



**STATE OF NEW MEXICO
OFFICE OF THE
ATTORNEY GENERAL**

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2013

atkinson

PRECISE. PERSONAL. PROACTIVE.

State of New Mexico
Office of the Attorney General

OFFICIAL ROSTER

June 30, 2013

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Elizabeth Glenn	Deputy Attorney General
Mark Reynolds	Civil Division Director
Earl Holmes	Investigation Division Director
Mary Helen Baber	Special Prosecutions Director
Scott Fuqua	Litigation Division Director
Stephen Farris	Water, Environment and Utilities Division Director
Karen Meyers	Consumer Protection Division Director
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Margaret McLean	Criminal Appeals Division Director
Jody Curran	Medicaid Fraud Division Director
Maria Sanchez Gagne	Border Violence Division Director
Chris Lackmann	Government Accountability Division Director

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Gary K. King, Attorney General
Office of the Attorney General
and
Mr. Hector H. Balderas, State Auditor
Office of the State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds and the aggregate remaining fund information of the State of New Mexico, Office of the Attorney General, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Office of the Attorney General's basic financial statements, as listed in the table of contents. We have also audited the financial statements of each of the Office of the Attorney General's non-major governmental funds including the budgetary comparisons for components of the general fund and for non-major funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Office of the Attorney General'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 Office of the Attorney General's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of the Attorney General, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons of the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Office of the Attorney General as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for components of the general fund and the non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B1, the financial statements of the Office of the Attorney General are intended to present the financial position and changes in financial position, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Office of the Attorney General. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2013, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 9 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.

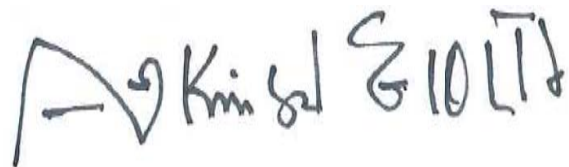
Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons that collectively comprise the Office of the Attorney General's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements. The fiduciary combining statement of assets and liabilities - all agency funds is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards and the fiduciary combining statement of assets and liabilities - all agency funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. 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 State of America. In our opinion, the schedule of expenditures of federal awards and the fiduciary combining statement of assets and liabilities - all agency funds are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Office of the Attorney General's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Office of the Attorney General's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
December 13, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information**

June 30, 2013

The State of New Mexico, Office of the Attorney General (AGO or Office), discussion and analysis provides the reader of the financial statements this narrative overview and analysis of the financial activities of the AGO for the fiscal year ended June 30, 2013. The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and related GASB statements, which established financial reporting requirements for State and local governments throughout the United States. The requirements were developed by GASB to make annual reports more comprehensive and easier to understand and use.

The Basic Financial Statements

In compliance with requirements of U.S. generally accepted accounting principles (GAAP), the AGO's basic financial statements include the:

- Government-wide financial statements;
- Fund financial statements;
- Budget comparison statements;
- Notes to the financial statements.

In accordance with 2.2.2 New Mexico Administrative Code NMAC Section 2.2.2.10A.(2)(d), the audit opinion also covers additional information consisting of:

- Combining financial statements

The Management's Discussion and Analysis (MD&A) is included as required supplementary information (RSI).

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Office's finances, in a corporate-like manner. These statements report information about the overall government without displaying individual funds or fund types. They distinguish between governmental activities and business-type activities. The Office does not have any business-type activities.

The **Statement of Net Position** presents information on all of the Office's assets and liabilities, deferred outflows and inflows with the residual reported as net position. Increases or decreases in net position may serve as a useful indicator of the Office's financial position over time.

The **Statement of Activities** presents information on how the Office's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are included in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and uncollected accounts receivable).

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2013

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Office uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office's funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented by governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Office's near-term financing decisions. Both the governmental fund ***Balance Sheet*** and the governmental fund ***Statement of Revenues, Expenditures, and Changes in Fund Balances*** provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Office maintains one general fund and six special revenue funds. Information is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund and for the special revenue funds. There is also an agency fund maintained.

The Office adopts an annual appropriated budget for its general fund and for certain special revenue funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with budgets.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 20 through 45 of this report.

Budgetary Comparison

The budget comparison information required by GASB No. 34 for the major governmental funds and non-major governmental funds that have legally adopted annual budgets are presented as listed in the table of contents. The budgetary comparisons present both the original and final budgets for the reporting period, as well as the actual inflows, outflows, and balances, stated on a budgetary basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2013

Budgetary Comparison – Continued

The Statements of Revenues and Expenditures – Budget and Actual are also presented as required by the Office of the State Auditor in 2.2.2 NMAC. This information is presented at the approved budget level to demonstrate compliance with legal requirements.

Government-Wide Condensed Financial Information

Attorney General's Office Net Position

<u>NET POSITION</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
ASSETS			
Current assets	\$ 12,220,630	\$ 12,355,223	\$ (134,593)
Capital assets, net	112,253	95,778	16,475
Total assets	<u>\$ 12,332,883</u>	<u>\$ 12,451,001</u>	<u>\$ (118,118)</u>
LIABILITIES			
Current liabilities	\$ 2,773,294	\$ 2,963,798	\$ (190,504)
Long-term liabilities	196,177	193,824	2,353
Total liabilities	<u>\$ 2,969,471</u>	<u>\$ 3,157,622</u>	<u>\$ (188,151)</u>
NET POSITION			
Invested in capital assets, net	\$ 112,253	\$ 95,778	\$ 16,475
Restricted	10,232,044	10,166,719	65,325
Unrestricted	<u>(980,885)</u>	<u>(969,118)</u>	<u>(11,767)</u>
Net position	<u>\$ 9,363,412</u>	<u>\$ 9,293,379</u>	<u>\$ 70,033</u>

Discussion of Statement of Net Position

Net position is derived by deducting total liabilities from total assets. There are no deferred outflows or inflows for the year ending June 30, 2013. Net position increased by \$70,033.

Current assets consist mostly of investments with the State Treasurer of \$10,433,949; grants receivable of \$410,781; amounts due from other State agencies of \$1,306,269; and other assets of \$60,148.

The Office reports balances in three categories of net position: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The net investment in capital assets balance is positive, but the unrestricted balance is negative due to compensated absences reported on the government-wide financial statements.

Restricted net position remained essentially the same balance due to the increases and decreases for the year in the Consumer Settlement Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2013

Capital Asset and Debt Administration

The Office's investment in capital assets for its governmental activities as of June 30, 2013 is \$112,253 (net of accumulated depreciation). This investment in capital assets consists mainly of office data processing, equipment, and vehicles.

Major capital asset events during the current fiscal year include capital asset additions of \$ 33,842 and depreciation expense totaling \$17,367.

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. In the case of the Office, a net asset balance is reported at the close of the most recent fiscal year.

The Office uses capital assets to provide its services; consequently, these assets are not available for future spending.

Liabilities

Current liabilities of \$2,773,294 consists primarily of accounts payable of \$426,462; accrued salaries and benefits payable of \$301,364; due to other State agencies of \$696,751; compensated absences payable of \$784,708; deferred revenue of \$206,241; and amounts due to taxpayers of \$357,768.

Long-Term Liabilities

At the end of the current fiscal year, the AGO had total long-term liabilities outstanding of \$196,177 comprised of accumulated balances for compensated absences for payment to employees upon termination of their employment from the AGO if not utilized.

Employees can receive compensation for a maximum of 240 hours upon severance.

Discussion of Statement of Activities

This statement shows the components that increased, in the aggregate, the Office's net position by \$70,033 during the year. Program revenues increased due to new grants and settlements received. The Office's State general fund appropriations increased by \$101,400 as compared to the prior year. The increase in expenses of \$3,390,700 was also primarily attributable to the increase in grants expenditures including the new Homeowner Preservation Program.

State of New Mexico
Office of the Attorney General

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2013

Discussion of Statement of Activities – Continued

<u>ACTIVITIES FOR THE YEAR</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
Functional expenses:			
General government	\$ 22,329,107	\$ 18,938,407	\$ 3,390,700
Program revenues:			
Operating grants and contributions	<u>14,338,438</u>	<u>6,226,399</u>	<u>8,112,039</u>
Net (expense) revenue	(7,990,669)	(12,712,008)	4,721,339
General revenues:			
Transfers:			
State general fund appropriations	8,258,700	8,157,300	101,400
Other	507,280	1,280,459	(773,179)
Transfers (out) and reversions	<u>(705,278)</u>	<u>(638,394)</u>	<u>(66,884)</u>
Total general revenues and transfers	<u>8,060,702</u>	<u>8,799,365</u>	<u>(738,663)</u>
Change in net position	70,033	(3,912,643)	3,982,676
Net position, beginning of year	<u>9,293,379</u>	<u>13,206,022</u>	<u>(3,912,643)</u>
Net position, end of year	<u>\$ 9,363,412</u>	<u>\$ 9,293,379</u>	<u>\$ 70,033</u>

The Office's Individual Governmental Funds

As the Office completed the year, its governmental funds reported a combined fund balance of \$10,232,044 which is higher than last year's total of \$10,166,718. The primary reason for the increase in fund balance is related to increases in consumer settlement revenues. The fund balance of the general fund remained zero; the Medicaid fraud control unit special revenue fund remained zero; and the consumer settlements fund balance increased \$180,851 due to an increase in settlement revenues.

