</u>
Expenses:	
General government:	
Current:	
Personal services and employee benefits	\$ 29,847,536
Contractual services	13,372,733
Other	5,307,066
Depreciation expense	<u>40,378</u>
Total expenses	<u>48,567,713</u>
Program revenues:	
Charges for services	209,077
Operating state grants	<u>308,168</u>
Total program revenues	<u>517,245</u>
Net program expense	<u>48,050,468</u>
General revenues:	
General Fund appropriations, net of current-year reversion (\$29,441)	47,820,659
General Fund appropriations, supplemental	200,000
Interest	<u>-</u>
Total general revenues	<u>48,020,659</u>
Change in net position	(29,809)
Net position, beginning	<u>(1,049,159)</u>
Net position, ending	<u><u>\$ (1,078,968)</u></u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit C

**Balance Sheet - Governmental Funds
June 30, 2016**

	<u>General Fund</u>	<u>Automation Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Interest in SGF Investment Pool (note 3)	\$ 3,277,765	\$ 253,864	\$ 3,531,629
Cash in authorized bank account	-	25	25
Petty cash	1,200	-	1,200
Due from employees, net (note 4)	18,413	-	18,413
Due from local governments (note 4)	21,047	-	21,047
Prepaid expenses	15,640	-	15,640
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,334,065</u>	<u>\$ 253,889</u>	<u>\$ 3,587,954</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,467,628	\$ 8,066	\$ 2,475,694
Accrued salaries payable	459,811	-	459,811
Payroll taxes payable	187,190	-	187,190
Payroll benefits payable	352,761	-	352,761
Other payroll liabilities	(9,469)	-	(9,469)
Due to State General Fund (note 6)	29,591	-	29,591
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,487,512</u>	<u>8,066</u>	<u>3,495,578</u>
Fund Balances:			
Fund balances (note 10):			
Nonspendable:			
Prepaid expenses	15,640	-	15,640
Restricted for the purchase and maintenance of automation systems	-	245,823	245,823
Unassigned	(169,086)	-	(169,086)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>(153,446)</u>	<u>245,823</u>	<u>92,377</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,334,066</u>	<u>\$ 253,889</u>	<u>\$ 3,587,955</u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016**

Total fund balance-Governmental funds \$ 92,377

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

Capital assets used in governmental activities are not
current financial resources and, therefore, are not
reported in the Governmental Funds Balance Sheet.

These assets consist of:

Furniture and fixtures	\$	37,290	
Machinery and equipment		131,751	
Data processing equipment		311,476	
Accumulated depreciation		<u>(419,283)</u>	61,234

Other long-term assets are not available to pay for
current period expenditures and, therefore, are
reported as unavailable revenue in the funds

-

Some liabilities are not due and payable in the current
period and, therefore, are not reported in the Governmental
Funds Balance Sheet.

These liabilities consist of:

Compensated absences payable		<u>(1,232,579)</u>	
------------------------------	--	--------------------	--

Net position of governmental activities

\$ (1,078,968)

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Exhibit D

**Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Automation Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Application fees	\$ -	\$ 209,077	\$ 209,077
Other state funds	308,168	-	308,168
Total revenues	<u>308,168</u>	<u>209,077</u>	<u>517,245</u>
Expenditures:			
General government:			
Current:			
Personal services and employee benefits	29,698,877	-	29,698,877
Contractual services	13,322,950	49,783	13,372,733
Other	5,307,000	65	5,307,065
Capital outlay	-	-	-
Total expenditures	<u>48,328,827</u>	<u>49,848</u>	<u>48,378,675</u>
Excess (deficiency) of revenues over expenditures	<u>(48,020,659)</u>	<u>159,229</u>	<u>(47,861,430)</u>
Other financing sources (uses):			
General Fund appropriations (note 16)	47,850,100	-	47,850,100
General Fund appropriations, supplemental	200,000	-	200,000
Union pay back appropriation (notes 4 and 16)	341,550	-	341,550
Reversions (note 6)	(29,441)	-	(29,441)
Total other financing sources (uses)	<u>48,362,209</u>	<u>-</u>	<u>48,362,209</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	341,550	159,229	500,779
Fund balance, beginning	<u>(494,996)</u>	<u>86,594</u>	<u>(408,402)</u>
Fund balance, ending	<u>\$ (153,446)</u>	<u>\$ 245,823</u>	<u>\$ 92,377</u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Government-Wide Statement of Activities
Year Ended June 30, 2016**

Net change in fund balance-Governmental Funds \$ 500,779

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:

Depreciation expense	(40,378)
Capital outlay	-

Some intergovernmental revenue was not collected within
60 days of prior fiscal year end. These were not considered
"available" revenues in the governmental funds until received.
Change in deferred inflows of resources on fund statements.

(341,550)

Some items reported in the Statement of Activities
do not require the use of current financial resources
and, therefore, are not reported as expenditures in
governmental funds. These activities consist of:

Increase in compensated absences payable	<u>(148,660)</u>
--	------------------

Change in net position of governmental activities

\$ (29,809)

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

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	
Revenues:				
Intergovernmental revenue:				
General appropriations	\$ 48,138,400	\$ 47,850,100	\$ 47,850,100	\$ -
Supplemental appropriations	200,000	200,000	200,000	-
Miscellaneous-union back pay	-	-	341,550	341,550
Other state funds	-	322,568	308,168	(14,400)
Total revenues	<u>48,338,400</u>	<u>48,372,668</u>	<u>48,699,818</u>	<u>\$ 327,150</u>
Prior-year funds re-budgeted	-	-	-	
	<u>\$ 48,338,400</u>	<u>\$ 48,372,668</u>	<u>\$ 48,699,818</u>	
Expenditures: (note 11)				
General government:				
Current:				
Personal services and employee benefits	\$ 29,916,500	\$ 29,714,348	\$ 29,698,877	\$ 15,471
Contractual services	12,790,800	13,325,820	13,322,950	2,870
Other	5,631,100	5,332,500	5,307,000	25,500
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 48,338,400</u>	<u>\$ 48,372,668</u>	<u>\$ 48,328,827</u>	<u>\$ 43,841</u>

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

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2016

	Automation Special Revenue Fund			
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Application fees	\$ 250,000	\$ 250,000	\$ 209,077	\$ (40,923)
Interest	-	-	-	-
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>\$ 209,077</u>	<u>\$ (40,923)</u>
Prior-year funds re-budgeted	-	-		
	<u>\$ 250,000</u>	<u>\$ 250,000</u>		
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	50,000	50,000	49,783	217
Other	<u>200,000</u>	<u>200,000</u>	<u>65</u>	<u>199,935</u>
Total expenditures	<u>\$ 250,000</u>	<u>\$ 250,000</u>	49,848	<u>\$ 200,152</u>
Adjustments:			-	
Total expenditures, Exhibit D			<u>\$ 49,848</u>	

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

STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT

Exhibit F

Statement of Fiduciary Assets and Liabilities - Agency Fund
June 30, 2016

	<u>Agency Fund</u>
<u>Assets</u>	
Interest in State General Fund Investment Pool	\$ 1,750
Due from other funds	-
Accounts receivable, net	<u>508,318</u>
Total assets	<u>\$ 510,068</u>
<u>Liabilities</u>	
Due to State General Fund (note 6)	\$ 510,068
Due to others	<u>-</u>
Total liabilities	<u>\$ 510,068</u>

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

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

1. History and Organization

The Public Defender Department (Department) was created by Chapter 31, Article 15, NMSA, 1978 Compilation. The Chief Public Defender is the administrative head of the Department who is appointed by the Public Defender Commission, which was created pursuant to Article 6, Section 39 of the constitution of New Mexico and consists of eleven members. Article 6 established the term and qualification requirements for both the Chief Public Defender and the members of the Public Defender Commission and established the manner in which the members of the commission would be appointed. The Commission is administratively attached to the Department and appoints a Chief Public Defender for term of four years by approval of two-thirds of its members. The Commission may reappoint a chief for subsequent terms.