The general fund revenues increased \$3,562,464 as compared to the previous year due to an increase in state grant revenues resulting from increases in corresponding reimbursable grant expenditures. Other financing sources increased \$1,133 as a result of increases in general fund appropriations from the State Legislature, which were partially offset by a decrease in transfers from other funds. Expenditures also increased \$3,563,597 as a result of increase in grant expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED
Required Supplementary Information

June 30, 2013

The Office's Individual Governmental Funds – Continued

The Medicaid fraud control unit special revenue fund revenues decreased \$69,418 due to a decrease in revenues from federal grants. The Office transferred additional amounts into the Medicaid fraud program to fund operations and maintain a zero fund balance at year end.

The Consumer Settlements revenues increased by \$5,047,262 compared to the previous year due to more settlement revenues received. Transfers to the general fund increased by \$1,042,149 in order to compensate for an increase in expenditures from the general fund.

General Fund Budgetary Highlights

For the second consecutive fiscal year, the state appropriations were increased, however, the Office was required to supplement the appropriation with Consumer Settlement Funds to fund budgeted expenditures. The general fund appropriation for fiscal year 2013 was \$7,769,600. The Consumer Settlement Funds to supplement the budget was \$8,350,115. As a result, the Office's final budget for revenues and expenditures was higher than initial budget amounts by \$1,874,190. Actual revenues and other financing sources were higher than budget amounts by \$3,074,442. The final general fund actual expenditures exceeded the prior year amount by \$3,563,597 due to increased transfers from the Consumer Settlement Fund.

Requests for Information

This financial report is designed to provide a general overview of the AGO finances for all interested parties. If you have questions about this report or need additional information, contact:

The Office of the Attorney General
Villagra Building
Santa Fe, New Mexico 87504

State of New Mexico
Office of the Attorney General

STATEMENT OF NET POSITION

June 30, 2013

	Activities
ASSETS	
Cash in banks	\$ 9,483
Investments in State General Fund Investment Pool	10,433,949
Due from Federal Government	410,781
Due from other State Agencies and Governments	1,306,269
Other assets	60,148
Total current assets	12,220,630
Capital assets	493,884
Less accumulated depreciation	(381,631)
Total capital assets, net of depreciation	112,253
Total assets	\$ 12,332,883
LIABILITIES	
Accounts payable	\$ 426,462
Accrued salaries and benefits payable	301,364
Due to other State Agencies	271,638
Due to State General Fund	425,113
Due to taxpayers	357,768
Deferred revenue	206,241
Compensated absences payable: current	784,708
Total current liabilities	2,773,294
Compensated absences:	
Due after one year	196,177
Total liabilities	2,969,471
NET POSITION	
Net investment in capital assets	112,253
Restricted:	
Consumer settlements	10,202,223
Antitrust litigation	26,872
Medicaid fraud program income	2,949
Unrestricted deficit	(980,885)
Total net position	9,363,412
Total liabilities and net position	\$ 12,332,883

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

	<u>Governmental Activities</u>
EXPENSES	
General government:	
Personal services and employee benefits	\$ (15,539,285)
Other costs	(2,565,293)
Contractual services	(4,207,162)
Depreciation	<u>(17,367)</u>
Total expenses	(22,329,107)
PROGRAM REVENUES	
Operating grants, contributions and settlements	<u>14,338,438</u>
Total program revenues	<u>14,338,438</u>
Net (expense) revenue	(7,990,669)
GENERAL REVENUES	
State general fund appropriations - FY2013	8,258,700
Other financing sources	507,280
Other financing uses	(10,030)
Reversions to State General Fund FY2013	<u>(695,248)</u>
Total general revenues and transfers	<u>8,060,702</u>
Change in net position	70,033
Net position, beginning of year	<u>9,293,379</u>
Net position, end of year	<u>\$ 9,363,412</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2013

	General Fund - 17000	Medicaid Fraud Control - 27800	Consumer Settlement - 54400	Other Non- Major Funds	Total Governmental Funds
ASSETS					
Cash in banks	\$ 9,303	\$ -	\$ -	\$ 180	\$ 9,483
Investments, State Treasurer	-	-	10,394,638	39,311	10,433,949
Due from Federal government	410,781	-	-	-	410,781
Due from other funds	-	103,635	165,227	-	268,862
Due from other State agencies	1,305,580	689	-	-	1,306,269
Other assets	31,788	27,131	-	1,229	60,148
	\$ 1,757,452	\$ 131,455	\$ 10,559,865	\$ 40,720	\$ 12,489,492
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 408,889	\$ 17,573	\$ -	\$ -	\$ 426,462
Accrued salaries and benefits payable	276,527	24,837	-	-	301,364
Deferred revenue	206,241	-	-	-	206,241
Due to other funds	268,862	-	-	-	268,862
Due to State general fund	414,340	-	54	10,719	425,113
Due to other State agencies	182,593	89,045	-	-	271,638
Due to taxpayers	-	-	357,768	-	357,768
	1,757,452	131,455	357,822	10,719	2,257,448
 FUND BALANCES:					
Spendable:					
Restricted for:					
Medicaid fraud program	-	-	-	2,949	2,949
Reserved for antitrust litigation	-	-	-	26,872	26,872
Consumer settlements	-	-	10,202,043	180	10,202,223
Unassigned	-	-	-	-	-
	-	-	10,202,043	30,001	10,232,044
Total fund balances	-	-	10,202,043	30,001	10,232,044
Total liabilities and fund balances	\$ 1,757,452	\$ 131,455	\$ 10,559,865	\$ 40,720	\$ 12,489,492

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

**RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION –
GOVERNMENTAL FUNDS**

June 30, 2013

Total fund balance, governmental funds (balance sheet)	\$ 10,232,044
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore, are not reported in the funds.	112,253
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(980,885)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 9,363,412</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS**

For the year ended June 30, 2013

	General Fund - 17000	Medicaid Fraud Control - 27800	Consumer Settlement - 54400	Other Non- Major Funds	Total Governmental Funds
REVENUES					
Federal operating grants	\$ 415,871	\$ 865,460	\$ -	\$ -	\$ 1,281,331
State operating grants	848,651	-	-	-	848,651
Medicaid program income	-	-	-	850	850
Retained settlement and other revenues	3,676,640	-	8,530,966	-	12,207,606
Total revenues	4,941,162	865,460	8,530,966	850	14,338,438
EXPENDITURES					
Current:					
Personal services and employee benefits	14,044,144	1,483,374	-	-	15,527,518
Other costs	2,359,312	239,822	-	-	2,599,134
Contractual services	4,199,798	7,364	-	-	4,207,162
Total expenditures	20,603,254	1,730,560	-	-	22,333,814
(Deficiency) excess of revenues over expenditures	(15,662,092)	(865,100)	8,530,966	850	(7,995,376)
OTHER FINANCING SOURCES (USES)					
State general fund appropriations - FY 2013	7,769,600	489,100	-	-	8,258,700
Interfund transfers	8,090,490	259,625	(8,350,115)	-	-
Other financing sources	507,280	-	-	-	507,280
Reversions-fiscal year 2013	(695,248)	-	-	-	(695,248)
Other financing uses	(10,030)	-	-	-	(10,030)
Total other financing sources (uses)	15,662,092	748,725	(8,350,115)	-	8,060,702
Net change in fund balances	-	(116,375)	180,851	850	65,326
FUND BALANCES - beginning of year	-	116,375	10,021,192	29,151	10,166,718
FUND BALANCES - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,202,043</u>	<u>\$ 30,001</u>	<u>\$ 10,232,044</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS**

For the year ended June 30, 2013

Net change in fund balances - governmental funds \$ 65,326
(Statements of Revenues, Expenditures and Changes in Fund Balance)

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 Statements of Activities, the cost of capital assets is
allocated over their estimated useful lives as depreciation expense.
In the current period, these amounts are:

Capital asset additions	\$ 33,842
Depreciation	<u>(17,367)</u>

Excess (deficiency) of capital outlay over depreciation expense	16,475
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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.