The Chief Public Defender shall establish within the Department an Appellate Division to provide representation before the court of appeals and Supreme Court in appellate, review and post-conviction proceedings involving persons represented under the Public Defender Act (31-15-1 to 31-15-12, NMSA 1978). The Chief Public Defender shall also appoint a district public defender, in each district, who shall administer the operations of the district and serve at the pleasure of the chief.

The purpose of the Department is to confer with and represent any person charged with any crime that carries a possible sentence of imprisonment and who appears in court without counsel. If the person is financially unable to obtain counsel, he/she is to be represented by the District Public Defender of the appropriate jurisdiction at all stages of the proceeding against him/her, including any appeal.

2. Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards 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 US GAAP for governmental units. The more significant of the Department's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in US GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

A. Financial Reporting Entity (cont'd)

Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

The Department is legally separate and fiscally independent of other state agencies. The Chief Public Defender has decision-making authority, the power to manage operations of the Department, exercise authority over and provide general supervision of employees and primary accountability for fiscal matters. The Public Defender Department is a 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.

Presently, the State of New Mexico issues an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. Included within the reporting entity is the Public Defender Department as described above. There are no component units. Other Executive Branch entities of government are excluded because they are established separately by statutes.

B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the Public Defender Department as a whole) and fund financial statements. The reporting model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities.

The Department has only governmental type activities. In the government-wide Statement of Net Assets, the governmental column reflects an accrual basis of accounting and an economic measurement focus resources basis, which incorporates long-term assets as well as long-term debt and obligations. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduced gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function. Program revenues include charges for services (indigent client non-refundable application fees) and state operating grants mainly associated with various Judicial District Juvenile and Adult Drug Courts.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

B. Basic Financial Statements – GASB Statement No. 34 (cont'd)

The Public Defender Department includes only one function (general government). General revenues (General Fund appropriation, transfers-in from other state agencies, refunds, etc.) normally cover the net cost (by function). Historically, the prior model did not summarize or present net cost by function or activity. Also, neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

This government-wide focus is more on the sustainability of the Public Defender Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model. The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department'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' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column on the government-wide presentation.

C. Basis of Presentation – Fund Accounting

The financial transactions of the Department are maintained on the basis of funds, 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 balance, revenues, expenditures and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type and reported by generic classification in the accompanying financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Department uses the following fund types:

GOVERNMENTAL FUND TYPES

The focus of Governmental Fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Public Defender Department.

General Fund - the General Fund (SHARE Fund #175-reverting) is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. Regular general and compensation appropriations accounted for in this fund are reverting.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

C. Basis of Presentation – Fund Accounting (cont'd)

GOVERNMENTAL FUND TYPES (cont'd)

Automation Special Revenue Fund (SHARE Fund #759-nonreverting – Section 31-15-5 1B) - Used to account for those proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The legal restrictions on expenditures and the authority for the creation of the Automation Special Revenue Fund is a result of Senate Bill 222 of the 41st Legislature of the State of New Mexico, which amended Section 31-15-12, NMSA, 1978 Compilation and created the fund. This fund is also considered a major fund under GASB 34 criteria.

FIDUCIARY FUND TYPES

Agency Fund - The Agency Fund (SHARE Fund #753-reverting) is used to account for the reimbursement from each person who has received legal representation or another benefit under the Public Defender Act after a determination is made that the person was not indigent according to the standard for indigence adopted by the Department. Any amounts recovered revert, less collection agent fees, to the State General Fund. The authority for creation of this fund is a result of the Laws of 1987, Chapter 20, NMSA, 1978 Compilation, amending Sections 31-15-7, 32-1-56, 34-6-46, 34-8A-11 and 35-5-8.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide and the fiduciary financial statements are presented on an accrual basis of accounting. The previous model reported fiduciary funds under the modified 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.

Due to the implementation of GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2013, the Department reclassified “net assets” in the financial statements as “net position.” In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category at June 30, 2016. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

D. Basis of Accounting (cont'd)

Also, due to the implementation of GASBS 65 in FY 2014, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014, the Department reclassified “deferred revenue” in the financial statements as “deferred inflows of resources.” The Department had one item that was required to be reported in this category at June 30, 2015 but was considered fund revenue in FY 2016.

The governmental funds in the fund financial statements are presented on a modified accrual basis of accounting.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or expected to be received within sixty days of year-end to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Nonexchange transactions, in which the Department receives value without directly giving equal value in return, includes grants.

Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Department must provide state resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Department on a reimbursement basis. On a modified accrual basis of accounting, revenue from a nonexchange transaction must also be available before it is recognized. Under the modified accrual basis of accounting, grant revenue sources are considered to be both measurable and available at year-end. There are no interfund transactions to be eliminated.

E. Budgets and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to the Department. Legal compliance is monitored by the establishment of a budget (modified accrual basis) and a financial control system that permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

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

The Public Defender Department follows these procedures in establishing the budgetary data reflected in the financial statements:

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

E. Budgets and Budgetary Accounting (cont'd)

1. By September 1st, the Public Defender Department prepares a budget request by appropriation unit to be presented to the next legislature.
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the appropriation unit level of the Public Defender Department as a whole and changes are approved by the DFA.
7. The Public Defender Department's budget for the fiscal year ending June 30, 2014 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
8. Appropriations lapse at the end of the year except for those amounts related to goods and services received by June 30th which are reflected as accounts payable in the financial statements.
9. The budgets for the General and Special Revenue Funds are adopted on a modified accrual basis per the General Appropriation Act, Laws of 2015. For the year ended June 30, 2016, in the Department had no requested approvals to pay prior-year payables that did not get paid within 31 days after the end of the fiscal year. If any existed, the cash to pay those obligations would be reverted to the State General Fund causing a negative fund balance. Although reflected as current year expenditures, those payables would be paid out of the next year's budget. For FY 2016, there are no differences between the current year budgeted expenditures and fund financial statements expenditures.

Per the requirements of Section 2.2.2.10, A(2)(b) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the allowance made by GASB 34, footnote 53, the budgetary comparison statements have been included as a part of the basic financial statements. For the General and Special Revenue Funds, the reconciliation between current year fund financial statement expenditures and budgeted expenditures is presented in Note 11.

F. Encumbrances/Contract Attorney Contracts

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration during the year in the governmental funds. So long as the appropriation period has not lapsed and budget exists, an encumbrance can be charged against the budget. However, when the appropriation period lapses, the budget authority is non-existent and the encumbrance can no longer be charged to that budget.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

F. Encumbrances/Contract Attorney Contracts (cont'd)

Legislation sets the appropriation period, which can be single or multi-year periods. At June 30, 2016, there were no multi-year encumbrances. However, for contract attorney contracts this is not true because the contract specifically states that the "Department shall not be bound by any numerical estimates of compensation." There is not a commitment by the Department to pay any amount at the time of contracting. The commitment (on a per case basis) arises when the contractor has had at least one documented direct contact with the client or has made one documented court appearance on the client's behalf. Contract attorney expenditures are charged to the budget fiscal year where the commitment exists.

G. Interest in State General Fund Investment Pool

The Department has defined cash and cash equivalents to include the Interest in State General Fund Investment Pool with the State Treasurer.

H. Receivables

Receivables consist of various accounts receivable including amounts due from current or former employees for payroll overpayments and PERA/RHC contributions not withheld, and amounts due from other state agencies and local governments. An allowance for doubtful accounts in the amount of \$1,178 has been established for those former employee receivables deemed uncollectible. See Note 4 below for details.

Agency fund accounts receivable consist of amounts due from persons who have received legal representation or another benefit under the Public Defender Act after a determination is made that the person is not indigent according to the standard for indigence adopted by the Department. An allowance for uncollectible accounts has been established in the amount of \$35,013,037, representing all outstanding amounts due from clients that are greater than six months old.

I. Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using zero salvage value and the straight-line method over their estimated useful lives. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. There is no debt related to capital assets.

Before the 2005 legislative session, only items costing more than \$1,000 were capitalized. Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. The Department has elected to include assets that cost less than \$5,000 but equal to or more than \$1,000, and were purchased prior to July 1, 2005, on their capital asset inventory.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

I. Capital Assets (cont'd)

The major classifications of capital assets and their related depreciable lives are as follows:

Machinery and equipment	4-20 years
Data processing equipment (including software)	4-5 years
Furniture and fixtures	10-20 years

J. Accrued Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate.

State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. Nonexempt employees accumulate compensation time for hours worked in excess of forty hours per week, based on their regular hourly rate. Such overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment. At June 30, 2016, there was no compensation time owed to any employee.

The compensated absences liability is presented in two parts, a current portion and long-term portion, in the government-wide financial statements. The current portion is the amount expected to be expended during fiscal year 2017 and is an estimate management determined by the last fiscal year's usage. Based on this estimate, for the year ended June 30, 2016, the current portion of the compensated absences liability is \$974,957. For FY 2016, the long-term portion is \$257,621. In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

K. Reversions

Unexpended and unencumbered balances are generally reverted to the State General Fund. Laws of 2015 (FY 2016 appropriations) state that unexpended or unencumbered balances of the State General Fund appropriation and compensation appropriation to the Department shall revert. Accordingly, reversions are normally recorded in the current year for unexpended General Fund appropriations. Also, unexpended balances of special appropriations are reverted when required by law.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

2. Summary of Significant Accounting Policies (cont'd)

L. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net *investment in capital assets* reflects the portion of net position which is associated with non-liquid capital assets. *Restricted net position* is liquid assets which have third-party (statutory, bond covenant or granting agency) limitation on its use. When expenses are incurred for purposes for which both unrestricted and restricted funds are available, it is the policy of the Department to first apply restricted resources. *Unrestricted net position* represents unrestricted liquid assets.

M. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimated and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Interest in State General Fund Investment Pool

Funds with the State Treasurer are in the State General Fund Investment Pool (SGFIP). Cash in authorized bank accounts includes one checking account. The Department also maintains twelve (12) \$100 imprest petty cash funds at various locations within the state. The Department holds no investments. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978, as amended. For additional disclosure information regarding the investment in the State Treasurer's SGFIP, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2016, review the State Treasurer's Investment Policy at http://www.nmsto.gov/investment_policy, and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

Since the one individual special revenue funds' checking account balance did not exceed \$250,000, it is fully insured by the Federal Deposit Insurance Corporation (FDIC) and pledged collateral is not required. Accounts of the Department at June 30, 2016 are as follows:

Account Name	Fund Type	Fund No.	Account Type	Balance per Depository	Outstanding Checks	Balance per Financial Statements
State Treasurer:						
Operating	General	280-175	SGFIP	\$ 3,277,765	\$ -	\$ 3,277,765
Automation	Special Revenue	280-759	SGFIP	253,864	-	253,864
Centinel Bank-Taos	Special Revenue	N/A	Checking	680	(655)	25
Petty Cash				- 1,200	-	1,200
Subtotal Governmental Funds				- 3,533,509	(655)	3,532,854
State Treasurer:						
Client Reimbursements	Agency	280-753	SGFIP	1,750	-	1,750
Total cash on deposit and petty cash				\$ - \$ 3,535,259	\$ (655)	\$ 3,534,604

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

4. Receivables

Due from employees – this represents amounts due from current or former employees for payroll overpayments and for amounts associated with Public Employees’ Retirement and Retiree Health Care contributions (combined total \$19,592), that were not initially withheld from employees’ paychecks. Only the former employee payroll overpayments, (\$1,179) are considered uncollectible. The net amount receivable is \$18,413.

Due from other state agencies – an amount, received in FY 2016 and included in fund revenue, that was due from the Department of Finance and Administration at 6/30/15, \$341,550, for back pay to eligible union employees as required by arbitration awards confirmed in various District Court actions challenging the state’s implementation of the compensation appropriation per the General Appropriations Act of 2008, Section 8 (A) (5) as well as the employer’s share of applicable taxes and retirement benefits associated with such back pay. Also, see Note 7, below.

Due from local governments – this represents amounts due and received after June 30 from various statewide judicial district juvenile and adult drug courts, \$21,047.

Accounts receivable (Agency Fund) – Laws of 1987, Chapter 20, require the Chief Public Defender to “provide for collection reimbursement from each person who has received legal representation or another benefit under the Public Defender Act after a determination is made that the person is not indigent according to the standard for indigence adopted by the Department.” The maximum charge per defendant may be as much as \$27,500. The law further requires that “any amounts recovered shall be paid to the State Treasurer for credit to the State General Fund.”

5. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>
Machinery and equipment	\$ 131,750	\$ -	\$ -	\$ 131,750
Accumulated depreciation	(131,750)	-	-	(131,750)
Data processing equipment	491,611	-	(180,136)	311,475
Accumulated depreciation	(405,833)	(38,378)	180,136	(264,075)
Furniture and fixtures	37,290	-	-	37,290
Accumulated depreciation	(21,456)	(2,000)	-	(23,456)
Totals	<u>\$ 101,612</u>	<u>\$ (40,378)</u>	<u>\$ -</u>	<u>\$ 61,234</u>

There is no debt related to capital assets. Depreciation expense for the year was \$40,378.