Increase in compensated absences	<u>(11,768)</u>
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Change in net position of governmental activities (Statement of Activities)	<u><u>\$ 70,033</u></u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000)**

For the year ended June 30, 2013

General Fund	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal and State operating grants	\$ -	\$ 569,675	\$ 1,264,522	\$ 694,847
General fund appropriation, Laws of 2012	7,769,600	7,769,600	7,769,600	-
Miscellaneous revenue	500,000	500,000	3,676,640	3,176,640
Other financing sources	8,090,300	9,394,815	8,597,770	(797,045)
	<u>\$ 16,359,900</u>	<u>\$ 18,234,090</u>	<u>\$ 21,308,532</u>	<u>\$ 3,074,442</u>
	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 13,485,563	\$ 13,785,335	\$ 14,054,174	\$ (268,839)
Contractual services	793,300	1,835,439	4,199,798	(2,364,359)
Other	2,081,037	2,613,316	2,359,312	254,004
	<u>\$ 16,359,900</u>	<u>\$ 18,234,090</u>	<u>\$ 20,613,284</u>	<u>\$ (2,379,194)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695,248</u>	<u>\$ 695,248</u>
Reversion expense-FY13			<u>(695,248)</u>	
Change in fund balance per statement of revenues, expenditures and changes in fund balance-general fund (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
MEDICAID FRAUD CONTROL FUND (FUND 27800)**

For the year ended June 30, 2013

Medicaid Fraud	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
General appropriations	\$ 489,100	\$ 489,100	\$ 489,100	\$ -
Federal grants	1,467,100	1,467,100	865,460	(601,640)
Other revenue	32,400	32,400	259,625	227,225
Total revenue	\$ 1,988,600	1,988,600	\$ 1,614,185	\$ (374,415)
Medicaid Fraud	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 1,699,800	\$ 1,699,800	\$ 1,483,374	\$ 216,426
Contractual services	7,900	7,900	7,364	536
Other	280,900	280,900	239,822	41,078
Other financing use	-	-	-	-
Total expenditures	\$ 1,988,600	\$ 1,988,600	\$ 1,730,560	\$ 258,040
Excess of revenues and other financing sources over expenditures and other financing uses			\$ (116,375)	
Beginning fund balance	\$ -	\$ 116,375		\$ -

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
CONSUMER SETTLEMENTS FUND (FUND 54400)**

For the year ended June 30, 2013

Consumer Settlement	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Revenues and contributions	\$ -	\$ -	\$ 8,530,966	\$ 8,530,966
Total revenues	\$ -	\$ -	\$ 8,530,966	\$ 8,530,966
Consumer Settlement	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
General government:				
Other financing uses	\$ -	\$ 9,144,815	\$ 8,350,115	\$ 794,700
Total expenditures	\$ -	\$ 9,144,815	\$ 8,350,115	\$ 794,700
Prior-year fund balance budgeted	\$ -	\$ 9,144,815	\$ -	\$ (9,144,815)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses			\$ 180,851	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Office of the Attorney General

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS**

For the year ended June 30, 2013

	<u>#081 Dram Matter Cost Share</u>	<u>#695 Victims Restitution</u>	<u>#701 Special Trust</u>	<u>#702 Cummins Settlement</u>	<u>#950 Mylan Multistate Anti-trust</u>	<u>#127 Buspar Multistate Anti- trust</u>	<u>Total Agency Funds</u>
ASSETS							
Cash on deposit with State Treasurer	\$ 5,892	\$ 1,300	\$ 11,260	\$ 6,606	\$ 317,232	\$ 6,976	\$ 349,266
Interest receivable	-	-	-	-	28	-	28
Total assets	<u>\$ 5,892</u>	<u>\$ 1,300</u>	<u>\$ 11,260</u>	<u>\$ 6,606</u>	<u>\$ 317,260</u>	<u>\$ 6,976</u>	<u>\$ 349,294</u>
LIABILITIES							
Deposits held for consumers and others	<u>\$ 5,892</u>	<u>\$ 1,300</u>	<u>\$ 11,260</u>	<u>\$ 6,606</u>	<u>\$ 317,260</u>	<u>\$ 6,976</u>	<u>\$ 349,294</u>
Total liabilities	<u>\$ 5,892</u>	<u>\$ 1,300</u>	<u>\$ 11,260</u>	<u>\$ 6,606</u>	<u>\$ 317,260</u>	<u>\$ 6,976</u>	<u>\$ 349,294</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A – HISTORY AND FUNCTIONS

The State of New Mexico, Office of the Attorney General (the Office), Department of Justice, was created by Article V, Section 1 of the New Mexico Constitution, and the Attorney General is designated by law as the head of the Department of Justice (Section 8-5-1 through Section 8-5-16, NMSA, 1978 Compilation). The functions of the Office are to serve as the legal representative of the State in lawsuits, to represent State agencies, departments, board and commissions, as well as all State employees or officials involved in lawsuits relating to their official duties (providing the suit was not initiated by the State against that person), and to represent the Public Regulation Commission as specifically stated in the Constitution; to give opinions on legal questions asked by the Legislature, individual Legislators, State officials, and District Attorneys on matters related to their official duties; to act in any criminal or civil cases in which a county or the State is a party or has an interest, if the district attorney fails or refuses to act, and if the Attorney General determines that action is advisable; to investigate local matters in which the State has an interest, if directed to do so by the Governor, to maintain a register of charitable organizations; to assign lawyers or investigators to assure that elections are properly conducted; to enforce the Indian Arts and Crafts Sales Act, the Land Subdivision Act, the Unfair Practices Act, and the Open Meetings Act; to serve as a member of the Mortgage Finance Authority, the Risk Management Advisory Board, the State Commission of Public Records, the Judicial Council, the Compilation Commission, and the Law Enforcement Academy Board.

Section 8-5-16, NMSA 1978 provides for an office of guardianship services within the Office to consolidate guardianship services currently existing in various State agencies and to negotiate and administer contracts for guardianship services with community service providers.

The Office also operates the Medicaid fraud control unit with the power to investigate or prosecute fraud and abuse in the Medicaid program.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Office have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies of the Office are described as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity and Component Units

The Attorney General is an elected official elected for a four-year term and can serve two terms in office. The Office is included in the executive branch of New Mexico State Government and these financial statements include all funds, programs, and activities over which the Attorney General has oversight responsibility.

The Office implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* in fiscal year 2002.

The Office is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR).

In evaluating how to define the Office 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 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. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, including the existence of financial benefit or burden condition. Based upon the application of these criteria, the Office of the Attorney General does not have any component units.

2. Basis Financial Statements – Government-Wide Statements

The Office’s basic financial statements include both government-wide (based on the Office as a whole) and fund financial statements and report information on all non-fiduciary activities. Both the government-wide and fund financial statements (within the basic statement) categorize primary activities as either governmental or business-type. The Office is a single purpose government entity and has no business-type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on a full accrual, economic resource measurement focus, which incorporates long-term assets and receivables, as well as long-term debt and obligations. The Statement of Net Position is composed of assets plus deferred outflows of resources less liabilities and deferred inflows of resources. There are no deferred outflows

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis Financial Statements – Government-Wide Statements – Continued

or inflows of resources at June 30, 2013. See Note Q for more information on deferred outflows and inflows of resources. The Office's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. When applicable, the effect of interfund activity is removed from the Statement of Net Position in order to avoid a grossing-up effect on assets and liabilities within the statements.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (general government) which are otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues, operating and capital grants. Program revenue must be directly associated with the function (general government).

Program revenues include 1) charges to applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) consumer settlements awarded to the Office that are restricted to meeting the operational or capital requirements of a particular function or segment. The appropriation from the State general fund is not included among program revenues, but instead is reported as general revenue.

The net cost by function is normally covered by general revenue that does not employ indirect cost allocation.

The government-wide focus is more on the sustainability of the Office as an entity and the change in the Office's net position resulting from the current year's activities.

3. Basic Financial Statements – Fund Financial Statements

The fund financial statements, the balance sheet and statement of revenues, expenditures and changes in fund balances, are presented to report additional and detailed information about the Office. Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Office's major funds are the general fund, Medicaid fraud control unit fund, and the consumer settlements fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Office's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements 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 of the government-wide presentation.

The Office's fiduciary funds are presented with the basic financial statements and the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The focus is on the Office as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary fund by category.

The financial transactions of the Office are recorded in individual 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, or expenses 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 reporting model under GASB 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues, or expenditures of either fund category or the governmental and enterprise combines) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining sections.

The following fund types are used by the Office:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or current resources measurement focus. Only current assets and current liabilities that are “available” are generally included on their balance sheets. Availability for purposes of revenue and liability recognition purposes is generally 60 days. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as government fund type expenditures or fund liabilities.

General Fund – The general fund is the general operating fund of the Office. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund is a major fund. The general fund is made up of the following central accounting system (SHARE) funds.

17000 General operating – The operating account for the Office. This is a reverting fund.

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Office’s special revenue funds are as follows:

08500 Antitrust litigation fund – The fund receives five percent of the proceeds awarded by courts in order to assist in defraying the cost incurred in initiating and litigating suits. The fund was authorized by the Laws of 1986, Chapter 19, Section 4, and is non-reverting. The antitrust litigation fund is a non-major fund. There was no activity in fiscal year 2013.

27800 Medicaid fraud control fund – To account for the activity of the Medicaid fraud control unit. Monies are derived from awards of the Federal Department of Health and Human Services and State general fund appropriations. The authority for this fund and the Medicaid program income fund is 42 USC 1396b(a)(6) and 1396b(b)(3). Legal restrictions on expenditures and the authority for the creation of the fund are a result of the agreements between the Office of the Attorney General and the Department of Health and Human Services and the annual appropriation laws. The Medicaid fraud control fund is a major fund and is reverting.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

- 27500 Medicaid program income fund – To account for program income derived Medicaid fraud program. Program income is received from Medicaid based on cost incurred in connection with Medicaid fraud cases. Legal restrictions on expenditures and the authority for the creation of the fund are a result of the agreements between the Office of the Attorney General and the Department of Health and Human Services. The fund is a non-major fund and is non-reverting.
- 54400 Consumer settlements fund – To account for settlements received by the Office of the Attorney General from various court orders. The fund is authorized under Section 8-5-2 and 36-1-22, NMSA 1978, as amended. Funds are transferred to the Office's general fund for expenditure in consumer protection and training. The consumer settlements fund is a major fund and is non-reverting.
- 64900 Grant fund – To account for the activity of the Native American Arts and Crafts Investigation and Prosecution Project to enforce the Indian Arts and Crafts Sales Act; private grants and charitable organization registration fees. Legal restrictions on expenditures and the authority for the creation of the grant fund are a result of Laws of 1998, Chapter 116, grant agreements and the Charitable Solicitation Act (Section 57-22-1 et. seq., NMSA 1978). The fund is considered to be reverting and non-reverting as general fund appropriations are reverting. The grant fund is a non-major fund. There was no activity in fiscal year 2013.
- 89000 American Recovery and Reinvestment Act Fund (ARRA) – On February 13, 2009, the U. S. Congress passed the American Recovery and Reinvestment Act of 2009 in response to the economic crisis. Due to the separate reporting requirement for ARRA expenditures, as specified by the Office of Management and Budget (OMB), the Office records all ARRA activity in this special revenue fund. The ARRA fund is a non-major fund and is non-reverting.

FIDUCIARY FUND TYPES

Fiduciary fund types include trust and agency funds, which are used to account for assets held by the Office in the capacity of trustee or agent.

Agency Funds. Agency funds are used to account for assets held as an agent for other governmental units, individuals, and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds of the Office are used to account for the proceeds of settlement and court decisions until the proceeds may be distributed to the proper recipients. The Office's agency funds are as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

08100	Dram matter cost share fund
69500	Victim restitution fund
70100	Special trust fund
70200	Cummins settlement fund
95000	Mylan multi-state antitrust fund
12700	Buspar multi-state antitrust fund

4. Measurement Focus, Basis of Accounting, and Financial Reporting Presentation

Basis of accounting refers to the point at which revenues or expenditures 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 financial statements and the fiduciary financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis. Under the accrual method of accounting revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and non-exchange transactions are recognized in accordance with full accrual accounting and with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

All governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resources increments are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are available if collected within sixty days of the end of the fiscal year.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred and all other eligibility requirements of the grant, if any, are met. Contributions and other monies held by other State and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Measurement Focus, Basis of Accounting, and Financial Reporting Presentation – Continued

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory, and certain sick leave are not accrued as current liabilities but as non-current liabilities. However, in the government-wide financial statements, both current and long-term are accrued. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources. If both restricted and non-restricted resources are available, the Office first applies restricted resources when expenditures are incurred.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

5. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Office which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget and financial control system which permits a budget-to-actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation program level (no longer the 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 annual General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

These procedures are followed in establishing the budgetary data reflected in the financial statements:

- a. No later than September 1, the Office submits to the Legislative Finance Committee (LFC) and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting – Continued

- b. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriations Act.
- c. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- d. No later than May 1, the Office submits to the DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budgetary adjustments must be approved by the Director of the DFA Budget Division and by the LFC.
- e. Budgetary control is exercised by the Office at the appropriation program level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
- f. The budget for the general fund and special revenue funds are adopted on modified accrual basis per the annual General Appropriation Act. Budgetary comparisons presented in this report for the general fund and special revenue funds are on the budgetary basis which is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget (there were no budgets for the antitrust litigation fund, or grant fund, for fiscal year 2013 due to inactivity). The Office did not pay any fiscal year 2013 payables out of the fiscal year 2014 budget.
- g. The original budget differs from the final budgets presented in the budget comparison statements by any amendments made during the fiscal year.
- h. Appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30th.

In accordance with 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 requirements established by GASB 34, the budgetary comparison statement for the general fund has been included as part of the basic financial statements.

The following funds on pages 46 and 47 are not budgeted due to low activity – Antitrust Litigation 08500, Grant 64900, and ARRA 89000.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Accrued Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

When applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and a long-term portion. The current portion is in the amount expected to be expended during fiscal year 2013. It is an estimate management determined by applying a percentage to the June 30, 2013 liability. The percentage used was determined by comparing the amount actually paid out during fiscal year 2013 compared to the liability balance at June 30, 2012.

Employees 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 annual leave as of the date of termination, up to a maximum of 240 hours.

Employees 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 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. Additionally, upon retirement, those employees with over 600 hours accumulated sick leave have the option to convert 400 hours of such leave to cash at one-half of their hourly rate.

Fair Labor Standards Act (FLSA) nonexempt employees accumulate compensation time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Exempt employees were precluded from carrying forward any unused compensation time into the next calendar year after December 31, 2003. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes. Office general fund resources have been used to liquidate accrued compensated absences.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Reversions

The General Appropriation Act of 2007, Chapter 28 Section 3, Subsection N, states that “For the purpose of administering the General Appropriation Act of 2007, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration.”

In accordance with the Department of Finance and Administration’s *“Basis of Accounting-Modified Accrual and the Budgetary Basis,”* the Office has accrued as payables amounts owed for goods and services received by June 30, 2013. Any State general fund appropriations remaining in general fund (SHARE Fund 17000) and Medicaid fraud control, special revenue fund (SHARE Fund 27800) fund balance not reserved for, litigation, or consumer settlements is reverted to the State general fund.

8. Net Position/Fund Balance

In the government-wide financial statements net position consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Office has no debt related to capital assets; therefore, net position invested in capital assets equal the capital assets, net of accumulated depreciation. Capital assets are defined as those tangible or intangible assets used in operations and having a useful life greater than a single reporting period.

The Office financial statements show net position restricted of \$2,949 for Medicaid fraud program income, \$10,202,223 restricted for consumer settlements, and \$26,872 for antitrust litigation.

Net position is reported as restricted when constraints are placed on net asset use are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be used only for the specific purposes stipulated in the legislation.

Legal enforceability means that a government can be compelled by an external party – such as citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation.

The amount of net position restricted by enabling legislation is \$10,232,044 at June 30, 2013 which represents all restricted net position reported on page 10.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net Position/Fund Balance – Continued

These resources remaining in net position were received or earned with the explicit understanding between the Office and the resource provider (grantor, contributor, other government, or enabling legislation) that the funds would be used for a specific purpose. Generally, the Office would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. All remaining net position that is not related to capital assets are shown as unrestricted.

In the governmental fund financial statements, the Office classifies fund balances into spendable and nonspendable classifications. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact until expended for its restricted purpose.

Restricted Fund Balances

In the governmental fund financial statements *restrictions* of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the fund balance account are summarized below:

Restricted for antitrust litigation – This restricted fund balance for antitrust litigation was authorized by the Laws of 1986, Chapter 19, Section 4, in order to assist in defraying the costs incurred in initiating and litigating suits.

Restricted for consumer settlements – The restricted fund balance for consumer settlement is monies received by the Office in settlement of consumer and other legal proceedings and is restricted to reimbursement of the Office's expenditures, and thus, is segregated to retain its identity as other State funds until such time as the legislature appropriates it for such use.

Restricted for Medicaid fraud program – This restricted fund balance for the Medicaid Fraud Program is monies earned for the investigative cost and fees related to Medicaid Fraud Cases that must be expended for Medicaid Fraud Program cases in accordance with federal grantor requirements.

The additional spendable classifications are detailed as follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net Position/Fund Balance – Continued

Committed Fund Balances

In the governmental fund financial statements *committed* fund balances are reported when amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (both Legislative and Executive branches through formal action). The Office has no *committed* fund balances as of June 30, 2013.

Assigned Fund Balances

In the governmental fund financial statements *assigned* fund balances are reported when amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Office does not have the authority to assign fund balance for a specific purpose. The Office has no *assigned* fund balances as of June 30, 2013.

Unassigned Fund Balances

In the governmental fund financial statements *unassigned* fund balances are reported to reflect residual fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The Office has no *unassigned* fund balances as of June 30, 2013.

Generally, the Office would first apply committed resources when an expense is incurred for purposes for which both committed, assigned, or unassigned fund balances are available.

9. Federal Grants Receivable (Deferred Revenue)

Grant revenue is recognized when all eligibility criteria for federal awards are met. Various reimbursement procedures are used for federal awards received by the Office. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, deferred revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or deferred revenue balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Federal Grants Receivable (Deferred Revenue) – Continued

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed. There are no allowances against federal receivables for fiscal year 2013.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Capital Assets

Capital assets of the Office include data processing equipment, furniture and fixtures, equipment, and automobiles. The Office does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,500 to items costing more than \$5,000. The Office has adopted this change. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, have been added to the inventory only if they meet the new capitalization policy. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment.

The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Office does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the Office are depreciated using zero salvage value and the straight-line method over the following estimated useful lives.

Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Depreciable assets are equipment items with useful lives ranging from four (4) to ten (10) years.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Capital Assets – Continued

	<u>Years</u>
Furniture/fixtures	10
Equipment and machinery	7-10
Data processing equipment	4-10
Library	10

There is no outstanding debt related to capital assets.

The Office utilizes facilities and buildings that are owned by the Property Control Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as road, bridges, etc. The Office does not own any infrastructure assets.

NOTE C – CASH AND INVESTMENTS

1. Cash in Banks

Cash on deposit with area banks amounting to \$9,483 represents amounts which are held for use by the agents of the Office. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

2. Investments, State Treasurer

State law (Section 8-6-3 NMSA 1978) requires the Office's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Office consist of their prorata interest in the State General Fund Investment Pool in the amount of \$10,394,638.