6. Due to State General Fund

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund by September 30 of each year. An agency may adjust the reversion within forty-five days of release of the audit report. The current year reversion and amounts due to the State General Fund from the Department general fund are as follows:

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

6. Due to State General Fund (cont'd)

Fiscal year general appropriation reversion (budget basis surplus)	
FY 2016 unexpended balance, Org P850	\$ 29,441
FY2016 refunds	<u>-</u>
Total Due to State General Fund	<u>\$ 29,441</u>

The amount due to the State General Fund from the Agency Fund is composed of the following:

Accounts receivable, net	\$ 508,318
Interest in SGF Investment Pool	1,750
Amounts due from other funds	<u>-</u>
Due to State General Fund	<u>\$ 510,068</u>

7. Union Back Pay Settlement Issue

At June 30, 2014, the Department of Finance and Administration (DFA) was in the process of settling back pay to eligible union employees as required by the arbitration awards confirmed in various District Court actions challenging the state's implementation of the compensation appropriation made in the General Appropriations Act of 2008, Section 8 (A) (5) as well as the employer's share of applicable taxes and retirement benefits associated with such back pay.

The DFA estimated the union settlement back pay would cost the State of New Mexico an overall amount of \$23.9 million. According to the amount of anticipated full-time equivalent employees (FTE) the Department has (approximately 250 FTE covered by the union) compared to all estimated state employees covered by the union (approximately 10,729 FTE), the Department's potential liability was originally estimated at 2.33% or \$654,650 in FY 2014.

In FY 2015, four payments totaling \$413,154 were made. In FY2016, one payment totaling \$5,313 was made leaving the Department's estimated liability at \$236,183. This amount is included in accounts payable at June 30, 2016. However, HB311, Laws of 2016, Chapter 12, Section 2, Subsection B mandates a reversion of \$225,100 from the PDD, leaving a balance of \$11,083.

8. Other Payroll Liabilities

This represents amounts due for payroll related liabilities from current or former employees for underpayments with Public Employees' Retirement and Retiree Health Care contributions in the amount of \$6,072. The net debit amount, \$9,470, is due to a \$15,542 automated clearing house (ACH) payment that was returned/reversed by the State of New Mexico's fiscal agent bank in the beginning of FY 2017 for a FY 2016 expenditure.

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**Notes to Financial Statements
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9. Leases

The Department leases office space in fifteen (15) locations throughout the State and meeting/training room space, as needed. All leases have an early termination clause. Accordingly, there are no future minimum rentals. The Department also leases several postage meters and copying machines considered operating leases. All leases may be canceled at the end of any fiscal year with no penalty. Total office space and equipment rent expense for the year ended June 30, 2016 were \$2,608,315 and \$302,876, respectively. The Department also leases thirty (30) vehicles on a month-to-month basis and other short-term vehicles as needed. Total vehicle lease expense was \$101,453 for FY 2016.

10. Changes in Long-Term Debt

A summary of changes in long-term debt is as follows:

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
Compensated Absences Payable	<u>\$ 1,083,919</u>	<u>\$ 1,123,616</u>	<u>\$ (974,957)</u>	<u>\$ 1,232,578</u>	<u>\$ 974,957</u>

The Public Defender Department's general fund is used to pay compensated absences.

11. Fund Balances

The GASB issued Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

Currently, in the general fund only, the Department has nonspendable fund balance for prepaid expenses in the amount of \$15,640 and unassigned deficit fund balance in the amount of (\$169,086). The allowance for uncollectible receivables and unresolved ongoing issues with payroll tax, payroll benefits and other payroll liabilities impact the general fund negative fund balance. Also, see note 17 on page 24.

Fund Balance-Restricted for purchase and maintenance of automation systems - Senate Bill 222 of the 41st legislature of the State of New Mexico amended Section 13-15-12, NMSA, 1978, and created the Special Revenue Automation Fund. Revenues of the fund are generated by assessing each person who applies for Public Defender representation a non-refundable \$10 fee. There are provisions for waiver of the fee. The law further provides that application fee revenue shall be used for the purchase and maintenance of automation systems. Accordingly, unexpended balances remaining in the fund are presented as such in the amount of \$245,823.

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**Notes to Financial Statements
June 30, 2016**

12. Reconciliation of Fund Expenditures to Budgetary Expenditures

A reconciliation of fund to budgetary expenditures on the modified-accrual basis is shown below:

	General Fund				
	Actual Fund Expenditures	FY15 Payables Charged to FY16 Budget	FY16 Payables Charged to FY17 Budget	Corrections/ Adjustments	Actual Budgetary Expenditures
General Government:					
Current:					
Personal services/ employee benefits	\$ 29,698,877	\$ -	\$ -	\$ -	\$ 29,698,877
Contractual services	13,322,950	-	-	-	13,322,950
Other	5,307,000	-	-	-	5,307,000
Total expenditures	<u>\$ 48,328,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,328,827</u>
	Automation Special Revenue Fund				
	Actual Fund Expenditures	Corrections/ Adjustments	FY16 Payables Charged to FY17 Budget	Actual Budgetary Expenditures	
General Government:					
Current:					
Personal services/employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	49,783	-	-	-	49,783
Other	65	-	-	-	65
Total expenditures	<u>\$ 49,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,848</u>

13. PERA Pension Plan

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

Funding Policy. Plan members are required to contribute from 6.28% to 18.15% 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 Public Defender Department is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Public Defender Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department’s contributions to PERA for the fiscal years ended June 30, 2016, 2015 and 2014 were \$3,503,422, \$3,276,426, and \$3,011,675, respectively, which equal the amount of the required contributions for each fiscal year.

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14. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The State of New Mexico, Public Defender Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 NMRHCA 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 post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87107.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the state required each participating employer to contribute 2% of each participating employees annual salary; and each participating employee was required to contribute 1% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended

**STATE OF NEW MEXICO
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**Notes to Financial Statements
June 30, 2016**

14. Post-Employment Benefits – State Retiree Health Care Plan (cont'd)

June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The Public Defender Department's contributions to the RHCA for the fiscal years ended June 30, 2016, 2015 and 2014 were \$412,198, \$385,821 and \$362,731, respectively, which equal the required contributions for each fiscal year.

15. Risk Management and Litigation

The Public Defender Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Department are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Department is a party.

16. Operating Transfers

	<u>From</u>	<u>To</u>	<u>Purpose</u>
Dept. of Finance and Admin (Fund #853) Public Defender Department (Fund #175)	\$ 47,850,100	\$ 47,850,100	Regular Appropriation
Dept. of Finance and Admin (Fund #853) Public Defender Department (Fund #175)	\$ 200,000	\$ 200,000	Supplemental Appropriation
Dept. of Finance and Admin (Fund #853) Public Defender Department (Fund #175)	\$ 341,550	\$ 341,550	Union back pay

17. Deficit Unrestricted Net Position/Unreserved-Undesignated Fund Balance

The deficit unrestricted net position, \$1,384,025, on the Statement of Net Position, Exhibit A, is mainly the result of compensated absences (\$1,232,578). The reasons for the negative fund balance on the fund financial statements are described in Note 11 on page 21.