The circumstances described in Note O raise a concern in relation to the accuracy of the Office's program share of the GFIP investment balance held at the State Treasury. The Office's general fund is reverting which does not allow excessive build up of cash at the end of the year. Unspent funding is reverted and appropriations and corresponding reversions have been audited each year. The consumer settlement fund is characterized by larger, less numerous transactions that are reviewed in depth by the legislature in addition to the Office.

State of New Mexico
Office of the Attorney General

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE C – CASH AND INVESTMENTS – CONTINUED

2. Investments, State Treasurer – Continued

Such transactions have been validated by the Office each year. Additionally, the Office maintains certain compensating controls for the monitoring of cash receipts and cash disbursements. Finally, federal funding is on a reimbursement basis whereby revenues equal expenditures for each program and audit work is focused on the beginning and ending receivables for the federal grants every year.

Due to characteristics of the primary revenue sources for the Office and the presence of compensating controls, management believes that the GFIP balance of \$10,394,638 materially approximates their share of the GFIP at June 30, 2013. Any adjustments to the GFIP balance that might exist at June 30, 2013 are not known at this time.

Funds	SHARE Fund No.	Investment at State Treasurer's Office	Reconciling Items	Fair Value June 30, 2013
Major funds				
General fund	17000	\$ -	\$ -	\$ -
Medicaid fraud control fund	27800	-	-	-
Consumer settlement fund	54400	10,394,638	-	10,394,638
Total major funds		10,394,638	-	10,394,638
Non-major funds				
Medicaid program income fund	27500	2,949	-	2,949
Antitrust litigations fund	08500	26,872	-	26,872
ARRA fund	89000	9,490	-	9,490
Total non-major funds		39,311	-	39,311
Total		<u>\$ 10,433,949</u>	<u>\$ -</u>	<u>\$ 10,433,949</u>
Agency funds				
Victims restitution	69500	\$ 1,300	\$ -	\$ 1,300
Special trust	70100	11,260	-	11,260
Cummins settlement	70200	6,606	-	6,606
Mylan multi-state anti-trust	95000	317,232	-	317,232
Buspar multi-state anti-trust	12700	6,976	-	6,976
Dram matter cost share	08100	5,892	-	5,892
Total		<u>\$ 349,266</u>	<u>\$ -</u>	<u>\$ 349,266</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE C – CASH AND INVESTMENTS – CONTINUED

2. Investments, State Treasurer – Continued

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

NOTE D – DUE TO AND FROM OTHER STATE AGENCIES

The following are short-term amounts owed between other State agencies and are classified as due to other State agencies:

Due to other State agencies

Medicaid fraud – (SHARE 27800)

Public Education Department – Teen Violence	\$ 166,092
Human Services Department (SHARE 65500)	89,045
Miscellaneous	<u>16,501</u>
Net amount due to other State agencies	<u>\$ 271,638</u>

Amounts due to the Public Education Department are in relation to Teen Violence activity. Amounts due to the Human Services Department include amounts owed for the Office's participation in Medicaid fraud cases. The amounts are expected to be repaid in fiscal year 2014.

The following amounts are due from other state agencies and governments:

Southwest Money Laundering Alliance	\$ 718,443
HPPR Home Ownership Program – Settlement Funds	587,137
Miscellaneous	<u>689</u>
Net amount due from other State agencies	<u>\$ 1,306,269</u>

State of New Mexico
Office of the Attorney General

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE E – DUE FROM FEDERAL GOVERNMENT

Due from federal government represents the excess of expenditures over reimbursements received on Federal awards programs and is fully collectible based on subsequent cash collections after year-end.

NOTE F – CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions in FY 13	Deletions in FY 13	Balance June 30, 2013
Capital assets				
Data processing	\$ 316,766	\$ 33,842	\$ 20,911	\$ 329,697
Equipment	60,853	-	-	60,853
Library	1,632	-	-	1,632
Furniture and fixtures	101,702	-	-	101,702
	<u>480,953</u>	<u>33,842</u>	<u>20,911</u>	<u>493,884</u>
Total capital assets	<u>\$ 480,953</u>	<u>\$ 33,842</u>	<u>\$ 20,911</u>	<u>\$ 493,884</u>
Accumulated depreciation				
Data processing	\$ 244,775	\$ 11,108	\$ 20,911	\$ 234,972
Equipment	42,136	4,232	-	46,368
Library	1,632	-	-	1,632
Furniture and fixtures	96,632	2,027	-	98,659
	<u>385,175</u>	<u>17,367</u>	<u>20,911</u>	<u>381,631</u>
Total accumulated depreciation	<u>\$ 385,175</u>	<u>\$ 17,367</u>	<u>\$ 20,911</u>	<u>\$ 381,631</u>
Net capital assets				
Data processing	\$ 71,991	\$ 22,734	\$ -	\$ 94,725
Equipment	18,717	(4,232)	-	14,485
Library	-	-	-	-
Furniture and fixtures	5,070	(2,027)	-	3,043
	<u>95,778</u>	<u>16,475</u>	<u>-</u>	<u>112,253</u>
Net capital assets	<u>\$ 95,778</u>	<u>\$ 16,475</u>	<u>\$ -</u>	<u>\$ 112,253</u>

The Office does not have any debt related to capital assets. Depreciation expense for the current year was \$17,367 and charged to general government. There are no assets that are non-depreciable.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE G – COMPENSATED ABSENCES PAYABLE

Employees are entitled to accumulate annual leave at a graduated rate based on years of service. A maximum of 240 hours can be carried forward at calendar year-end. The Office has recognized a liability of \$980,885 in the Statement of Net Position for annual leave based on current pay rates and hours accumulated at June 30, 2013. The general fund is used to liquidate compensated absences when paid out.

A summary of changes in the compensated absences payable for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Increase	(Decrease)	Balance June 30, 2013
Current compensated absences payable	\$ 775,294	\$ 783,047	\$ (773,633)	\$ 784,708
Long-term compensated absences payable	193,824	195,762	(193,409)	196,177
Total compensated absences payable	\$ 969,118	\$ 978,809	\$ (967,042)	\$ 980,885

NOTE H – ACCRUED SALARIES, TAXES, AND BENEFITS

A portion of payroll expenditures pertaining to the year ended June 30, 2013 was paid on July 13, 2013. Since the disbursements did not occur until subsequent to June 30, 2013, accrued salaries and employee benefits payable totaling \$301,364 has been reflected in the Balance Sheet and Statement of Net Position.

NOTE I – PERA PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Office’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (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. That report is also available on PERA’s website at www.pera.state.nm.us.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE I – PERA PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION –
CONTINUED**

Funding Policy. Plan members are required to contribute 10.67% of their gross salary. The Office is required to contribute 13.34% of the gross covered salary. The contribution requirements of the plan members and the Office are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Office's employer contributions to PERA for the years ending June 30, 2013, 2012, and 2011 were \$1,527,518, \$1,514,060, and \$1,614,870, respectively, which equal the amount of the required contributions for each year.

NOTE J – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Office of the Attorney General contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment health care 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 health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care 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 health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE J – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN –
CONTINUED**

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

The 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. During the fiscal year ended June 30, 2013, 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.

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Office's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$231,302, \$207,172, and \$176,758, respectively, which equal the required contributions for each year.

NOTE K – COMMITMENTS AND CONTINGENCIES

Operating Lease Obligations – Commitment

The Office of the Attorney General is committed under several leases for office space, grounds, and various equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2013 amounted to \$676,881.

The following is a schedule by years of future minimum lease rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2013:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE K – COMMITMENTS AND CONTINGENCIES – CONTINUED

Operating Lease Obligations – Commitment – Continued

2014	\$	664,718
2015		694,593
2016		474,523
2017		34,890
2018		9,833
Thereafter		<u>-</u>
	\$	<u>1,878,557</u>

Federal Grants – Contingency

The Office of the Attorney General receives federal grants which may be refundable in the event that all terms of the grants are not complied with.

NOTE L – RISK MANAGEMENT

The Office obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance, and State unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Office are covered by a blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence for the period July 1, 2012 through June 30, 2013. There have been no reductions in coverage by risk category for the year ending June 30, 2013.

NOTE M – OTHER DISCLOSURE

As indicated in Note A, under Section 8-5-2 (NMSA 1978, as amended) the Attorney General is directed to prosecute and defend in all actions and proceedings where the State may be a party or have an interest. The Office is also authorized to compromise and settle civil actions under the management and control of the Attorney General pursuant to Section 36-1-22 (NMSA 1978, as amended).

Revenues received are the result of investigation and settlement of enforcement actions brought pursuant to the New Mexico Unfair Practices Act, Section 57-12-1, et. eq., (NMSA 1978, as amended). Cases have been brought against a number of corporations and business organizations that were alleged to be in violation of the State's laws and regulations on deceptive and misleading trade practices.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE M – OTHER DISCLOSURE – CONTINUED

Pursuant to Orders issued by the Judicial Courts of New Mexico and formal Assurances of Discontinuance, the companies agreed to change their business practices and to make contributions to consumer education/protection efforts managed by the Office of the Attorney General. The Court orders and assurances are binding and based on the statutory provisions cited above, as well as Section 57-12-8 and 57-12-9 of the Unfair Practices Act. These Court orders and assurances mandate that the Office of the Attorney General receive the payments from the settling parties, manage the funds, and use the monies only for consumer protection and education purposes.

The Office has been successful through the Consumer Protection Division in obtaining court ordered settlements from various nationally known vendors.

NOTE N – TRANSFERS

The following amounts were transferred between funds within the Office’s fund structure; to other agencies or received by the Office from other agencies:

Transfers between funds

<u>From Fund</u>	<u>To Fund</u>	<u>From (To) Transfer Amount</u>	<u>Purpose of the Transfer</u>
54400	17000	\$ 8,090,490	Transfers were made to fully utilize available consumer alert and education programs
54400	27800	<u>259,625</u>	Transfers were made to offset the cost of the Medicaid Fraud Program
Total		<u>\$ 8,350,115</u>	

Transfers from other agencies

<u>To Fund</u>	<u>From Fund</u>	<u>Transfer Amount</u>	<u>Purpose of the Transfer</u>
17000	85300	\$ 7,769,600	General fund appropriations - Legal services
27800	85300	<u>489,100</u>	General fund appropriations - Medicaid Fraud Program
Total		<u>\$ 8,258,700</u>	

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE N – TRANSFERS – CONTINUED

No transfers were inconsistent with the purposes of the funds involved. During the year a reversion was recorded for amounts specified and adjusted by DFA as a reduction in cash amounts of \$695,248 based on prior year corrections. \$425,113 of this total was corrected during year-end work and shown as payable at June 30, 2013.

NOTE O – GENERAL FUND INVESTMENT POOL NOT RECONCILED

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent expert diagnostic report revealed that Pool balances had not reconciled at a “business unit by fund” level since the inception of the Statewide Human Resource, Accounting, and Management Reporting (SHARE) system in July of 2006. This report, entitled “Current State of Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012 is available on the website of the New Mexico Department of Finance & Administration (DFA) at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional change recommend by the Project continue to be cascaded through DFA and state agencies to support to the Business Unit By Fund accounting requirements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE O – GENERAL FUND INVESTMENT POOL NOT RECONCILED – CONTINUED

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA has to date, recorded a loss contingency of \$ 101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

NOTE P – SUBSEQUENT EVENTS

Events subsequent to June 30, 2013 have been evaluated by management through December 13, 2013, the date of the auditor's report. In the opinion of management, no events occurring after June 30, 2013 required disclosure or adjustment to the financial statements.

NOTE Q – NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has published Statements No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate.

The Governmental Accounting Standards Board (GASB) has published Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position.* This pronouncement introduces a fundamental change to the reporting of elements that make up a statement of financial position. Deferred outflows of resources and deferred inflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term "net position" for reporting the residual of all elements in a statement of financial position. The statement of financial position of the Office of the Attorney General at June 30, 2013 conforms to the presentation requirements of GASB 63. There were no deferred outflows or inflows to separately report at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE Q – NEW ACCOUNTING STANDARDS - CONTINUED

The Governmental Accounting Standards Board (GASB) has published Statement No. 65, *Items Previously Reported as Assets and Liabilities*, changes the classification of various financial statement balances including several more common type transactions to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012. The Office of the Attorney General will implement this standard next year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record the governments pro rata share of the unfunded actuarial accrued liability (UAAL) on its financial statements including multiemployer cost sharing plans. The Office is a participating member of the Public Employees Retirement Association (PERA), a multiemployer cost sharing plan. See Note J. Information to implement this standard will be developed by PERA and the State of New Mexico. The implementation date for Statement No. 68 is for FY 2015. The current status of the unfunded liability for PERA is \$6.18 billion based on the most recently issued audited financial statement at June 30, 2012. Legislation was passed in the last year changing PERA's plan benefits design and contribution requirements to fully fund the UAAL within 30 years.

SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the Attorney General

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Medicaid Program Income - 27500	Antitrust Litigation - 08500	Grant - 64900	ARRA - 89000	Total Non-Major Funds
ASSETS					
Investments, State Treasurer	\$ 2,949	\$ 26,872	\$ -	\$ 9,490	\$ 39,311
Cash in banks	-	-	180	-	180
Due from Federal government	-	-	-	-	-
Other assets				1,229	1,229
	<u>2,949</u>	<u>26,872</u>	<u>180</u>	<u>10,719</u>	<u>40,720</u>
Total assets	<u>\$ 2,949</u>	<u>\$ 26,872</u>	<u>\$ 180</u>	<u>\$ 10,719</u>	<u>\$ 40,720</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-	-
Due to State general fund	-	-	-	10,719	10,719
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,719</u>	<u>10,719</u>
Total liabilities	-	-	-	10,719	10,719
FUND BALANCES					
Spendable:					
Restricted for Medicaid fraud program	2,949	-	-	-	2,949
Restricted for antitrust litigation	-	26,872	-	-	26,872
Restricted for consumer settlements	-	-	180	-	180
	<u>2,949</u>	<u>26,872</u>	<u>180</u>	<u>-</u>	<u>30,001</u>
Total fund balances	<u>2,949</u>	<u>26,872</u>	<u>180</u>	<u>-</u>	<u>30,001</u>
Total liabilities and fund balances	<u>\$ 2,949</u>	<u>\$ 26,872</u>	<u>\$ 180</u>	<u>\$ 10,719</u>	<u>\$ 40,720</u>

State of New Mexico
Office of the Attorney General

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2013

	Medicaid Program Income - 27500	Antitrust Litigation - 08500	Grant - 64900	ARRA - 89000	Total Non- Major Funds
REVENUES					
Federal grants	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenues	850	-	-	-	850
Total revenues	850	-	-	-	850
EXPENDITURES					
General government					
Current	-	-	-	-	-
Other services	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	850	-	-	-	850
OTHER FINANCING SOURCES (USES)					
Other financing sources-internal transfers	-	-	-	-	-
Reversions to State General Fund - FY2013	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	850	-	-	-	850
Fund balance, beginning of year	2,099	26,872	180	-	29,151
Fund balances, end of year	\$ 2,949	\$ 26,872	\$ 180	\$ -	\$ 30,001

State of New Mexico
Office of the Attorney General

GENERAL FUND BUDGET PROGRAMS (FUND 17000)

For the year ended June 30, 2013

The General Fund is used to account for all financial resources except those required to be accounted for in another fund (SHARE Fund 17000).

For budget purposes, the General Fund is divided into the following legal references:

Legal Services
Teen Violence
Environmental Crimes Program
Southwest Money Laundering
Traffic Safety
Methamphetamine Initiative
Internet Crimes Against Children
Human Trafficking Task Force
Water Litigation
Homeownership Preservation Program

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – LEGAL SERVICES PROGRAM**

For the year ended June 30, 2013

General Fund - Legal Services	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
State operating grants	\$ -	\$ -	\$ -	\$ -
General fund appropriation, Laws of 2012	7,769,600	7,769,600	7,769,600	-
Miscellaneous revenue	-	-	1,276,640	1,276,640
Other financing sources	8,090,300	9,394,815	8,597,770	(797,045)
	<u>\$ 15,859,900</u>	<u>\$ 17,164,415</u>	<u>\$ 17,644,010</u>	<u>\$ 479,595</u>
	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 13,346,700	\$ 13,416,700	\$ 13,049,394	\$ 367,306
Contractual services	570,500	1,520,015	1,490,566	29,449
Other	1,942,700	2,227,700	2,131,149	96,551
	<u>\$ 15,859,900</u>	<u>\$ 17,164,415</u>	<u>\$ 16,671,109</u>	<u>\$ 493,306</u>
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 972,901</u>	<u>\$ 972,901</u>
Reversion expense-FY13			(695,248)	
Prior year fund balance not considered revenue			-	
Change in fund balance per statement of revenues, expenditures and changes in fund balance-general fund (GAAP Basis)			<u>\$ 277,653</u>	

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – TEEN VIOLENCE PROGRAM**

For the year ended June 30, 2013

General Fund - Teen Violence	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
State operating grants	\$ -	\$ 115,666	\$ 129,793	\$ 14,127
Federal operating grants	-	-	164,356	164,356
Other financing sources	-	-	-	-
Total revenue and other financing sources	<u>\$ -</u>	<u>\$ 115,666</u>	<u>\$ 294,149</u>	<u>\$ 178,483</u>
General Fund - Teen Violence	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ 67,504	\$ 67,977	\$ (473)
Contractual services	-	35,502	8,135	27,367
Other	-	12,660	5,750	6,910
Total expenditures and other financing uses	<u>\$ -</u>	<u>\$ 115,666</u>	<u>\$ 81,862</u>	<u>\$ 33,804</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,287</u>	<u>\$ 212,287</u>

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – ENVIRONMENTAL CRIMES PROGRAM**

For the year ended June 30, 2013

General Fund - Environmental Crimes	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal operating grants	\$ -	\$ -	\$ -	\$ -
Other financing sources	-	-	-	-
Total revenue and other financing sources (budget basis)	\$ -	\$ -	\$ -	\$ -
Prior year fund balance carryforward	\$ -	\$ -	\$ -	\$ -
General Fund - Environmental Crimes	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ -	\$ 12,525	\$ (12,525)
Contractual services	-	-	-	-
Other	-	-	2,689	(2,689)
Total expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ 15,214	\$ (15,214)
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ (15,214)	\$ (15,214)