18. Statewide Cash Reconciliation Issue

In June 2012, a diagnostic report revealed that the State General Fund Investment Pool (LGIP) balances had not been reconciled at the business unit/fund level since the inception of the SHARE system in July of 2006. The diagnostic report is available in the Resources section of the Cash

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

18. Statewide Cash Reconciliation Issue (cont'd)

Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is "Current State Diagnostic of Cash Control – June 2012." The General Fund Investment Pool (GFIP) is the State Treasurer fund where the Office cash is invested pursuant to Section 8-6-3 NMSA 1978. The Department of Finance Administration (DFA), 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, conducted a Cash Management Remediation Project (Remediation Project) with a goal of achieving "a point forward" reconciliation of cash, as of February 2013. However, as of June 30, 2015, the old unreconciled items that occurred from July 1, 2006 through February 2013, remained unreconciled. For current status on Cash Management Remediation Project please refer to Department of Finance and Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

On July 11, 2014, DFA entered into a \$1,000,000 contract with Deloitte & Touche, LLP. The contract terminated June 30, 2015. The goals of the contract were for the contractor to:

- Design and execute a process to reconcile historical bank account transactions to entries recorded in the State's official book of record, SHARE, for the period beginning July 2006 and ending January 2013.
- Develop a tool to identify and match offsetting bank and book transactions and identify non-matching items to be assessed for additional research, recommended resolution and or next steps
- Provide the DFA reports including a project plan outlining project activities, weekly status reports, issues/risks log and a monthly steering committee report.

The Department's chief financial officer has developed the following internal control procedures to monitor the monthly changes in the Department's Interest in General Fund Investment Pool accounts related to each of these areas of risk noted in the report referenced above: deposits; disbursements; and journal entries posted to the Interest in General Fund Investment Pool accounts in SHARE. These internal control procedures have been in effect for the most part since the conversion to SHARE in FY07. The Department's accountant/auditor inputs into an Excel spreadsheet all monthly changes in every account from the SHARE trial balance report, and then the accountant/auditor ties the changes in these various account balances back to the monthly change in the Department's Interest in General Fund Investment Pool accounts. In addition, the monthly deposits per the general ledger are tied back to the original deposit documentation, or in the case of an appropriation, the deposits are tied back to the original law. The changes in the payroll liabilities that are posted to the Department's general ledger by DFA are scheduled out on an Excel spreadsheet by the chief financial officer for the entire year, and reviewed for consistency and reasonableness. Expenditures recorded for each month, and the related change in the accounts payable balances are included in the overall reconciliation back to the monthly change in the Department's Interest in General Fund Investment Pool accounts.

The Department's accountant/auditor reviews the posting of all journal entries to ensure that the resulting effect on the Interest in General Fund Investment Pool and other accounts is the intended result. These processes that have been put into place by the Department's chief financial officer are the reasons that risk of misstatement of the Department's Interest in General Fund Investment Pool accounts has been mitigated to a low level of risk, even though there are significant problems with the statewide cash reconciliation process described above.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Notes to Financial Statements
June 30, 2016**

19. Implementation of New Accounting Standards

During the year ended June 30, 2016, the Public Defender Department adopted the following Governmental Accounting Standards Board (GASB) Statements:

GASB No. 72 – *Fair Value Measurements and Application*. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement will not have a material impact on the Department’s financial statements.

GASB No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement will not have a material impact on the Department’s financial statements.

20. Subsequent Events

The Department has evaluated subsequent events through October 28, 2016, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

SUPPLEMENTARY INFORMATION

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2016

General Fund - P850 - Criminal Legal Services				
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental revenue:				
General appropriations	\$ 48,138,400	\$ 47,850,100	\$ 47,850,100	\$ -
Miscellaneous-union back pay	-	-	341,550	341,550
Other state funds	-	322,568	308,168	(14,400)
Total revenues	48,138,400	48,172,668	<u>\$ 48,499,818</u>	<u>\$ 327,150</u>
Prior-year funds re-budgeted	-	-		
	<u>\$ 48,138,400</u>	<u>\$ 48,172,668</u>		
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ 29,916,500	\$ 29,714,348	\$ 29,698,877	\$ 15,471
Contractual services	12,790,800	13,325,820	13,322,950	2,870
Other	5,431,100	5,132,500	5,107,000	25,500
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 48,138,400</u>	<u>\$ 48,172,668</u>	<u>\$ 48,128,827</u>	<u>\$ 43,841</u>

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

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2016

	General Fund - ZA0610			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	
Revenues:				
Intergovernmental revenue:				
Supplemental appropriations	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
Board of Finance Loan	-	-	-	-
Total revenues	200,000	200,000	200,000	\$ -
Prior-year funds re-budgeted	-	-	-	
	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	200,000	200,000	200,000	-
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>

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

OTHER INFORMATION

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

Schedule 1

**Schedule of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<u>Assets</u>				
Interest in SGF Investment Pool	\$ -	\$ 211,085	\$ (209,335)	\$ 1,750
Accounts receivable	35,313,727	418,713	(211,085)	35,521,355
Less:				
Allowance for uncollectibles	<u>(34,621,471)</u>	<u>(391,566)</u>	<u>-</u>	<u>(35,013,037)</u>
Total assets	<u>\$ 692,256</u>	<u>\$ 238,232</u>	<u>\$ (420,420)</u>	<u>\$ 510,068</u>
<u>Liabilities</u>				
Due to State General Fund	\$ 692,256	\$ 418,713	\$ (600,901)	\$ 510,068
Due to others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 692,256</u>	<u>\$ 418,713</u>	<u>\$ (600,901)</u>	<u>\$ 510,068</u>

**STATE OF NEW MEXICO
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**Schedule of Memoranda of Understanding
Year Ended June 30, 2016**

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>PDD Amount</u>	<u>Audit Responsibility</u>
New Mexico Public Defender Department and Administrative Office of the Courts	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the DWI/Drug Court program in Valencia County.	7/1/15-6/30/16	\$ 20,000	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Memoranda of Understanding
Year Ended June 30, 2016**

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>PDD Amount</u>	<u>Audit Responsibility</u>
New Mexico Public Defender Department and Administrative Office of the Courts	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the Drug Court program in Torrance County.	7/1/15-6/30/16	\$ 11,520	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

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**Schedule of Memoranda of Understanding
Year Ended June 30, 2016**

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>PDD Amount</u>	<u>Audit Responsibility</u>
New Mexico Public Defender Department and San Miguel County	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the the Sobriety Drug Court Program in San Miguel County.	7/1/15-6/30/16	\$ 10,800	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Memoranda of Understanding
Year Ended June 30, 2016**

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>PDD Amount</u>	<u>Audit Responsibility</u>
New Mexico Public Defender Department and Administrative Office of the Courts	Public Defender Department	PDD will provide a criminal/delinquency defense attorney to report to the Drug Court Advisory Team meetings and to provide the Advisory Team with expert consultation services from the criminal/delinquency defense perspective for the Drug Court program in Doña Ana County.	7/1/15-6/30/16	\$ 25,000	\$ -	PDD

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY16 Target	FY16 Result	Met Target	Year-End Results Narrative
Agency: 28000 Law Offices of the Public Defender					
Program: P850 Public Defender Department					
The purpose of the criminal legal services program is to provide effective legal representation and advocacy for eligible clients so their liberty and constitutional rights are protected and to serve the community as a partner in assuring a fair and efficient criminal justice system that sustains New Mexico's statutory and constitutional mandate to adequately fund a statewide indigent defense system.					
Output	Number of alternative sentencing treatment placements for felony, misdemeanor and juvenile clients	10,000	2858	<input type="checkbox"/>	The FY2016 results for this measure are not significantly different than the results of the past two fiscal years. It appears that the FY2016 target of 10,000 was overestimated and unrealistic based on the historical figures. If the department had a large increase in social workers and attorney positions, more clients would have been referred to alternative programs, but that was not the case.
Efficiency	Percent of cases in which application fees were collected	45%	29%	<input type="checkbox"/>	LOPD will focus on improving the collection of this fee.
Quality	Percent of felony cases resulting in a reduction of original formally filed charges	75%	34.4%	<input type="checkbox"/>	LOPD continues to improve on the data collected for this measure and believes the actual reduction in charges on felony cases is higher than what is being reported. Additional training and quality assurance on the case closing process will be implemented to improve upon data collection. IT staff will also improve their data retrieval process from the Case Defendant Management System.
Quality	Percent of misdemeanor cases resulting in a reduction of the original formally filed charges	70%	57%	<input type="checkbox"/>	This measure is approved for FY2016 and FY2017, but discontinued in FY2018
Quality	Percent of juvenile cases resulting in a reduction of the original formally filed charges	70%	50.9%	<input type="checkbox"/>	This measure is approved for FY2016 and FY2017, but discontinued in FY2018

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Schedule 3

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract
28000	Law Office of the Pub State Agencies	State Agencies	N/A	Sole Source	State Bar		\$75,000.00
28000	Law Office of the Pub State Agencies	State Agencies	N/A	Sole Source	Computer Square		\$75,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13101	Competitive (RFP or RFB)	Allen, Mila L.	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13102	Competitive (RFP or RFB)	Allred, Joe	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-04101	Competitive (RFP or RFB)	Aragon, Anna M.	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13103	Competitive (RFP or RFB)	Aragon, Cynthia (Stanaland)	Winner	\$60,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-10101	Competitive (RFP or RFB)	Aragon, Michael	Winner	\$250,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-21101	Competitive (RFP or RFB)	Archibeque, Steven P.	Winner	\$300,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-12104	Competitive (RFP or RFB)	Atkins, Erinna M. (Erin)	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-21102	Competitive (RFP or RFB)	Baiamonte, Jim	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-10102	Competitive (RFP or RFB)	Bargas, Roger	Winner	\$250,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-07101	Competitive (RFP or RFB)	Benavidez, Andres A.	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-10103	Competitive (RFP or RFB)	Benavidez, Tomas R.	Winner	\$250,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-23102	Competitive (RFP or RFB)	Boone, Joshua	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13121	Competitive (RFP or RFB)	Burgess and Porter Law, LLC	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-21103	Competitive (RFP or RFB)	Burgess and Porter Law, LLC	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-21104	Competitive (RFP or RFB)	Bustamante, Edward O.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-04103	Competitive (RFP or RFB)	Bustos, Arthur L.	Winner	\$200,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-07102	Competitive (RFP or RFB)	Campbell, Joseph	Winner	\$140,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-21105	Competitive (RFP or RFB)	Carmack-Altwives, Mary	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-03101	Competitive (RFP or RFB)	Carreon, Mario A.R.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13106	Competitive (RFP or RFB)	Carrier Feilmeier, Laurel	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13107	Competitive (RFP or RFB)	Chavez, Randy M.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-01102	Competitive (RFP or RFB)	Chavez, Rikki-Lee	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-05101	Competitive (RFP or RFB)	Ching, Alexander B.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-01103	Competitive (RFP or RFB)	Clark, Jones and Pennington, LLC	Winner	\$300,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-11107	Competitive (RFP or RFB)	Curnutt, Mark A	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-11102	Competitive (RFP or RFB)	Curtis, Scott M.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13108	Competitive (RFP or RFB)	Davis, Michael V.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-07103	Competitive (RFP or RFB)	Deschamps, Lee	Winner	\$240,000.00
28000	Law Office of the Pub State Agencies	State Agencies	16-280-0000-13109	Competitive (RFP or RFB)	Duran & McDonald, LLC	Winner	\$300,000.00

28000	Law Office of the Pub State Agencies	16-280-0000-21106	Competitive (RFP or RFB)	Fenderson, Keren H.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13110	Competitive (RFP or RFB)	Fernandez, Gary	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-08101	Competitive (RFP or RFB)	Floersheim, Ray A.	Winner	\$240,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13111	Competitive (RFP or RFB)	Foghi, Boglarka	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-11103	Competitive (RFP or RFB)	Fortner, Jack	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13112	Competitive (RFP or RFB)	Foster, Leonard	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-09101	Competitive (RFP or RFB)	Gallagher, Sandra E.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-04102	Competitive (RFP or RFB)	Gallegos, Flora	Winner	\$150,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-04104	Competitive (RFP or RFB)	Gallegos, H. Chico	Winner	\$120,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13113	Competitive (RFP or RFB)	Gaudette, Gregory	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-03102	Competitive (RFP or RFB)	Giovannini, Peter J.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13104	Competitive (RFP or RFB)	Gomez, Theresa A.	Winner	\$140,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21107	Competitive (RFP or RFB)	Gulley, Stefanie Gonzales	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-09102	Competitive (RFP or RFB)	Harden, Thomas A.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-03103	Competitive (RFP or RFB)	Harrison, George	Winner	\$140,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-11104	Competitive (RFP or RFB)	Hatfield, Christian	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13114	Competitive (RFP or RFB)	Hernandez, Arthur	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21108	Competitive (RFP or RFB)	Hill, Jonathan	Winner	\$120,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-12101	Competitive (RFP or RFB)	Holmes, Todd A.	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21110	Competitive (RFP or RFB)	Huggins , Matthew J.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-05103	Competitive (RFP or RFB)	Kallunki , Jared	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-22101	Competitive (RFP or RFB)	Keithley, Lara K.	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21111	Competitive (RFP or RFB)	Kerr, Liane	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-08103	Competitive (RFP or RFB)	Landrum, Hal B. Jr.	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21112	Competitive (RFP or RFB)	Leos, Cindy	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21113	Competitive (RFP or RFB)	Longley, David D.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21114	Competitive (RFP or RFB)	Lopez, Raul A.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-06101	Competitive (RFP or RFB)	Lopez, Dietzel & Perkins PC	Winner	\$400,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-01104	Competitive (RFP or RFB)	Loranger, Tyr R.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21115	Competitive (RFP or RFB)	McCall, John	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-99117	Competitive (RFP or RFB)	McCall, John	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-12102	Competitive (RFP or RFB)	Mitchell, Gary	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21116	Competitive (RFP or RFB)	Mitsunaga, Megan K.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-08104	Competitive (RFP or RFB)	Mondragon Law,	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-08105	Competitive (RFP or RFB)	Montoya, Sarah M	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21117	Competitive (RFP or RFB)	Morrissey, Kari T.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21124	Competitive (RFP or RFB)	Moss, Nicole	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13115	Competitive (RFP or RFB)	Ortega, Peter Gerard	Winner	\$80,000.00