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – SOUTHWEST MONEY LAUNDERING PROGRAM**

For the year ended June 30, 2013

General Fund - Southwest Money Laundering	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
State operating grants	\$ -	\$ -	\$ 454,270	\$ 454,270
Other financing sources	-	-	-	-
 Total revenue and other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,270</u>	<u>\$ 454,270</u>
 Prior year fund balance carryforward	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Fund - Southwest Money Laundering	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ -	\$ 521,751	\$ (521,751)
Contractual services	-	-	-	-
Other	-	-	62,093	(62,093)
 Total expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583,844</u>	<u>\$ (583,844)</u>
 Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (129,574)</u>	<u>\$ (129,574)</u>

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – TRAFFIC SAFETY PROGRAM**

For the year ended June 30, 2013

General Fund - Traffic Safety	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
State operating grants	\$ -	\$ 87,000	\$ 79,493	\$ (7,507)
Other financing sources	-	-	-	-
Total revenue and other financing sources (budget basis)	\$ -	\$ 87,000	\$ 79,493	\$ (7,507)
Prior year fund balance carryforward	\$ -	\$ -	\$ -	\$ -
General Fund - Traffic Safety	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ 87,000	\$ 90,240	\$ (3,240)
Contractual services	-	-	-	-
Other	-	-	1,140	(1,140)
Total expenditures and other financing uses (budget basis)	\$ -	\$ 87,000	\$ 91,380	\$ (4,380)
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ (11,887)	\$ (11,887)

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – METHAMPHETAMINE INITIATIVE PROGRAM**

For the year ended June 30, 2013

General Fund - Methamphetamine Initiative	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
State operating grants	\$ -	\$ 42,345	\$ 121,143	\$ 78,798
Miscellaneous revenue	500,000	500,000	-	(500,000)
Federal operating grants	-	-	30,148	30,148
<hr/>				
Total revenue and other financing sources (budget basis)	<u>\$ 500,000</u>	<u>\$ 542,345</u>	<u>\$ 151,291</u>	<u>\$ (391,054)</u>
General Fund - Methamphetamine Initiative	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 138,863	\$ 155,947	\$ 24,322	\$ 131,625
Contractual services	222,800	244,727	5,000	239,727
Other	138,337	141,671	826	140,845
<hr/>				
Total expenditures and other financing uses (budget basis)	<u>\$ 500,000</u>	<u>\$ 542,345</u>	<u>\$ 30,148</u>	<u>\$ 512,197</u>
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,143</u>	<u>\$ 121,143</u>

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – INTERNET CRIMES AGAINST CHILDREN PROGRAM**

For the year ended June 30, 2013

General Fund - ICAC	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal operating grants (General Fund Portion)	\$ -	\$ 324,664	\$ 39,268	\$ (285,396)
Other financing sources	-	-	-	-
 Total revenue and other financing sources (budget basis)	\$ -	\$ 324,664	\$ 39,268	\$ (285,396)
 Prior year fund balance carryforward	\$ -	\$ -	\$ -	\$ -
General Fund - ICAC	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ 58,184	\$ 7,928	\$ 50,256
Contractual services	-	35,195	5,800	29,395
Other	-	231,285	34,685	196,600
 Total expenditures and other financing uses (budget basis)	\$ -	\$ 324,664	\$ 48,413	\$ 276,251
 Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ (9,145)	\$ (9,145)

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – HUMAN TRAFFICKING TASK FORCE**

For the year ended June 30, 2013

General Fund - Human Trafficking	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal operating grants (General Fund Portion)	\$ -	\$ -	\$ 24,279	\$ 24,279
Other financing sources	-	-	-	-
Total revenue and other financing sources (budget basis)	\$ -	\$ -	\$ 24,279	\$ 24,279
General Fund - Human Trafficking	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ -	\$ 101,846	\$ (101,846)
Contractual services	-	-	-	-
Other	-	-	2,331	(2,331)
Total expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ 104,177	\$ (104,177)
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ (79,898)	\$ (79,898)

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – MAJOR GOVERNMENTAL FUNDS –
GENERAL FUND (FUND 17000) – HOME PRESERVATION PROGRAM**

For the year ended June 30, 2013

General Fund - Foreclosure Prevention	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal operating grants	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	3,500,000	3,500,000	2,400,000	(1,100,000)
Total revenue and other financing sources (budget basis)	\$ 3,500,000	\$ 3,500,000	\$ 2,400,000	\$(1,100,000)
General Fund - Foreclosure Prevention	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 300,000	\$ 300,000	\$ 178,191	\$ 121,809
Contractual services	2,700,000	2,700,000	2,690,297	9,703
Other	500,000	500,000	118,649	381,351
Total expenditures and other financing uses (budget basis)	\$ 3,500,000	\$ 3,500,000	\$ 2,987,137	\$ 512,863
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ (587,137)	\$ (587,137)

Budgeted as a program of the General Fund.

State of New Mexico
Office of the Attorney General

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION –
BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS –
MEDICAID FRAUD PROGRAM INCOME FUND (FUND 27500)**

For the year ended June 30, 2013

Medicaid Fraud	Budget Original	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
General appropriations	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	-
Other revenue	-	-	850	850
Total revenue	\$ -	-	\$ 850	\$ 850
Medicaid Fraud	Budget Original	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing use	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess of revenues and other financing sources over expenditures and other financing uses			\$ 850	

OTHER SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the Attorney General

FIDUCIARY FUNDS

For the year ended June 30, 2013

Agency Funds

The Agency Funds of the Office of the Attorney General are used to account for the proceeds of settlements and court decisions until the proceeds may be distributed to the proper recipients.

Dram matter cost share fund (SHARE Fund #08100)
Victim restitution fund (SHARE Fund #69500)
Special trust fund (SHARE Fund #70100)
Cummins settlement fund (SHARE Fund #70200)
Mylan multi-state antitrust fund (SHARE Fund #95000)
Buspar multi-state antitrust fund (SHARE Fund #12700)

State of New Mexico
Office of the Attorney General

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS**

June 30, 2013

	Balance June 30, 2012	Additions	(Deletions)	Balance June 30, 2013
<u>Victims restitution fund (SHARE #69500)</u>				
ASSETS				
Investments, State Treasurer	\$ 1,300	\$ -	\$ -	\$ 1,300
Interest receivable	-	-	-	-
Total assets	\$ 1,300	\$ -	\$ -	\$ 1,300
LIABILITIES				
Deposits held for consumers and others	\$ 1,300	\$ -	\$ -	\$ 1,300
Total liabilities	\$ 1,300	\$ -	\$ -	\$ 1,300
 <u>Special trust fund (SHARE #70100)</u>				
ASSETS				
Investments, State Treasurer	\$ 11,260	\$ -	\$ -	\$ 11,260
Interest receivable	-	-	-	-
Total assets	\$ 11,260	\$ -	\$ -	\$ 11,260
LIABILITIES				
Deposits held for consumers and others	\$ 11,260	\$ -	\$ -	\$ 11,260
Total liabilities	\$ 11,260	\$ -	\$ -	\$ 11,260
 <u>Cummins settlement fund (SHARE #70200)</u>				
ASSETS				
Investments, State Treasurer	\$ 6,590	\$ 16	\$ -	\$ 6,606
Interest receivable	-	-	-	-
Total assets	\$ 6,590	\$ 16	\$ -	\$ 6,606
LIABILITIES				
Deposits held for consumers and others	\$ 6,590	\$ 16	\$ -	\$ 6,606
Total liabilities	\$ 6,590	\$ 16	\$ -	\$ 6,606

State of New Mexico
Office of the Attorney General

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS – CONTINUED**

June 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>Mylan multi-state antitrust fund (SHARE #95000)</u>				
ASSETS				
Investments, State Treasurer	\$ 316,485	\$ 747	\$ -	\$ 317,232
Interest receivable	65	28	65	28
Total assets	<u>\$ 316,550</u>	<u>\$ 775</u>	<u>\$ 65</u>	<u>\$ 317,260</u>
LIABILITIES				
Deposits held for consumers and others	<u>\$ 316,550</u>	<u>\$ 775</u>	<u>\$ 65</u>	<u>\$ 317,260</u>
Total liabilities	<u>\$ 316,550</u>	<u>\$ 775</u>	<u>\$ 65</u>	<u>\$ 317,260</u>
 <u>Buspar multi-state antitrust fund (SHARE #12700)</u>				
ASSETS				
Investments, State Treasurer	\$ 6,959	\$ 17	\$ -	\$ 6,976
Interest receivable	-	-	-	-
Total assets	<u>\$ 6,959</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 6,976</u>
LIABILITIES				
Deposits held for consumers and others	<u>\$ 6,959</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 6,976</u>
Total liabilities	<u>\$ 6,959</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 6,976</u>
 <u>Dram matter cost share (SHARE #08100)</u>				
ASSETS				
Investments, State Treasurer	\$ 5,892	\$ -	\$ -	\$ 5,892
Interest receivable	-	-	-	-
Total assets	<u>\$ 5,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,892</u>
LIABILITIES				
Deposits held for consumers and others	<u>\$ 5,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,892</u>
Total liabilities	<u>\$ 5,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,892</u>