28000	Law Office of the Pub State Agencies	16-280-0000-05104	Competitive (RFP or RFB)	Patterson, Frank	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-05105	Competitive (RFP or RFB)	Patterson, Mickie	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21119	Competitive (RFP or RFB)	Porter, Susan M.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21109	Competitive (RFP or RFB)	Ramsey & Hoon,	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-07104	Competitive (RFP or RFB)	Rhinehart, Kathleen M.	Winner	\$140,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-07105	Competitive (RFP or RFB)	Riley, Katherine Stout	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13116	Competitive (RFP or RFB)	Rocha de Gandara, Jane	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-01105	Competitive (RFP or RFB)	Romero, Chris	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13117	Competitive (RFP or RFB)	Salazar, Anthony J.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21120	Competitive (RFP or RFB)	Salazar, Daniel	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-22102	Competitive (RFP or RFB)	Sanchez, Devonne	Winner	\$80,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13118	Competitive (RFP or RFB)	Sánchez, Joshua J.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-07106	Competitive (RFP or RFB)	Sanchez-Armijo, Rosa	Winner	\$140,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21121	Competitive (RFP or RFB)	Shattuck, Joseph E.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-04105	Competitive (RFP or RFB)	Silva and Grano,	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-04106	Competitive (RFP or RFB)	Silva, David	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-11105	Competitive (RFP or RFB)	Stackhouse, James Corey	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-06103	Competitive (RFP or RFB)	Stevens, Steve	Winner	\$200,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13119	Competitive (RFP or RFB)	Torres & Garde	Winner	\$320,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-06104	Competitive (RFP or RFB)	Turner, Robert F.	Winner	\$200,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-12103	Competitive (RFP or RFB)	Van Keulen, Jeffrey F	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-11106	Competitive (RFP or RFB)	Wade, Richard C.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-13120	Competitive (RFP or RFB)	Ward, Stacey A.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21122	Competitive (RFP or RFB)	Wernersbach, Jennifer J.	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-21123	Competitive (RFP or RFB)	Wheeless, Jason	Winner	\$160,000.00
28000	Law Office of the Pub State Agencies	16-280-0000-23101	Competitive (RFP or RFB)	Yurcic, Roberta	Winner	\$80,000.00

\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
\$0.00	PO Box 92860, Albuquerque, NM 87199-2860			Attorney bar license renewal	N/A
				Client database maintenance & support	N/A
\$0.00	330 Mac Lane, Keasbey, NJ 08832			Contract defense attorney	N/A
	815 W. Santa Fe Ave., Grants, NM, 87020	No	No	Contract defense attorney	N/A
	107 Bryn Mawr S.E. , Albuquerque, NM, 87106	No	No	Contract defense attorney	N/A
	1618 Seventh Street, Las Vegas, NM, 87701	No	No	Contract defense attorney	N/A
	500 MARQUETTE AVE NW, SUITE 1200, Albuquerque, NM	No	No	Contract defense attorney	N/A
	1917 Hot Springs Blvd, Las Vegas, NM	No	No	Contract defense attorney	N/A
	500 MARQUETTE AVE NW STE, Albuquerque, NM, 87125	No	No	Contract defense attorney	N/A
	414 10th St, #D, Alamogordo, NM	No	No	Contract defense attorney	N/A
\$171,500.00	900 Lomas Blvd NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	P. O. Box 1433/ 707 South First St., Tucumcari, NM, 88401-1433	No	No	Contract defense attorney	N/A
	2500 LOUISIANA, N.E. STE.224, Albuquerque, NM	No	No	Contract defense attorney	N/A
	2407 N GONZALES STREET, Las Vegas, NM	No	No	Contract defense attorney	N/A
	800 Lomas NW, Suite 200, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	400 Gold Ave, SW Ste 910, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	400 Gold Ave, SW Ste 910, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	610 Gold Ave., Suite 214, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	321 N Grand Ave, Las Vegas, NM	No	No	Contract defense attorney	N/A
	3 George Ct Ste C2, Edgewood, NM, 87015	No	No	Contract defense attorney	N/A
	111 Lomas Blvd. NW Ste 201, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	200 W. Las Cruces Ave., Ste B, Las Cruces, NM, 88005	No	No	Contract defense attorney	N/A
	1650 Camino Del Valle SW, Albuquerque, NM, 87105	No	No	Contract defense attorney	N/A
	300 Central Ave., SW Ste. 1200 , Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	17342 State Highway 84 North, Tierra Amarilla, NM 87575	No	No	Contract defense attorney	N/A
	1601 North Turner, Suite 212, Hobbs, NM, 88240	No	No	Contract defense attorney	N/A
	432 Galisteo St., Santa Fe, NM, 87501	No	No	Contract defense attorney	N/A
	6582 E. Main Street, Farmington, NM, 87499	No	No	Contract defense attorney	N/A
	P.O. Drawer 1259/506 West Arrington, Farmington, NM, 87499	No	No	Contract defense attorney	N/A
	3949 CORRALES RD, STE 130, Corrales, NM	No	No	Contract defense attorney	N/A
	104 Church St., Socorro, NM	No	No	Contract defense attorney	N/A
	108 Wellesley Dr. SE, Albuquerque, NM, 87106	No	No	Contract defense attorney	N/A

938 Aztec , Albuquerque, NM, 87107	No	No	Contract defense attorney	N/A
216 W High St., Grants, NM,	No	No	Contract defense attorney	N/A
112 Grant Ave, Raton, NM	No	No	Contract defense attorney	N/A
1380 Rio Rancho Blvd. #366, Rio Rancho, NM , 87124	No	No	Contract defense attorney	N/A
4000 E. 30th, Farmington, NM, 87499	No	No	Contract defense attorney	N/A
300 Central Ave., SW Ste. 1200 , Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
209 S Main Ave, Portales, NM	No	No	Contract defense attorney	N/A
P.O Box 1059/ 1630 Seventh St., Las Vegas, NM, 87701	No	No	Contract defense attorney	N/A
127 Bridge St., Las Vegas, NM, 87701	No	No	Contract defense attorney	N/A
550 CORTEZ, Los Lunas, NM	No	No	Contract defense attorney	N/A
835 N. ARMIJO ST., Las Cruces, NM	No	No	Contract defense attorney	N/A
10527 Cassiopeia NW, Albuquerque, NM, 87114	No	No	Contract defense attorney	N/A
2501 RIO GRANDE BLVD NW, STE B, Albuquerque, NM	No	No	Contract defense attorney	N/A
1100 Mitchell, Clovis, NM, 88101	No	No	Contract defense attorney	N/A
2490 Tuscan Hills Lane, Las Cruces, NM, 88011	No	No	Contract defense attorney	N/A
105 North Orchard Ave., Farmington, New Mexico, 87401	No	No	Contract defense attorney	N/A
1400 Barbara Loop SE #C, Rio Rancho, NM 87124	No	No	Contract defense attorney	N/A
800 Lomas NW, Suite 200, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
1123 Indiana Ave, Alamogordo, NM	No	No	Contract defense attorney	N/A
800 Lomas NW Ste. 200, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
500 N Main Suite 802, Roswell, NM, 88201	No	No	Contract defense attorney	N/A
809 FIFTH STREET SW, Albuquerque, NM	No	No	Contract defense attorney	N/A
1011 4th St. NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
1335 Paseo De Pueblo Sur #111, Taos, NM, 87571	No	No	Contract defense attorney	N/A
400 Gold SW #911 , Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
201 12th Street, NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
1311 5th St., N.W., Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
1311 N Grant St, Silver City, NM 88061	No	No	Contract defense attorney	N/A
100 La Salle Cir #A, Santa Fe, NM 87505	No	No	Contract defense attorney	N/A
120 B Tenth St NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
120 B Tenth St NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
443 MICHEM, Ruidoso, NM	No	No	Contract defense attorney	N/A
518 Slate NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
514 N Grand Ave, Las Vegas, NM	No	No	Contract defense attorney	N/A
544 S 2nd St, Raton, NM	No	No	Contract defense attorney	N/A
201 12th Street NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
201 12th Street NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
25 Terry Dr. , Los Lunas, NM, 87031	No	No	Contract defense attorney	N/A

	P O BOX 2424 , Roswell, NM, 88202	No	No	Contract defense attorney	N/A
\$172,900.00	704 Mitchell St., Clovis, NM, 88101	No	No	Contract defense attorney	N/A
	908 Lomas Blvd. NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	116 GRANITE NW, Albuquerque, NM	No	No	Contract defense attorney	N/A
	1010 Paisano Drive, Socorro, NM 87801	No	No	Contract defense attorney	N/A
	505 Main St. SW, Los Lunas, NM, 87031	No	No	Contract defense attorney	N/A
	413 GRANT SUITE C , Santa Fe, NM	No	No	Contract defense attorney	N/A
	P.O Box 171, Alcalde, NM, 87511	No	No	Contract defense attorney	N/A
	500 Oak St. NE #212, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	518 Slate St. NW, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	505 Main Street SW, Los Lunas, NM 87031	No	No	Contract defense attorney	N/A
\$169,600.00	415 Luna Ave SE, Los Lunas, NM 87031	No	No	Contract defense attorney	N/A
	620 Roma Ave. N.W., Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	1920 7th Street, Las Vegas, NM 87701	No	No	Contract defense attorney	N/A
	2313 Hot Springs Blvd., Las Vegas, NM 87701	No	No	Contract defense attorney	N/A
	506 W. Arrington St., Farmington, NM 87401	No	No	Contract defense attorney	N/A
	1705 N. Valley Dr., Suite 11, Las Cruces, NM, 88007	No	No	Contract defense attorney	N/A
	300 Central Ave SW Ste 1200w, Albuquerque, NM 87102	No	No	Contract defense attorney	N/A
	900 S. Platinum St., Deming, NM, 88031	No	No	Contract defense attorney	N/A
	1123 Indiana Ave., Alamogordo, NM	No	No	Contract defense attorney	N/A
	821 Ford Drive, Gallup, NM, 87301	No	No	Contract defense attorney	N/A
	505 Main Street, SW, Los Lunas, NM 87031	No	No	Contract defense attorney	N/A
	500 Marquette NW, Ste. 1200, Albuquerque, NM, 87102	No	No	Contract defense attorney	N/A
	500 MARQUETTE AVE NW STE., Albuquerque, NM, 87125	No	No	Contract defense attorney	N/A
	507 Slate Ave NW, Albuquerque, NM 87102	No	No	Contract defense attorney	N/A



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

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Fax 505.747.4417

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

Independent Auditors' Report

Bennett J. Baur, Chief Public Defender
Public Defender Department
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund of the State of New Mexico, Public Defender Department (Department) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 28, 2016. We have also audited the budgetary comparison statements for the year ended June 30, 2016, presented as supplementary information.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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 weakness 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 Department'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 noncompliance 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 item 2016-001.

The Department's Response to Finding

The Public Defender Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Española, New Mexico
October 28, 2016

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Findings and Responses
June 30, 2016**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Performance Appraisals	E	N/A	2016-001
Follow-up on Prior Year Findings:			
Requests to Pay Prior-Year Bills	B	2014-001	Resolved
Internal Control over Financial Close and Reporting	B	2015-001	Resolved
PERA/RHC Contributions	D	2015-002	Resolved

*** Legend for Findings:**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters involving Internal Control Over Financial Reporting
- D. Material Instance of Noncompliance
- E. Immaterial Instance of Noncompliance

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Schedule of Findings and Responses
June 30, 2016**

2016-001

Performance Appraisals (Immaterial Noncompliance)

Criteria

Per 10.12.9.9 (B) NMAC, the performance and development of a career employee shall include at least one interim evaluation and a final evaluation appraised by the immediate supervisor prior to the employee's anniversary date. Per 10.12.9.9 (D) NMAC, the appraisal of employee performance and development shall be performed by the immediate supervisor with employee input and participation.

Condition

During our audit of personnel files, we noted five (10) instances out of twenty-five (25) tested where performance appraisals were not performed, as required. This noncompliance (40%) projects to 147 out of 367 total employees.

Cause

Since the performance appraisals are no longer associated with cost of living increases, they have not been a priority to complete as required.

Effect

Managers and immediate supervisors who fail to comply with the provisions of 10.12.9.9 NMAC may be subject to disciplinary action, including dismissal.

Recommendation

We recommend that the Department enforce its policies and procedures to ensure compliance with the provisions of 10.12.9.9 NMAC.

Entity Response and Planned Corrective Actions

"The Human Resources (HR) Division will work directly with Management to improve and enforce existing performance appraisal procedures to ensure compliance is achieved. Training will be provided to all managers to insure they understand the importance of conducting employee evaluations, and what the timelines are for completing employee evaluations. The Senior HR Administrators will continue to send monthly reminders via email to supervisors on appraisals due in the subsequent month. Failure to complete appraisals may subject managers and supervisors to disciplinary action. The Human Resources Director will work to insure our agency is in compliance."

**STATE OF NEW MEXICO
PUBLIC DEFENDER DEPARTMENT**

**Financial Statement Preparation and Exit Conference
June 30, 2016**

Financial Statement Presentation

The financial statements and notes to the financial statements were prepared by the independent certified public accountants performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. Management has reviewed and approved the financial statements and notes to the financial statements.

* * * * *

EXIT CONFERENCE

The financial statements and the auditors' reports were discussed at an exit conference held on November 21, 2016 with the following in attendance:

Public Defender Department

Bennett J. Baur, Chief Public Defender
Shelley Espinoza, CFO
Barbara Auten, Human Resource Director
Janelle Gonzales, Senior Accountant and Auditor

Audit Firm

James R. (Jim) Macias, CPA