State of New Mexico
Office of the Attorney General

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS – CONTINUED**

June 30, 2013

	Balance June 30, 2012	Additions	(Deletions)	Balance June 30, 2013
<u>Total - All Agency Funds</u>				
ASSETS				
Investments, State Treasurer	\$ 348,486	\$ 780	\$ -	\$ 349,266
Interest receivable	65	28	65	28
Total assets	\$ 348,551	\$ 808	\$ 65	\$ 349,294
LIABILITIES				
Deposits held for consumers and others	\$ 348,551	\$ 808	\$ 65	\$ 349,294
Total liabilities	\$ 348,551	\$ 808	\$ 65	\$ 349,294

State of New Mexico
Office of the Attorney General

SCHEDULE OF CASH ACCOUNTS

June 30, 2013

Account Name	SHARE Fund No. Account Number	Balance per Depository	Reconciling Items		Reconciled Balance at June 30, 2013
			Outstanding Warrants	Other	
Governmental fund types					
Wells Fargo Bank:					
General fund-petty cash fund	17000	\$ 9,303	\$ -	\$ -	\$ 9,303
Grant fund-checking	64900	180	-	-	180
		<u>\$ 9,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,483</u>
Total governmental fund types		<u>\$ 9,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,483</u>
Total - all cash		<u>\$ 9,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,483</u>

State of New Mexico
Office of the Attorney General

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

<u>Federal Agency/ Grantor/Program/Pass through entity</u>	<u>Federal CFDA Number</u>	<u>Grant Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Direct Programs:			
Medicaid Fraud Control Unit: 01-07-01-NM-5050	93.775	\$ 1,455,300	<u>\$ 865,460</u>
Total U.S. Department of Health and Human Services			<u>865,460</u>
U.S. Department of Justice:			
Direct Programs:			
Office of Juvenile Justice and Delinquency Prevention: Investigative satellite initiative - Internet Crimes Against Children (ICAC)	16.543	296,824	233,132
Meth Initiative Public Safety Partnership and Community Policing	16.710	500,000	30,148
New Mexico Human Trafficking Task Force	16.753	215,000	<u>152,591</u>
Total U.S. Department of Justice			<u>415,871</u>
Total expenditures of federal awards			<u>\$ 1,281,331</u>

Notes to Schedule of Expenditures of Federal Awards

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards was prepared using the modified accrual basis of accounting.

B. Noncash Assistance

The Department did not receive any federal awards in the form of noncash assistance or loan assistance during the year.



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

Honorable Gary K. King, Attorney General
Office of the Attorney General
and
Mr. Hector H. Balderas, State Auditor
Office of the State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons for the General Fund and Major Special Revenue Funds, and the aggregate remaining fund information of the Office of the Attorney General (the Office), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements. We have also audited the financial statements of each of the Office's non-major governmental funds and respective budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. This finding can be referenced as item 12-01.

Compliance and Other Matters

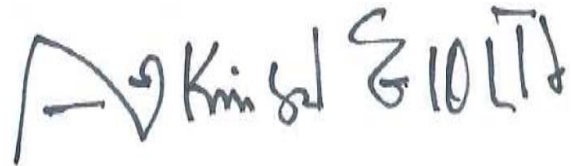
As a part of obtaining reasonable assurance about whether the Office of the Attorney General's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 are required to be reported under *Government Auditing Standards* and can be referenced as item 13-01.

The Office's Response to Findings

The Office's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Office'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "King & Co. LTD", with a stylized flourish to the left.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
December 13, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Gary K. King, Attorney General
Office of the Attorney General
and
Mr. Hector H. Balderas, State Auditor
Office of the State Auditor

Report on Compliance for Each Major Program

We have audited the State of New Mexico, Office of the Attorney General's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Office of the Attorney General's major federal programs for the year ended June 30, 2013. The Office of the Attorney General's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Office of the Attorney General's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Office of the Attorney General's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Office of the Attorney General's compliance.

Opinion on Each Major Federal Program

In our opinion, the Office of the Attorney General's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 13-01.

The Office's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Office's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

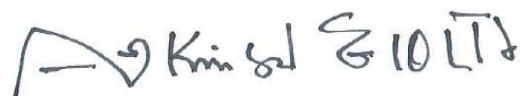
Report on Internal Control Over Compliance

Management of the Office of the Attorney General is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Office of the Attorney General's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Office of the Attorney General's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Atkinson & Co., Ltd.

Albuquerque, New Mexico
December 13, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes none reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.775	Department of Health and Human Services: State Medicaid Fraud Control Units

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the year ended June 30, 2013

II. Findings – Findings and Questioned Costs – Major Federal Award Programs Audit

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.775	Department of Health and Human Services: State Medicaid Fraud Control Units

Questioned costs: None

III. Status of Prior Audit Findings

Financial Statement Findings Required by *Government Auditing Standards*

12-01 General Ledger Reconciliations - Repeated and modified

Findings in Accordance with OMB Circular A-133

12-02 Lack of Time Certifications - Resolved

Findings in Accordance with 2.2.2. NMAC

12-03 Noncompliance with Capital Asset Requirements - Resolved

IV. Current Audit Findings

Financial Statement Findings Required by *Government Auditing Standards*

12-01 General Ledger Reconciliations (Significant Deficiency)

Findings in Accordance with OMB Circular A-133

13-01 Failure to Submit Required Quarterly Report Timely (Compliance)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the year ended June 30, 2013

Financial Statement Finding Required by *Government Auditing Standards*

12-01 General Ledger Reconciliations (Significant Deficiency)

Condition:

Federal accounts receivable, accrued liabilities, other financing sources, and net position were all misstated on the trial balance the Office provided at the beginning of the audit.

Criteria:

Chapters §6-5-1 through §6-5-6, NMSA 1978, set requirements for State agencies. The statutes require State agencies to implement internal accounting controls designed to prevent accounting errors and violations of State and Federal law and rules related to financial matters.

Cause:

Reconciliations of these accounts were not performed in advance for year-end purposes.

Effect:

The Office did not have accurate financial information during FY 2013 to close out its financial functions and prepare for the audit.

Recommendation:

We recommend the Office perform monthly reconciliations of all balance sheet accounts. We recommend that the office consider additional resources at year end to bolster its financial close process for audit.

Responsible Official's View:

Although we have made improvements in reconciliation processes, we have not been successful in timing our Budget Adjustment Request approvals to coincide with the need to draw down additional funds from our consumer settlement funds and grant awards to supplement our general fund budget. We continue to bolster our efforts to follow model accounting practices and deadlines set forth by the Department of Finance and Administration. We feel that we have made improvements to better control our reconciliation process, however, we understand that we are not yet fully successful.

We have realigned our duties and processes and now feel more comfortable that we have adequate staffing to make significant improvements in reconciliation and reporting. We intend to adopt the auditor's recommendation that we employ additional resources at year-end to bolster our financial close process for audit.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the year ended June 30, 2013

Findings in Accordance with OMB Circular A-133

**U.S. Department of Health and Human Services
State Medicaid Fraud Control Units CFDA 93.775
Award Period: 7/1/2012-6/30/2013
Questioned Costs: None**

13-01 Failure to submit SF-425 report with 30 days of quarter end.

Condition:

For 1 out of 2 reports tested, the Office did not submit the SF-425 report with 30 days of quarter end as required by the grant. There was no evidence of an extension request.

Criteria:

The grant award contains a requirement that every expenditure must be submitted on Standard Form (SF-425) within 30 days after quarter end. If the grantee is unable to submit the report by the due date they must request an extension.

Cause:

There was a transfer of responsibility for certain program reporting requirements during the year due to the retirement of certain staff. A report for the second quarter was inadvertently not filed according to the deadline during this transition.

Effect:

The Office is not in compliance with Federal reporting requirements. The delay in submission could delay reimbursement of expenses.

Recommendation:

We recommend a monitoring system be implemented to ensure all reports are submitted within the 30 day after quarter end deadline.

Responsible Official's View:

We are very careful and have procedures in place to assure that we submit our monthly requests for drawdown and our quarterly SF-425 reports on a timely basis. The late submittal cited in this report was a one-time incident that has not been repeated. This occurrence was due to a retirement at year-end and the retiring employee's failure to inform us that she had disabled the passwords in place upon her departure. Therefore, we were left without the passwords required to submit our SF-425 to the Federal Payment Management System, although we had completed the report timely and had it ready for submittal. The time required to re-register and receive our new passwords caused the submittal to be late. We did contact our Grant Administrator to report our issue.

FINANCIAL STATEMENT PREPARATION

June 30, 2013

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Office's Finance Manager. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are correct and in balance. Management has reviewed and approved the financial statements.

EXIT CONFERENCE

An exit conference was held on December 9, 2013 to discuss the audit. The following individuals were in attendance:

State of New Mexico – Office of the Attorney General

Gary K. King, Attorney General
Evangeline Tinajero, Administrative Services Division Director
Tammy Herrera, Finance Manager

Independent Auditor – Atkinson & Co., Ltd.

Martin Mathisen, CPA, CGFM, Audit Director
Jeremy Ginnett CPA, Audit Senior

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